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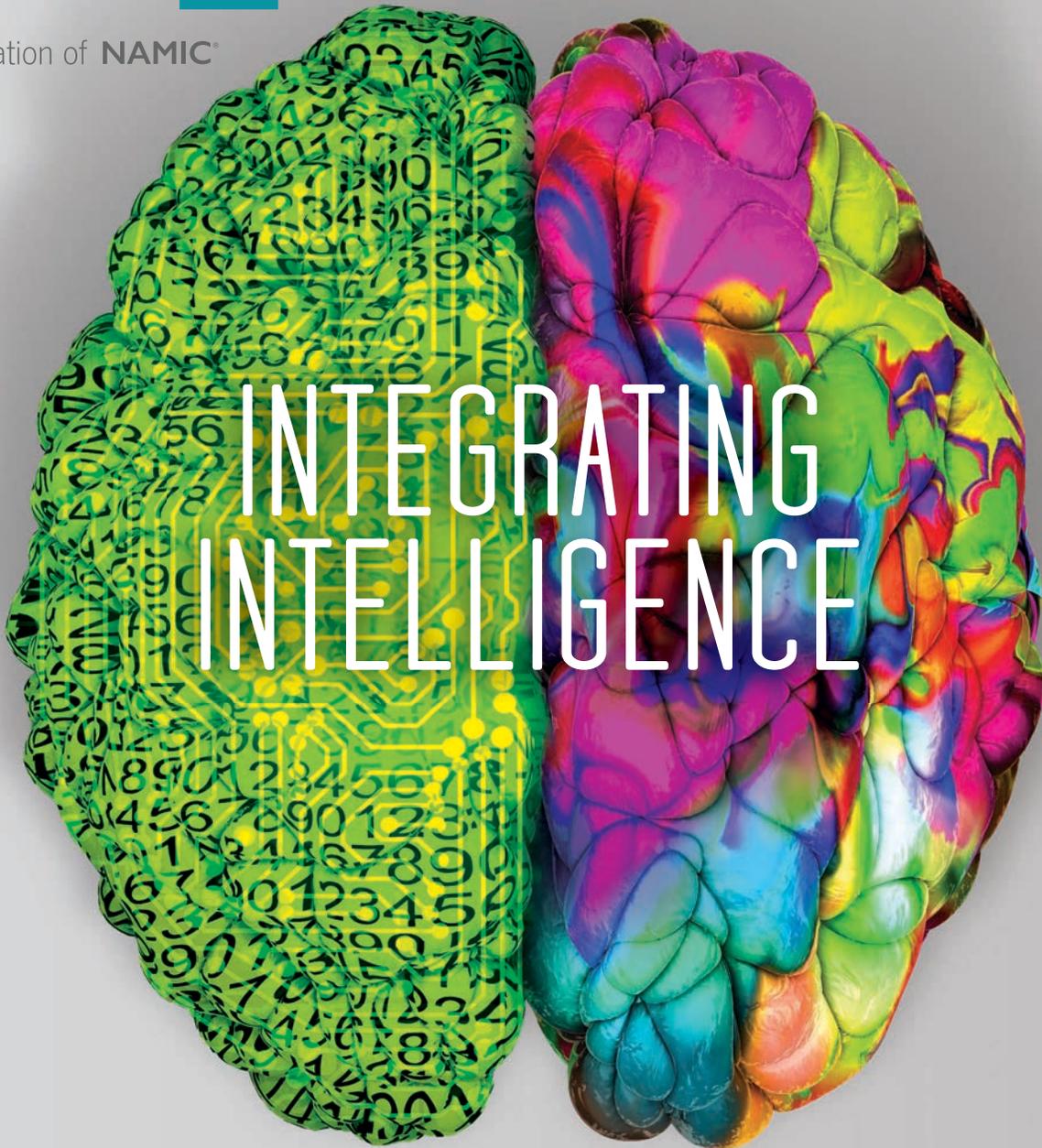


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# [IN]SURANCE

Fall 2019

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## INTEGRATING INTELLIGENCE

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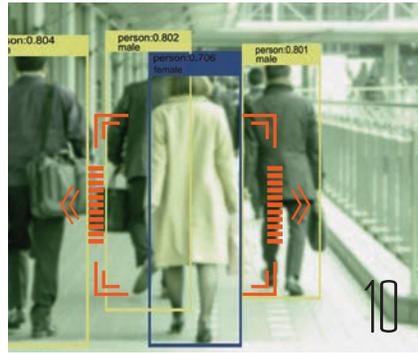
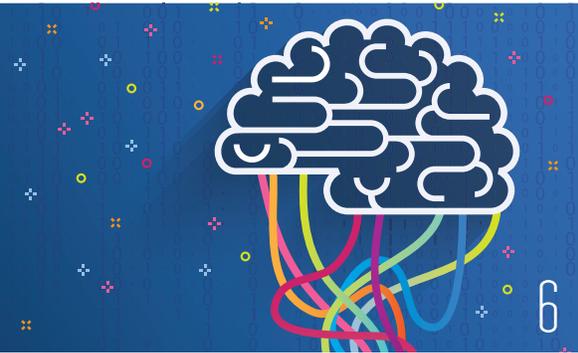
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# The Sky Isn't Falling

TECHNOLOGY HAS INDEED CHANGED THE WAY THE INSURANCE INDUSTRY DOES BUSINESS. BUT RATHER THAN LOOKING AT IT AS A THREAT, WE MUST TAKE ADVANTAGE OF IT.

 CHUCK CHAMNESS

"The sky is falling!" "The insurance world as we know it is coming to an end!" "Be prepared to be disrupted, changed forever, maybe even eliminated!"

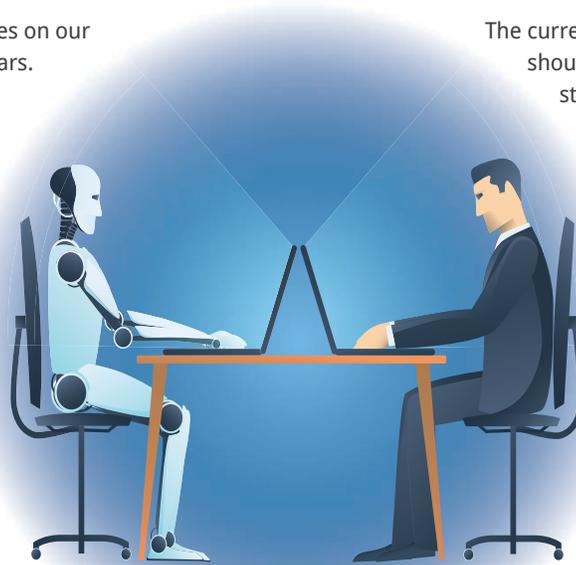
We've all seen these kinds of headlines on our industry's newsfeeds the past few years. And they have all been followed by stories about insurtech companies predicted to take down a two-century-old, \$500-billion industry. Taken at face value, those headlines were daunting, maybe even a little panic-inducing for some NAMIC member companies. But a few years removed from these initial headlines, we're seeing that they aren't true ... not entirely anyway.

Is our industry being changed forever by technology? Yes, there is no doubt about that. It even has the potential to reinvent some of the fundamentals of this business. By now, though, should be used to the evolving nature of our industry as well as technology's place in that evolution. Insurtech isn't any different, it just has a specific name attached to it.

The majority of advances coming from the companies that fall underneath the insurtech umbrella won't put NAMIC member companies out of business. Instead, they'll assist legacy carriers ... and they're the ones managing the upfront costs to proof out these concepts.

All too often, people get caught up in the buzzwords such as insurtech, artificial intelligence, machine learning. But I encourage people to think back to the times when they weren't in our everyday lexicon, when it was simply called technology. The focus was not on the words, but on the efficiencies that came from that technology. It was easy to see how automating

processes sped them up ... in a cost-effective manner. The cost-benefit analysis was clear, and it was easy to see why companies adopted those technologies.



The current technological evolution can and should be viewed similarly, though the stakes may be higher. We are a data-driven industry, after all. When these insurtech companies can help us tease out characteristics that were previously unknown and make them meaningful in the insurance world, why wouldn't we use that to our advantage?

In the following pages of this issue, you'll find articles that will discuss our tech environment, how it can be used to the industry's advantage, and what challenges insurers still need to overcome to see the full potential.

You can also find this kind of information — on similar as well as other technology-related topics — in so many of our public policy issue analyses and at NAMIC-hosted educational events.

At the end of the day, we know that emerging technologies and the efficiencies that come with them are important realities we will embrace as an industry. We also know that there will be regulatory implications that come along with these advances. As an association, our job is not only to help support the technology evolution within companies, it is to facilitate the right regulatory environment in which NAMIC members can do business. It's just another way NAMIC works to ensure the future of the mutual insurance industry. 



# A Reimagining of Business

IN THE TECHNOLOGICAL WORLD WE CURRENTLY LIVE IN, COMPANIES ARE LOOKING TO TRANSFORM THEIR STRATEGIES TO STAY RELEVANT. THE BIGGEST CHALLENGE IS KNOWING WHERE TO BEGIN.

 LAUREN ANDERSON

"Begin with the end in mind." For anyone who's read Stephen Covey's "The 7 Habits of Highly Effective People," this advice should sound familiar. The message shouldn't be reserved only for effective people, though. It is equally important for business entities grappling with how to transform their strategies for the digital age.

Their end game is to reach the next stage of profitable growth, which requires digital transformation, at least in most cases. But that journey can seem overwhelming for companies founded before the rise of the internet — a majority of mutual insurers included.

Digital transformation as a concept is very fluid and can look different in every industry and company. But, generally speaking, it is the process of using technology to create new or modify existing business processes, fundamentally changing how a business operates and delivers value to the end customers with constantly evolving needs.

Put more simply, it's a reimagining of business in the digital era.

"[Digital transformation] is fundamentally not a challenge about technology," says David Rogers, faculty member at Columbia Business School and author of "The Digital Transformation Playbook." "It's about strategy and new ways of thinking."

"Now, to take advantage of that, you need to have the right leadership," Rogers continues. "That's the key."

That is where **Ben Salzmann**, president and CEO of **Acuity**, says he notices insurance companies falling short.

"Executives don't know how to transform digitally," Salzmann says. "So, yes, there's a hesitancy."

## What Makes Your Organization Unique?

Acuity, however, has taken the digital transformation concept and ran with it. Salzmann and his team sought Rogers' help in 2017 to craft and structure Acuity's own digital transformation playbook. But before the leadership team could move forward with a digital strategy, the first step was to answer a fundamental question: What makes the organization unique?

"You hear [mutual insurance executives] say, 'Well, a group of farmers got us together as a way of getting cheaper insurance in their county.' Same here," Salzmann says. "But what are you now? How do you hope to position yourself ten years from now, if you don't know who you are now?"

Rogers advises companies to start with a clear vision of where the industry is going, which, in part, comes from educating themselves about what's happening with technology. However, it also comes from a deep knowledge of one's customer base, which mutual insurers inherently possess because of their longstanding relationships with policyholders.

By virtue of this self-seeking process, Acuity found its discerning quality in its customer service. Salzmann says the company meets the needs of "value seekers" through its expert underwriting, its dedication to technology, and its commitment to customer service and rapid response times.

## Using Data to Add Value

Part of Rogers' strategic approach to digital transformation involves



harnessing data to make new kinds of predictions, uncover unexpected patterns in business activity, and unlock new sources of value.

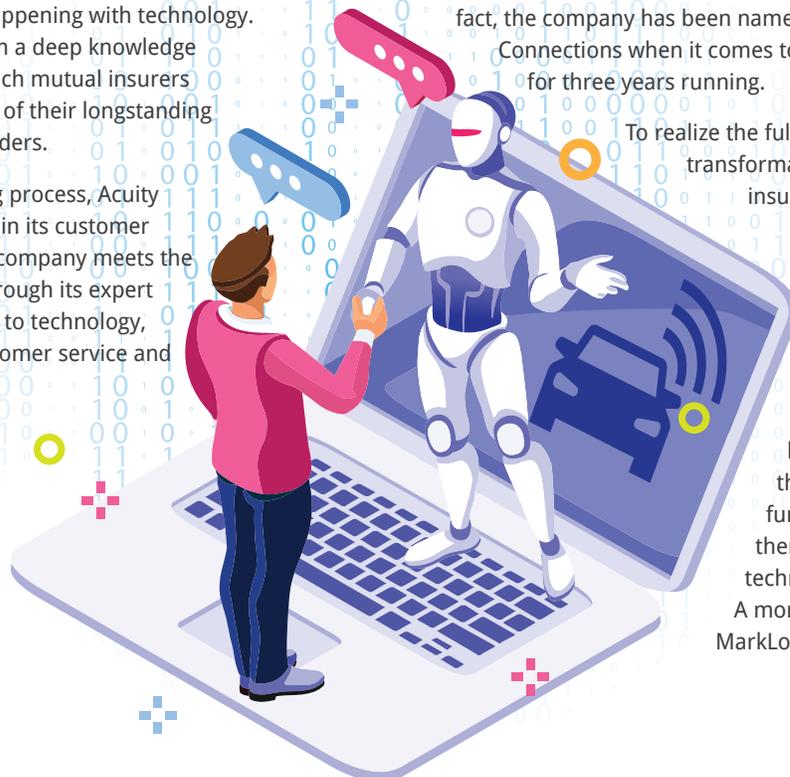
Insurers have traditionally used enormous amounts of consumer data to influence underwriting and claims handling and reduce fraud. However, Rogers suggests going beyond the obvious and finding new ways to leverage that information across the entire business.

"Whether it's telematics in cars or sensors in homes or farm equipment," Rogers says. "All of these things can help [insurers] predict, prevent, and better evaluate and underwrite risks and think about how to create value for customers."

Acuity found that meeting clients online via mobile platforms helped develop its niche in customer relationships. By creating a home for engaging content on the Acuity Focus blog, its Facebook page, its mobile app, and its website, the team was able to simplify and enhance interactions with customers. In fact, the company has been named No.1 by Deep Customer Connections when it comes to ease of doing business for three years running.

To realize the full value of a digital transformation investment,

insurance companies must overcome the obstacles presented by incompatible legacy technology. A 2019 study by Accenture found 47 percent of survey respondents say a lack of collaboration with the information technology function is preventing them from realizing their technology investments' value. A more recent 2019 report by MarkLogic Corporation confirms



more than one-third say an inability to integrate data across the business prevents them from achieving a single, unified view.

A common mistake Rogers sees when working with companies is that they're too narrow in their focus, only thinking of digital transformation in terms of one particular piece of the company.

*"It's very important to think about every aspect of your business," Rogers says. "It's about customer-centric, strategically focused business that's going to continuously adapt and evolve over the long term."*

Throughout his year working with Acuity, Rogers discovered the organization was able to move much faster with its digital transformation strategy than other companies because it wasn't trying to do it all itself and looked to other companies to support its goals.

## Call It Co-Opetition

Being willing to simultaneously compete and cooperate with companies is what Rogers likes to call "co-opetition." He says the concept runs counter to what has traditionally been taught in business school, but that flexibility is critical in the digital era.

"You've got to know who is out there, what their capabilities are, how they work with your business," Rogers says. "This allows you to actually move much faster and experiment. And Acuity is certainly being very aggressive and innovative in terms of pursuing a new business model."

In fact, Acuity prides itself in what it calls "nimble-ocity," or its ability to integrate all systems effortlessly with any third-party vendor.

"That's been the biggest defining characteristic," Salzmann says. "We can partner with any vendor in two weeks."

Achieving that co-opetition was a massive undertaking for Acuity. The company actively works to keep its core systems as advanced and modern as possible, which requires enormous shifts to all its applications, the addition of predictive analytics in every department, and implementation of cognitive computing and artificial intelligence.

Overhauling complex systems and processes can be costly and time consuming. Rogers says it presents different challenges for companies of all shapes and sizes, and the challenges might be unexpected.

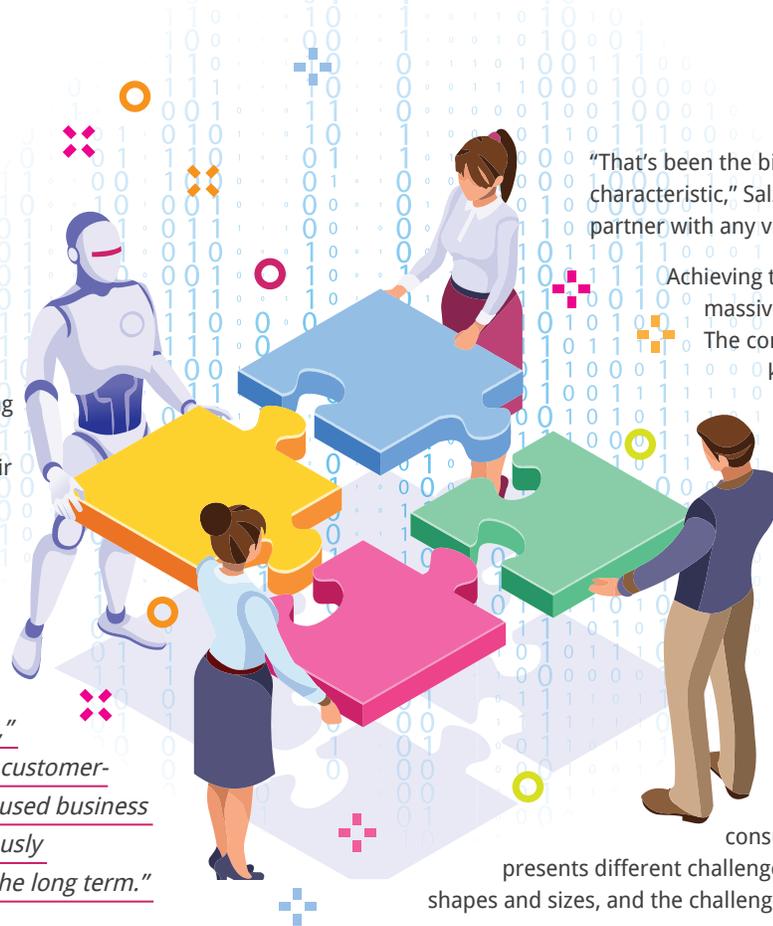
"I know smaller companies always think that they're at a disadvantage because they have fewer resources," Rogers says. "But they're able to move faster. If they are willing to partner with others, they can use their speed and flexibility to their advantage."

*As technology rapidly evolves in the insurance world, there is a recognizable shift from symmetric to asymmetric competition. It means companies can expect to compete with more businesses that offer similar value propositions for customers while having dissimilar business models. While some organizations might view these market entrants as threats to their traditional way of doing business, it became obvious to Acuity that asymmetric competition didn't have to be menacing.*

"Hey, new ascensions. Biggest disruptors. We'll partner with you," Salzmann says. "We will help you in the disruption."

Salzmann says the Acuity team has become adept in determining which insurance trends the company should invest in, but it didn't happen overnight. For companies looking to begin their own digital transformation, Rogers and Salzmann offer the same advice: Start small. It's much better than not starting at all.

"One thing that you can't afford to do is stand still," Rogers says. "The instinct to do the things the way they've always been done is a recipe for irrelevance." 





## Harnessing the Power of Social Media in Digital Transformation

**Acuity's** company-wide involvement with social media has become a valuable tool to engage current and future policyholders. The online presence allows customers to know Acuity as a company and how to seek it out.

"If I'm involved in social media, that's good. It means I'm plugged in, but it's wholly inadequate," **Ben Salzmann**, Acuity's president and CEO, says. "The entire company has to be immersed in social media."

The solution for Acuity? Purchase every employee in the organization an iPad.

Acuity created an employee advocacy group where 85 percent of employees share social media content with their network of friends. It's all possible because everyone from the mailroom attendant to the CEO has the tools to make it happen. There is an agent advocacy group of 27,000 producers doing the same thing.

"It goes well beyond a small unit of people," says **Shane Paltzer**, vice president of marketing and personal lines at Acuity. "We certainly have a branding and communications area that drives social media content, but both [advocacy] groups help us drive traffic and awareness and harness the power of social media."

Yet, an effective social media strategy is about more than just creating a business

page on Facebook. Mitch West, regional director for Nexstar Media Group, says you can't simply set it and forget it.

"You first have to admit that you're never going to outperform family and friends' [social media] pages, but you can be a close second," West says. "And you can only be a close second if you actually have engaging information."



West says the internet has increased the competition for customer attention. The average American went from being exposed to roughly 500 advertisements a day in the 1970s to as many as 5,000 ads a day now. Snowballing that complexity, social media platforms are now making it even more difficult for businesses to reach their followers organically.

Facebook traffic took a nosedive for many businesses in 2018 after the social media platform changed the algorithm that decides what content appears in a person's feed. If consumers suddenly aren't liking, commenting, or sharing posts from a local business, Facebook assumes those people are no longer interested. Of course, an organization could always pay to promote its posts, but the cheaper option is to work on improving the content.

To earn those valuable engagement clicks, West recommends giving the people what they want. He says content should run the gamut from fun and light-hearted to more serious and significant to help educate a business' audience.

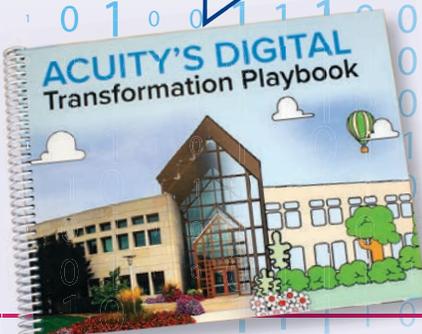
"It's about keeping your name and brand out there," West says. "With insurance, it's not flashy; it's about savings and convenience. People remember 'Fifteen minutes will save you fifteen percent or more' because it's about service and savings.

"When you have engaging content, people read it. They look at it," he continues. "If you're using any level of sophistication, you're able to add tags and monitor who's coming to your website. That information is so important. A lot of organizations have that data, but they have no idea what to do with it." [IN](#)

## Inside Acuity's Digital Transformation Playbook

Each chapter in Acuity's Digital Transformation Playbook highlights a key area of focus in the organization's digital journey:

1. Future of the Insurance Industry
2. Defining and Comparing Acuity's Unique Strength
3. Identifying Asymmetric Competitors
4. Early Warning Framework
5. Value Proposition Roadmap
6. Growth Strategies in the Digital Age
7. Digital Customer Experience for Commercial and Personal Lines
8. Operationalizing Everything [IN](#)



# To Catch a Fraudster

FRAUD HAS BEEN A COSTLY PROBLEM FOR INSURERS FOR AS LONG AS MOST PEOPLE CAN REMEMBER. HOWEVER, NEW TECHNOLOGY IS MAKING IT EASIER TO DETECT AND PROVE THE DEVIANT ACTS.

 MICHAELA HARRIS

We've all been there: you finally took that big trip and can't wait to share your jealousy-inducing pictures across all your social channels. You just had the experience of a lifetime; it's only natural that you want your friends and family to share in the excitement.

And truth be told, your online community may just be as excited to view those photos and watch your life unfold as you are to share them. Most individuals are extremely busy, and while there may not be enough time in the day for regular visits with everyone who's important in their lives, there's a strange comfort in knowing that photos, videos, and status updates from family and friends are only a click away.

Yes, social networking has certainly changed the way society interacts. And as time passes, the amount of information being shared through social channels has only increased.

"People have an irresistible impulse to share their lives in public," says James Quiggle, the Coalition Against Insurance Fraud's director of communications. "It's how millions of Americans are wired today. They cannot resist placing their names, activities, photographs, and vacations all over their Facebook, Twitter, Instagram, and Reddit sites for all their buddies to see. It's simply how people interact today."

On occasion, this impulsive need to share leads to oversharing, a word that is usually construed in a negative sense. Yet, in terms of social media and the insurance industry, oversharing has paved the way for investigators to uncover fraudulent claims. With an estimated \$32 billion in property/casualty insurance fraud per year, according to the Insurance Information Institute, every avenue of fraud investigation and discovery plays an important role – and social media is no exception.

"Social media investigations are very effective ways to help confirm whether a claim is accurate or whether it's suspicious and deserves further investigation. So, it's a great truth-getter for fraud investigators," Quiggle says.

While investigators have been searching social media as a means of fraud detection for years, the tools involved have become more sophisticated and readily available. What started as manual searches has evolved into software specifically developed to simultaneously search multiple social media sites based on the investigator's search parameters.

These software applications can run facial recognition, chain together check-in locations to create a GPS trail, and search post and status-update history for key words or phrases. One reason these tools have such powerful impacts is because the information gathered doesn't just come from a person of interest but from his or her family, friends, or acquaintances. Often, there is data

floating around on the internet that he or she has no clue even exists. But if the information is out there, investigators can surely find it.

In our highly connected society that is always one step away from the next technological

advancement, fraud detection through social media is only part of it.

Quiggle shared a recent example of how technology was used in a new way to disprove a fraudulent claim. Authorities obtained a search warrant to pull data from a claimant's pacemaker after noting inconsistencies with his account of events after his house caught fire. The man claimed to have tried to save some of his possessions, moving several heavy objects from his home within a short period of time after the fire broke out. Through information gleaned from the pacemaker, a cardiologist determined the claimant's version of events was highly improbable given his health condition.

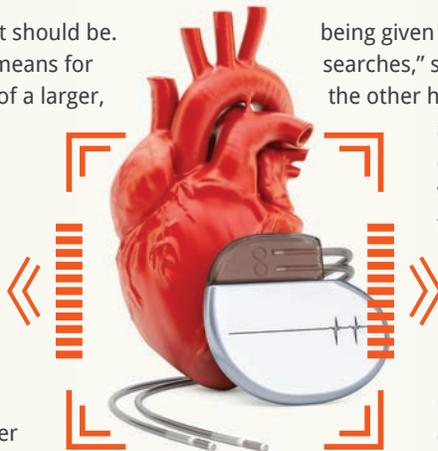
While technology such as the pacemaker can aid in fraud investigations, investigators should be mindful when establishing search parameters and determining the depth of information they seek to uncover. Just because information can be obtained doesn't



necessarily mean that it should be. Using technology as a means for fraud detection is part of a larger, complicated privacy issue. The balance between conducting a thorough investigation and protecting an individual's right to privacy is a delicate one.

The privacy issue came to light in the pacemaker case, as the defendant argued that the data was obtained without his consent and infringed on his medical confidentiality. Ultimately, the judge deemed the data admissible in court. These types of cases have generally gone in favor of investigators, but as a growing number of similar cases enter the courts, privacy advocates will continue to push for stricter regulations.

"I'm not sure that privacy advocates are especially happy about the wide latitude



being given to social media searches," says Quiggle. "On the other hand, this helps solve a legitimate and costly crime while still protecting the normal privacy rights of claimants."

When using technology as a means for fraud detection, there are a few considerations for insurers. "You

need to start with an investigator who can frame the dimensions of the search and [determine] what the clues [and] search terms are," says Quiggle.

Geoff Baker, deputy director of the Idaho Department of Insurance and former director of compliance for NAMIC, agrees. Baker says that in terms of technology use in fraud investigations, there are questions insurance companies should ask themselves before launching

an investigation. "Are the claims personnel trained well enough? Do they know what they are looking for? Do they know how to do it?" he says. "Or is it something they should be referring on to their special investigations unit?"

Baker points out that while there are a lot of tools available to assist in investigations, it is easy to go down a rabbit hole and base a claims decision on misinformation. This only reinforces the importance of conducting a fair, thorough investigation using a trained professional.

There is still so much to learn about how to effectively use technology as a fraud detection tool while also keeping an individual's right to privacy at the forefront. But as policy is shaped and the industry continues to grow and adapt to changing trends, technology just may become one of the most powerful tools to prevent insurance fraud. [IN]



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# Blockchain: From Concept to Reality

BLOCKCHAIN MAY NO LONGER BE JUST AN INDUSTRY BUZZWORD. AND WHILE MULTIPLE ORGANIZATIONS HAVE APPLICATIONS READY FOR PRODUCTION, LIKE ALL POTENTIAL DISRUPTIVE TECHNOLOGY, BLOCKCHAIN IS FACING ITS SHARE OF CHALLENGES.

 Lindsay Robison

Disruptor. Game changer. The Uber of finance. Certainty as a service. The future of business. The next everything.

Each of these words and phrases has been used to describe blockchain. And, by now, we've all heard about the technology. It's even hit mainstream media channels. If you're one of the people who still watches network television, you've probably seen a commercial about it. **IBM** has introduced at least a couple of 30-second spots, telling the general public about blockchain.

But if you're still a little foggy about what exactly blockchain is, how it's going to become this predicted game changer and when exactly it will take over the world, don't worry, you're not alone. Blockchain's role in the property/casualty

insurance industry is still evolving, though various industry groups are working to make the blockchain picture clearer.

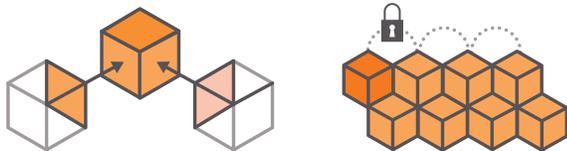
"It's a complex subject, everyone in the space is still learning about it," assures Patrick Schmid, vice president of RiskStream Collaborative at The Institutes, "so we're all learning together."

## Defining Blockchain

In case you need a refresher on what exactly blockchain is, here goes. The behind-the-scenes technology that creates blockchain is complex, as are the ways in which it can be used by industries around the globe; however, the overall concept is relatively simple. Blockchain is a mutually distributed digital ledger in which transactions are recorded chronologically. The blocks are chained together



using cryptography, with each block containing its transaction/data and a cryptographic hash. Within a blockchain network, each participant owns a copy of the ledger. When participants have new transactions/data associated with the application, they simply add it as new block that is verified by a distributed consensus mechanism that ensures valid transactions. Therefore, everyone has the same version of the "truth."



## Disruptive Potential

The reason behind blockchain's potential disruptivity ... for any industry ... has to do with seamless permissioned data sharing, improved recordkeeping, and security. For the insurance space, add to those the ability to create event-triggered smart contracts, increase back-end efficiency, provide disintermediation, better determine pricing, assess risks more accurately, offer new products, and reach the underserved. Essentially, this technology could assist every department in every insurance company.

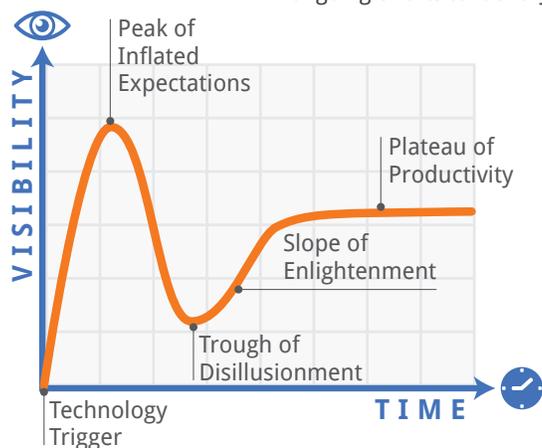
"We believe blockchain is going to do for business transactions what the internet did for information," says **Ginni Rometty**, CEO of IBM.

Certainly, the growth in blockchain has been astounding. A June 2018 McKinsey article says that between 2016 and 2018 more than half a million new publications on blockchain were released and the term had been searched on Google 3.7 million times. Venture-capital funding for blockchain start-ups hit the \$1 billion mark in 2017. A 2018 World Economic Forum survey predicted that 10 percent of the worldwide gross domestic product will be stored on blockchain by 2027.

Even with these kinds of numbers and so many people believing the technology could be a game changer, **Jonathan Rodgers**, **NAMIC's** director of financial and tax policy, believes blockchain reached the pinnacle of its hype in 2017.

"Everyone was talking about it, saying it was going to change the world," he says. "Companies were even changing their names, even. There was at least one famous story: The Long Island Iced Tea Company changed its name to Long Blockchain. They really wanted to buy in on the hype."

As did many other organizations, which is why the research, advisory, and information technology firm Gartner shows blockchain as reaching its peak of inflated expectations in 2017, and it is currently on its slide



Source: Gartner Hype Cycle

down to the trough of disillusionment. This is based on what Gartner calls its "hype cycle." This hype cycle is supposed to "represent the maturity, adopting, and social application of specific technologies."

This cycle is said to visually illustrate scientist and futurist Roy Amara's "Amara's Law," which says, "We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run."

## From Concept to Reality

The important thing now is to move beyond the initial excitement to see what blockchain can actually do for the industry. And a couple of organizations are close to launching production-ready applications

### *RiskStream Collaborative: Insurer to (Re)Insurer*

The Institutes' began studying blockchain and its potentials for the insurance industry in 2015. Because the group is what RiskStream Collaborative's Schmid calls "Switzerland for the insurance industry," leaders decided there would be no better entity than The Institutes to develop a consortium. Today, RiskStream Collaborative comprises roughly 40 insurance/reinsurance organizations that are working toward production-grade distributed ledger applications for insurance verification, first notice of loss, and reinsurance placements.

In the reinsurance placement example, a broker electronically sends all the necessary information for a potential contract into the marketplace through RiskStream's framework. Reinsurers connected to that framework respond through it, giving the broker a quote that can then be tweaked and presented to the insured. It eliminates the need for paper transactions and could improve contract certainty and cycle time

Earlier this year, **RenaissanceRe** partnered with **Aon** and **Guy Carpenter** to test this blockchain concept. **Karl Stanley**, vice president of technology ventures for RenRe, says his company considered the proof of concept to be very successful, and he is hopeful that additional projects will add even more value to the process.

"We joined RiskStream Collaborative early on as part of our ongoing efforts to identify areas of our industry that are pre-competitive or non-differentiating and find ways to share the development costs of technology infrastructure with our peers," he says. "We view transferring data along the supply chain from consumer to insurer to reinsurer — with other aggregators of risk along the way — to be a low value-added activity from the individual standing. But the entire industry could benefit from building a common set of tracks on which they can move data along."

Schmid agrees. "One of the ways for the industry to remain profitable is to improve operational efficiencies," he says. "Blockchain and broader distributed ledger technology can help by smoothing transition of information exchanged between parties."

"There is so much of that in insurance. There is a lot of recordkeeping, a lot of redundancy, and blockchain can streamline that," he continues. "That is exciting and one of the reasons so many organizations are interested in applying it to solve business problems."

### AAIS: Insurer to Regulator

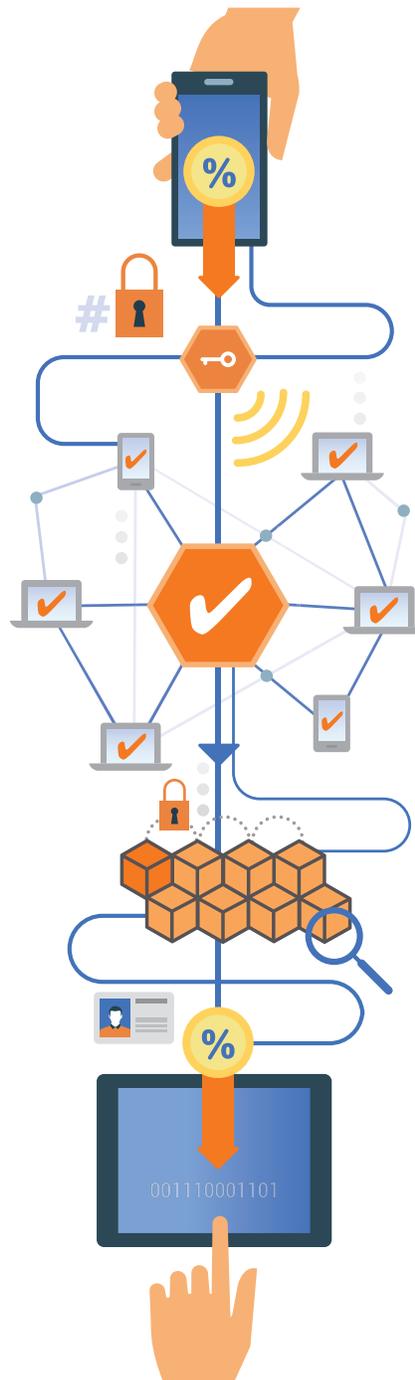
**The American Association of Insurance Services** has created a production-ready blockchain application, but from a dramatically different perspective, a perspective which the organization says will revolutionize the way insurers and regulators interact. AAIS began tracking blockchain and its potential three or four years ago. The organization quickly realized the possibility for blockchain to transform the data call reporting system. AAIS invited a group of regulators, carriers, and data providers to design thinking sessions that would help guide the development of this system

"As an advisory organization, we recognized inefficiencies surrounding data reporting," says **Robin Westcott**, AAIS's vice president of legal, compliance, and government affairs. "The current data-call process, in particular, just doesn't provide the transparency and insights that regulators want."

"We saw blockchain as a way to change the dynamic, the way data flows in the insurance industry," Westcott continues. "Here's the thing, data calls are hard. There is a reason people dislike them. They are not easy, and when regulators request some new data element, insurers need to pull from their systems. It takes time and resources to do that. Companies might be pulling data from seventeen systems."

AAIS collaborated with IBM to develop a blockchain platform connecting insurance carriers and regulators. It leverages the inherent security and transparency features of blockchain to address statutory reporting requirements and data calls. In this new approach, carriers are not required to upload their

proprietary data to the blockchain. Instead, an auditable record of data availability is shared and carriers use smart contracts to control access among others on the network, including regulators.



Taking out the redundancies that currently plague the data-call process is AAIS's top goal, according to **Truman Esmond**, the organization's vice president of solutions and partnerships.

"We are looking to get away from copying and moving data in an inefficient process where fifty regulators ask the same question fifty different ways on several different data calls," Esmond says. "We are working to achieve critical mass where regulators agree on a common way to request information from carriers and carriers provide answers to questions without needing to share sensitive, proprietary data."

### Challenging the Disruption

RiskStream Collaborative's and AAIS's applications do seem industry changing, but blockchain's ability to revolutionize any industry faces its share of challengers.

The most outspoken critic might be Nouriel Roubini, a New York University professor of economics and international business. In fact, Roubini calls blockchain "one of the most overhyped technologies ever."

"For starters, blockchains are less efficient than existing databases," he wrote in a 2018 Project Syndicate opinion piece. "When someone says they are running something 'on the blockchain,' what they usually mean is that they are running one instance of a software application that is replicated across many other devices."

"Ultimately, blockchain's uses will be limited to specific, well-defined, and complex applications that require transparency and tamper-resistance more than they require speed," Roubini continued, "for example, communication with self-driving cars or drones."

If blockchain disproves Roubini's predictions, its widespread use could still encounter roadblocks, especially when it comes to cooperation, or "co-opetition."

For blockchain to work successfully, multiple insurers must be willing to work together in development and deployment of this technology. "There are plenty of people out there who

understand this [blockchain] technology, so there are plenty of places to go to find guidance," says **Brad McCormack**, assistant vice president of information systems for **Ohio Mutual Insurance Group**, one of RiskStream Collaborative's members. "The key is we need folks to participate to make it efficient, and that is the challenge."

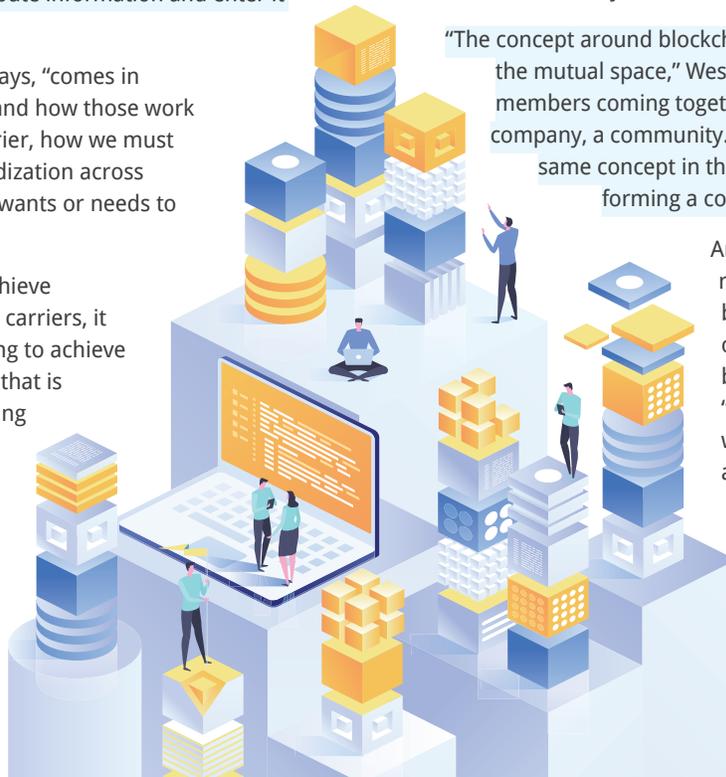
It is difficult for many companies to "get over the hump" when it comes to adding their data to a blockchain according to NAMIC's Rodgers.

"There is a pause for some companies," Rodgers says, "but if it is the disruptor 'that could change the world,' it is really going to be an efficiency play."

To have that efficiency, there must also be consistency in the way insurers gather and distribute information and enter it into the chain.

"The real work," McCormack says, "comes in understanding the use cases and how those work differently from carrier to carrier, how we must incorporate a level of standardization across the solution so everyone that wants or needs to participate in it can."

As difficult as it could be to achieve cooperation among insurance carriers, it could be even more challenging to achieve among policyholders. At least that is what claims payment processing firm vPay has experienced so far. **Kris Herrin**, vPay's chief information officer, says the company began researching blockchain's potential for distributing electronic claims payments to policyholders, but the company has yet to find a workable solution.



"What we know is building a network of payers and payees. When building that network, what payees want is choice, so we haven't seen any uniform solutions [for how policyholders would like to receive their claims payments]" Herrin says.

"We see such a mix of modalities that blockchain may be a way to move data, but we don't see it as a take over," he continues. "It isn't going to change the fundamental issue of people wanting the ability to decide how they receive electronic payments. Blockchain will be part of the mix, not a replacement for it."

## Made for Mutuals?

Despite blockchain's challenges, AAIS believes this technology will find its biggest success story in the mutual insurance industry.

"The concept around blockchain is very consistent with the mutual space," Westcott says. "Mutuals are about members coming together to form an insurance company, a community. With blockchain, it is the same concept in that it's having that interaction, forming a community around flowing data."

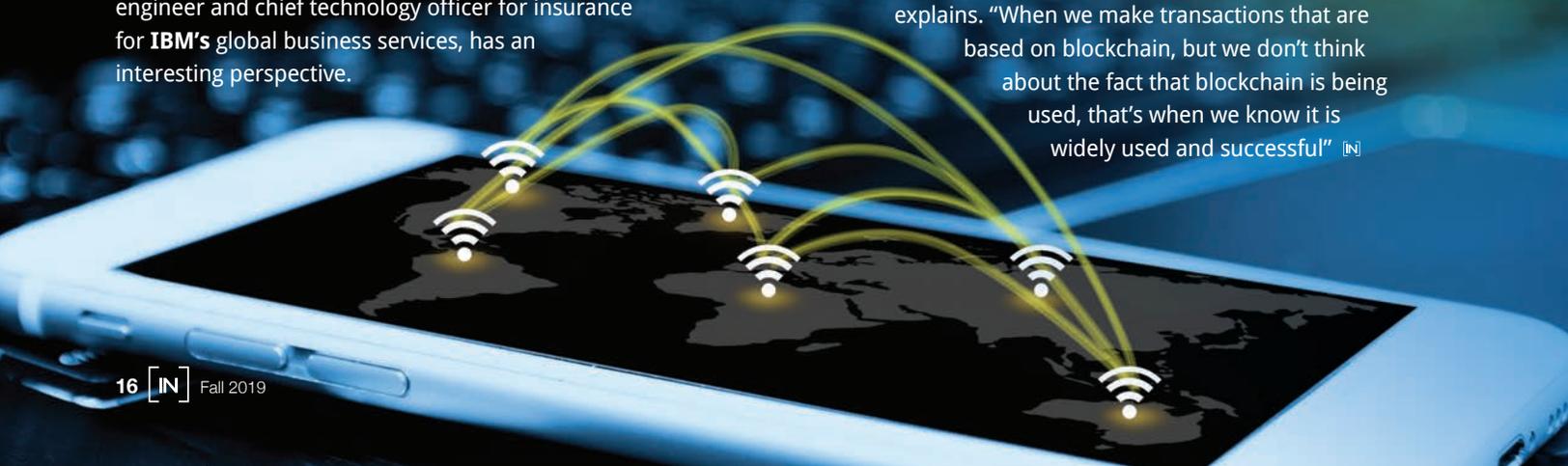
And even if its hype has reached the summit, many believe discussions about or experimentation with blockchain won't go away. "I don't think there is any way we won't be talking about this in three to five years," McCormack says, "especially when we really have these pilots in implementation stages. Those alone will continue the conversation." [IN](#)

## Making the Mainstream

When will blockchain become mainstream? There might not be an exact time frame, but **Bertrand Portier**, distinguished engineer and chief technology officer for insurance for **IBM's** global business services, has an interesting perspective.

"When we stop calling it blockchain," he says.

He likens blockchain to the internet. "We don't always use the term 'internet' when we're using it. We just say, 'I'm looking on Amazon,' 'I'm getting my Uber ride,'" Portier explains. "When we make transactions that are based on blockchain, but we don't think about the fact that blockchain is being used, that's when we know it is widely used and successful" [IN](#)



## Q&A With Former FBI Special Agent Chris Tarbell



“BE AFRAID, BE VERY AFRAID.”

WE’VE ALL HEARD THIS PHRASE, WHICH WAS MADE FAMOUS IN THE 1986 HORROR MOVIE “THE FLY.” HALF-MAN/HALF-INSECT THREATS ASIDE, TODAY’S BIGGEST THREAT TO BUSINESS, INCLUDING THE PROPERTY/CASUALTY INSURANCE INDUSTRY, COMES IN THE FORM OF CYBERSECURITY. AND THE NEW CATCH PHRASE, AS SHARED BY CHRIS TARBELL, A FORMER FEDERAL BUREAU OF INVESTIGATION CYBERSECURITY SPECIAL AGENT IS: “BE AWARE, BE VERY AWARE.”

TARBELL SHARED THIS ADVICE DURING HIS PRESENTATION AT THIS YEAR’S MANAGEMENT CONFERENCE. ONE OF THE MOST SUCCESSFUL CYBERSECURITY LAW ENFORCEMENT OFFICIALS OF ALL TIME, TARBELL GAINED FAME AS THE SPECIAL AGENT WHO TOOK DOWN THE NOTORIOUS DARK WEB DRUG TRAFFICKING SITE SILK ROAD. NEWSWEEK REFERRED TO TARBELL AS “THE ELIOT NESS OF ONLINE CRIME.” IN MAGAZINE SPOKE WITH HIM ABOUT WHAT CYBERSECURITY THREATS MEAN FOR INSURERS, AND HE HAD PLENTY TO SAY.

**Q:** *For insurers, cybersecurity is a real day-in, day-out issue because there are many cyber criminals and opportunities for cybercrime out there. What can you tell us about how cybercrime has evolved?*

**A:** We’re being attacked every single day, from nation states all the way down to just the opportunistic criminals. We used to have low-level criminals doing lots of web defacements — just putting up something on a webpage. That’s sort of gone away, and now they’re sending us phishing emails and trying to find any way they can get in. With virtual currencies, there is the ability to charge people ransomware for locking up their data. So, financially motivated crimes are outweighing the state-sponsored stuff. But the state-sponsored hacks are going to be there in order to make sure you’re on top of it.

**Q:** *You took down some of the most notorious cyber criminals. Do you have any practical pointers to give our mutual insurance companies that are at risk for cyberattacks?*

**A:** Just realizing that they are under attack is the first hurdle to get over because some people like to bury their heads in the sand and assume that, “Oh, I’m just a little company that doesn’t really do anything. Why would they attack me? What do I have to offer?” I tell them a story in reference to travel agencies being hacked. Why would travel agencies be hacked? Well, they’re going after them for their clients and the information they can pull about their clients. So, you may not think you’re a target, but certainly could be for the data you have.

**Q:** *NAMIC members are going through new compliance efforts that are necessary but very expensive, including the New York State Department of Financial Services’ cybersecurity regulation or the National Association of Insurance Commissioners’ Insurance Data Security Model Law. How can companies balance taking care of the risks they know are out there and the expenses related to adopting cyber regulations?*

**A:** It’s not really a choice when regulators come in and tell you, “You have to do this.” You have to do it; you have to comply with it in some way. Can you take a different approach that might be more cost effective? That’s all dependent on doing your due diligence and hiring the proper people who can understand how to apply security to your business operations already at hand. The regulations are going to move forward. If you already have people coming in to do A, B, and C, you might as well do D because it’s going to happen eventually. And it might be cheaper to do it now and be in the forefront. Don’t just slap the regulations on top of what your network already is. Realize what you have. A lot of these companies don’t understand what their networks look like. Start there. Start to make sure you know what’s there. A good network map, an internal assessment of what really is attached to your network and who’s accessing those points are good starters.

**Q: How do you see cybercrime evolving in the future?**

**A:** It's going to get easier for cyber criminals. Computer speed is getting faster, it doubles every six months or so. They're already talking about artificial intelligence moving into a learning behavior to attack your websites. I'm waiting for someone to put out a cheap tool that runs on AI to learn the defenses you're putting up. It's getting cheap even for low-level guys to buy specialized software that will go after you and punch holes in your system. You don't even have to have the skill set, you just have to have \$40 and be able to run an interface tool. Best advice is to be aware. It's not a pretty world. People are trying to get us all the time, unfortunately.

**Q: Cyber liability insurance is a growing part of our industry, and many NAMIC member companies offer it. What does it mean for insurers as they're offering the coverage?**

**A:** Cyber insurance came out of the gate running a little bit ahead of its time. There was a need for it — a hole to be filled — but I think companies started putting offerings out before they knew what they were getting into. Cyber

due diligence is now coming along with cyber insurance. Cyber insurance companies are understanding what they're adopting, what they're insuring before getting involved or setting their policies or premiums. But they weren't doing that at the beginning, so they're catching up. They're hiring the companies to go out there and check for what's attached, what's going on, and what's really happening. That's a big step forward from where we were even a couple years ago with cyber insurance. It will continue to evolve. I think it's going to be a part of every business in the next 10 years.

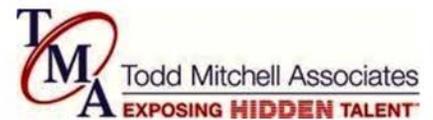
**Q: Any final words of wisdom for insurers when it comes to cybersecurity?**

**A:** We need to start working together because the criminals are working together against us. We need to start sharing what we're doing to protect our networks together. If we're being attacked from a certain set of IPs, we need to bring that, as simple as that. It's a bit of a whack-a-mole situation, but we have to do something together and not just hide what's happening in our companies. The good guys need to fight alongside each other. [N]

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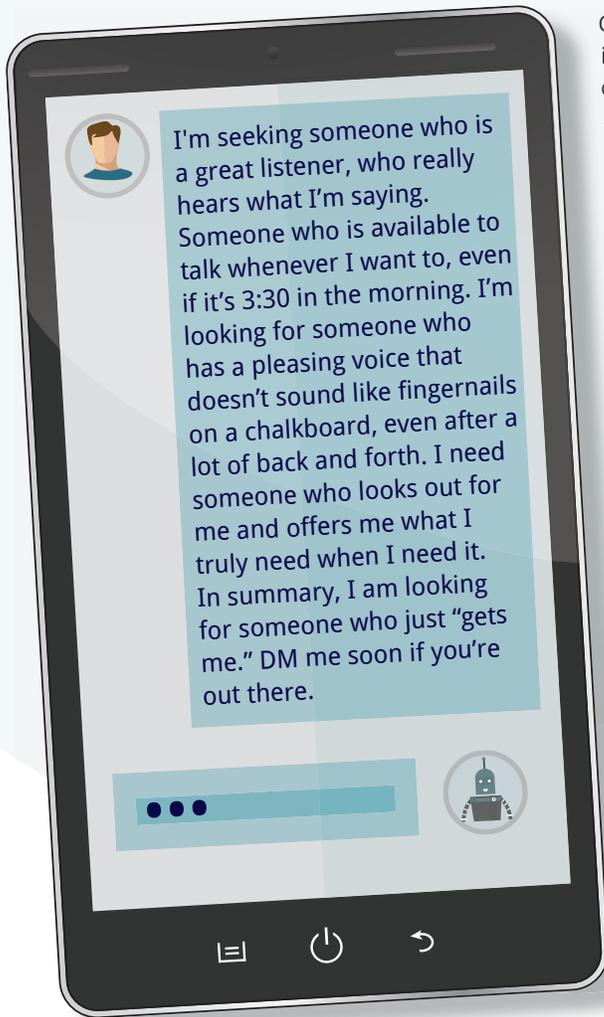


- Alternative Markets
- Enterprise Risk Management
- Legislative Costing
- Litigation Support
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- Reinsurance

# Chat Your Service

WITH THE EVER-GROWING DESIRE OF 24/7 SERVICE, CHATBOTS CAN HELP COMPANIES STAY ONLINE, EVEN IF EMPLOYEES HAVE PACKED UP FOR THE DAY.

 JULIE A. VINCENT



The message above may read like an online dating profile, but in our current social climate, people aren't just looking to connect with other people in whatever manner they prefer at any time of day. They are looking for businesses that act in much the same manner. So, if the in-search-of ad reads like something your policyholders might want, chatbots may just be the technology your company is searching for.

Chatbots fall in the artificial intelligence technology category and offer numerous and important applications to the insurance industry. They can be taught to provide unique, personalized customer experiences that can enhance the relationship between policyholders and their insurance companies. They can help potential customers select plans that are right for them. They can have welcoming and human-sounding phone or text conversations that are available any time of day or night, no matter how many calls are coming in at once.

And the incorporation of chatbots could play an even more prominent role in the near future, as the technology gains algorithms to "learn" how to handle more complex tasks.

Someday, chatbots are expected to be able to learn to estimate damage repair costs while performing fraud checks, which could

reduce settlement delays for claimants and lost dollars for insurance companies.

A recent Virtual Spirits blog outlined how this technology can even help find new customers, bring down marketing and other costs, enhance customer support, and endear customers by answering their questions in the simplest, most understandable language possible. This can increase a company's market share,

providing an edge over its competitors. The blog's author referred to an insurance chatbot as "a killer app waiting to be unleashed."

While insurance-industry-related chatbots might be waiting to have their full potential unlocked, the technology behind them has been roaming free for quite some time. The Massachusetts Institute of Technology began experimenting with artificial intelligence in 1966 when it debuted a gal named ELIZA. Apple's Siri made her debut in 2008, and Amazon's Alexa followed suit in 2015. Siri and Alexa have become household names for everything from finding fun facts to locking a front door. It's only a matter of time before insurance industry-related AI personalities become familiar to policyholders as well.

## West Bend Mutual Insurance

**Company's** textbot might be one of them. With the help of an insurtech company, West Bend debuted Sydney in January 2018. The insurer uses Sydney exclusively in claims instances right now. But, according to **David Ertmer**, vice president of claims for West Bend, the company views Sydney "as an enterprise solution, and we plan to roll it out to underwriting and our service center. We don't have definite dates at this point, but we expect to implement as soon as we can."

Ertmer sees the use of AI as aiding associates in making informed decisions and facilitating exceptional customer service. Sydney can answer basic questions from policyholders without human interaction. The major advantage is that it allows the company to communicate with people based on their preferred preferences.

"Insurance companies in the future will need to be able to serve customers when they want and how they want," Ertmer says. "The flexibility to offer different options to match customer preferences will be a differentiator."

"We knew a textbot would work well for West Bend because people were

commenting in our customer service surveys that they wanted to text," Ertmer continues. "When we finally offered the option, we were amazed at the number of people who preferred to communicate in this fashion."

Sydney also is more efficient for the claims adjusters because it allows for multitasking and cuts down on voicemail messages, according to Ertmer. The only disadvantage West Bend has

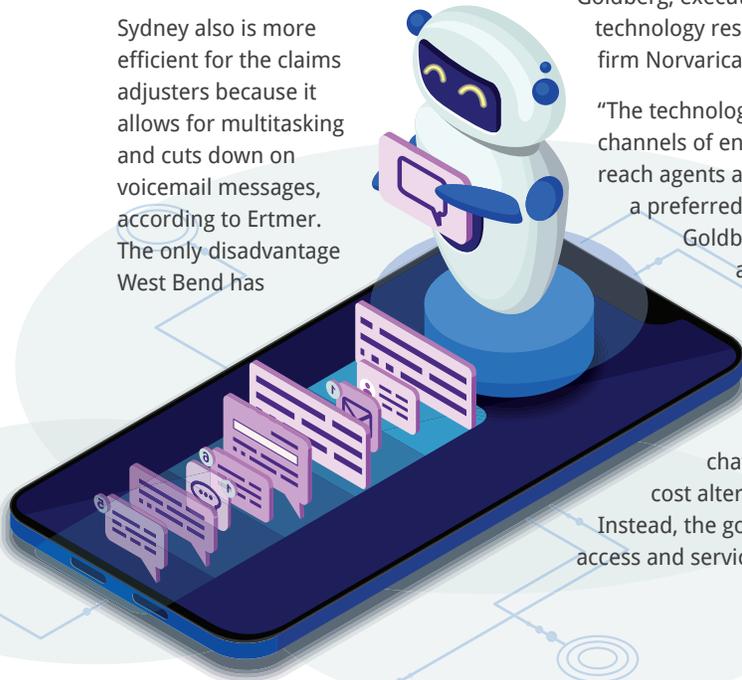
experienced so far is the occasional text conversation that would have been more easily solved via phone.

Many insurers are excited about the prospect of chatbots, according to Jeff Goldberg, executive vice president at technology research and advisory firm Norvarica.

"The technology promises new channels of engagement, helping to reach agents and policyholders via a preferred mode of interaction," Goldberg says. "But while an individual chatbot interaction may be cheaper than a human-to-human exchange, insurers should not approach chatbots as simply a low-cost alternative to human contact. Instead, the goal should be to broaden access and service options for everyone."

Insurance companies should think about the customer experience first and foremost, according to salesforce.com, Inc. Companies need to listen to their customers to understand how they want to conduct business today and in the future. And when integrating the use of chatbots, companies need to have processes in place to seamlessly hand cases to agents if the issues are too complex.

"A successful approach to chatbots will need to be a hybrid of human and automated capabilities," Goldberg says. "Determining when people want to be in touch with a human and when they expect rapid, automated service is integral to implementation strategy. In the future, chatbots will help internal and external users get rapid information and will guide them through transactional processes. But rather than replacing humans, they will enhance and extend the possibilities." 



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# A 'Sensor' of Connection

WITH TENS OF MILLIONS OF AMERICANS BUYING INTO THE SMART-HOME CRAZE, SOME INSURANCE INDUSTRY TECHNOLOGY FIRMS ARE ENCOURAGING CARRIERS TO USE CONNECTED DEVICES TO THEIR LOSS CONTROL AND CUSTOMER SERVICE ADVANTAGE.

 JULIE A. VINCENT

A water pipe behind the washing machine springs a small leak. It goes unnoticed in the dark corner of the unfinished part of the basement. Four days later, the homeowner ventures downstairs to throw in a load to wash, only to find ankle-high water, damage on the walls, even mold starting to grow in the corner. What could have been a \$30 fix plus a modest service fee has turned into an insurance claim in the thousands of dollars.

What's the answer to mitigating this risk? How about a connected-home device such as a water sensor that alerts the homeowner of the damage when it is still in the \$30 stage?

Consumers are quickly adopting the idea of connected homes — dwellings with sensors and cameras that alert for occurrences such as theft, water leaks, carbon monoxide leaks, fire, and smoke — and the power to check the status of their homes almost instantly from smartphones and tablets. But insurers have some catching up to do.

“Connected-home technology is going to create a fundamental change in the insurance industry, from the role of

indemnification to that of a source of prevention and protection for their policyholders,” says Roel Peeters, founder and CEO of Roost, a California-based start-up technology company that is partnering with some of the most innovative insurers to deliver home telematics. “It’s important for policyholders to feel their insurance companies are there when they need them to make them whole again. But what if they started thinking about insurance companies as a resource to help them protect what they have and prevent losses in the first place?”

Connected sensors. Wi-Fi-enabled. Cloud connected. Peeters believes everybody wins when there is early detection and substantial mitigation of risk and loss. For example,

approximately 50 percent of all homeowners’ claims result from fire or water leak damage. That amounts to about \$21 billion a year, according to Peeters.

For connected-home devices to be damage-prevention resources, insurance companies need to form real relationships in whatever way policyholders want, says Peeters. “Today’s

consumers want to talk or get information through a smartphone when they want it,” he explains. “We think a digital communication channel, complete with usable data, is the future.”

Roost’s business model is based on partnering with insurance companies to encourage policyholders to establish connected homes. When insurers invest in Roost, they receive a certain number of connected-home sensor kits to distribute at their discretion. The insurers can then offer incentives, perhaps even a premium discount, to those policyholders to encourage them to take the leap.

“People we have talked to tell us that yes, they have considered a connected home



and are open to it, but they either don't have the time to research it or the extra money to buy what they need," Peeters says. "But when their insurance company offers them a sensor kit and access to the smartphone app and other benefits for free, it becomes a done deal."

Roost assembles the sensor kits and customizes them for its insurance company partners. Peeters says there is no need for Roost to become a household name, but he does want insurers to know all about his company.

"We make the kits available to our insurance company partners and everything is customized and ready to go," he says. "Sensors have the name of the insurance company, as do the customized mobile app, installation instructions, mailing labels and packaging, customer messaging, and so on. And all of this is usually provided to the company's policyholders free of charge. It's all about the carriers, and they decide which policyholders are offered this program."

**Mutual of Enumclaw** began its partnership with Roost about a year ago. Nearly 2,400 water sensors have been registered with Mutual of Enumclaw's policyholders since the company began its pilot program, and 1,034 of them have been set up and activated.

"Since February, we have had three hundred water leak alerts. We have had some good loss 'saves' already," says **Eric Nelson**, Mutual of Enumclaw's president and CEO. "One insured reported they had installed a new dishwasher and the line to their garbage disposal was installed incorrectly. The Roost device alerted them to the leak, which they stated they would not have known about but for the Roost sensor. Problem fixed, claim avoided."

Another reason the insurer decided to partner with Roost was the start-up's focus on customer engagement. Nelson says Roost has a solid mobile-based platform that, along with providing alerts, will provide members with weather data. Mutual of Enumclaw is also testing a new feature on garage sensors, which will alert policyholders if they leave their garage doors open. The company also

plans to introduce a contractor referral network through which policyholders can find a contractors, even if they have not had a claim.

"We also plan to integrate the Roost app into our proprietary mobile app," Nelson comments. "Roost is coming out with a small business loss control program that we are helping pilot. We think small-business owners will have a high demand for this automation."



## Happy Policyholders

The following comments come from **Mutual of Enumclaw** policyholders living in connected homes.

*"I'm impressed with the proactive attitude of my insurance company."*

*"I appreciate the opportunity to try new technology that can keep my home safe."*

*"Awesome product that will save me a lot of money and heartache if there is a water leak."*

Nelson says home telematics are helping policyholders better manage home security, HVAC, loss prevention, and more, which is great from all perspectives. If losses decline, loss costs are likely to decline as well.

"At Mutual of Enumclaw, we are a mutual insurer, owned by our policyholders, and we have been on a mission to provide value to being a policyholder, beyond indemnifying claims after they happen," Nelson says. "[That's why] we are offering

highly subsidized home telematics as a loss prevention and convenience benefit that comes with being an MoE member. We know any loss control device that reduces frequency or severity of claims will ultimately show up in lower premiums."

So, what, if any, negatives come with connected-home devices? Nelson says the cost of the telematics is still sizeable. It can be difficult to convince policyholders to use these systems if they incur any out-of-pocket costs. Solutions that are true loss prevention systems, such as shut-off valves on main water supply lines, have been challenging to get policyholders to install. But Nelson says his company has seen the cost of a water claim averaging about one-third less for policyholders who have a Roost device versus those who don't.

And, as with any smart technology, there is the opportunity for hackers to get into it. "Right now, there are devices that are running on multiple platforms," Nelson says. "As solutions start showing up with a single platform controlling all devices, I believe home telematics will be faced with significant data security challenges. If all are running on one hub, a hacker only needs to breach that hub to gain access to all the devices. As such, we prefer people to be using multiple hubs for their homes."

"Roost is desirable, as its devices turn on only once a day for a very short interval to test themselves and then are not connected to a network until they are triggered," he continues. "That's pretty secure."

Mutual of Enumclaw has surveyed its policyholders who have received the connected-home devices and found that 84 percent of those members are likely to recommend the company. This could be a good indication of the consumer interest in connected devices. With approximately 25 innovative insurer investors partnering with Roost in the last four years, Peeters says change is happening. "Our mission," he says, "is to change the insurance industry from the carrier out." [IN](#)

# Data Differentiators

ACTUARIES HAVE LONG BEEN MEMBERS OF INSURANCE COMPANY STAFFS. YET, WITH THE ABUNDANCE OF INFORMATION AVAILABLE TODAY, A NEW CROP OF DATA EXPERTS ARE FINDING THEIR NICHE IN THE INDUSTRY.

 CATHERINE IMUS



The last decade has seen exponential growth in technology and the data it generates, affecting nearly every aspect of our lives. The property/casualty insurance industry is feeling the impact of this growth as technological advances are changing

business dynamics, making for an increasingly competitive market. As companies work to synthesize the amount of data available to them, they are rethinking business models and the ways they interact with their customer base. Effective use of this wealth of data is fast becoming a powerful differentiator on the path to the future of insurance.

Historically, insurance companies have employed actuarial scientists to comb through the data and analyze what it means for their businesses. The current deluge of data has led to the need for not only more actuaries but for another crop of skilled employees that can analyze the data and figure out what it might mean for insurers now and in the future.

Generally referred to as data scientists, these specialists may also be known as predictive modelers. And while there may be several similarities between actuarial and data scientists, they have unique differences, and many mutual insurance companies are finding that both roles are vital to their success.

“Data scientists are individuals who analyze information using various statistical methods and programming languages. It has been said that data scientists have a combination of programming, statistical, and business [domain] knowledge that they apply to extract meaning from data to help answer a variety of business questions,” **Greg Frankowiak**, senior consulting actuary for **Pinnacle Actuarial Resources, Inc.**, says. “Actuaries also are professionals who work with large amounts of data; though, typically an actuary’s focus is on insurance-related problems and predicting future risk in that context.”

Frankowiak points to actuaries’ rigorous credentialing standards and experience in the field, noting that the Casualty Actuarial Society offers comprehensive examinations that take many years to complete. CAS exams cover a variety of topics, including probability and statistics, ratemaking techniques, and other insurance-related material, that when coupled with professional and ethical standards form the basis of an actuary’s basic credentialing education.

Data scientists, on the other hand, have a deeper understanding of analytical techniques but less business and technical knowledge of insurance. As a result, data scientists have distinct skills that are critical to insurers, even though they don’t possess that knowledge of the business, according

**Zachary Martin**, vice president of actuarial, risk, and compliance services at **Frankenmuth Mutual Insurance Company**.

He says the work done by Frankenmuth Insurance’s actuaries and data scientists is complementary, and the company puts them together on projects when it makes sense.

Actuaries at Frankenmuth Insurance work on a wide range of tasks including pricing, reserving, and risk management. Data scientists work with actuaries on pricing, but their predictive analytics skills are applied to a wide variety of areas such as claims, marketing, and customer service, according to Martin.



## Merchants Mutual Insurance Company

brought data scientists on staff in 2009 when the company was developing a new predictively modeled private passenger auto pricing approach. **Bob Zak**, Merchants Mutual’s president and CEO, agrees with Martin that both scientist roles are needed in an insurance company.

“There is some overlap, but they have fairly defined roles,” Zak says. “Not to say that our

data scientists might not have some insights into the analytics side and vice versa. But we try to make sure they specialize and work on what they do best.”

What they do best, according to Zak, is search for relationships in structured and unstructured data and try to gain business knowledge from what they find.

“They are also what I consider to be ‘hypotheses testers,’” he says. “We may develop a hypothesis and they will try to prove it correct or not.

“They understand how data should be structured, how to manipulate it, and how to present it,” Zak continues. “And their function in the company is to help business users identify their needs and then serve up data to those business users as opposed to having people who are less skilled at analytics trying to develop the data for themselves.”

Martin’s and Zak’s companies are not alone in considering ways to integrate data scientists into their organizations and use their actuaries’ unique skills to achieve the most desirable outcomes. A 2018 PwC survey of leading carriers, titled “How Do Actuarial and Data Science Skills Converge at P&C (Re)Insurers,” found that such integration falls into three distinct categories: embedding data scientists into an existing actuarial group, allowing data scientists to function as a standalone team, and

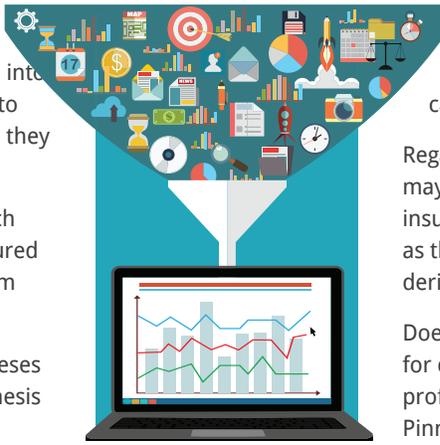
incorporating data scientists into various carrier business units.

Regardless of the integration option a company may choose, all underscore the importance insurers are placing on the role of data scientists as they see the growing need to compete on and derive insights from data.

Does that mean there is more growth potential for data scientists than actuaries or other professionals? Not necessarily, according to Pinnacle’s Frankowiak.

“I see the growth potential for people who have the ability to derive insights from data as quite substantial,” he explains. “This would apply across data scientists and actuaries, for example. The world of analytics is broad, complex, and rapidly evolving. No one person [or role] could ever begin to know all there is to know, so there are ample opportunities for career growth and demand for actuarial and data science skills.

“As companies continue to look to improve how they segment business to help achieve goals such as growth, profit, efficiency, and customer service, there will be a need for actuaries, statisticians, and data scientists to provide the horsepower that will drive this work,” he continues. “Winning in insurance today and tomorrow, will involve competing on data. All of these roles will help position a company to do just that.”



## What It Feels Like to Underinsure a Property

It’s estimated that more than **60% of properties** are underinsured, some by as much as 50-60%. Let’s change that statistic. Together.

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# The Case for Private Market Flood Coverage

BY MATT JUNGE, HEAD PROPERTY SOLUTIONS, US & CANADA, SWISS RE

**Only one in six homes in the United States has flood insurance. Many people think they don't need it, others assume their homeowners policy covers it, and still others think they can't afford it. Yet, an average year's worth of storms can produce uninsured losses of USD 10 billion because of flooding, compared to insured losses of USD 5 billion.**

Besides a lack of insurance, we know a combination of factors has contributed to this crisis: torrential rainfalls, rising sea levels, and more severe storms and the surge that comes with them, plus increased residential and commercial development in flood-prone areas.

Record storms and flooding has already occurred in 2019, and very little of the country has been spared. In short, it's a problem that every person reading this should be concerned about.

Local governments are taking action. Texas is putting more money into flood planning and response and requiring insurers to disclose at the front of a homeowners policy that flooding isn't covered. Louisiana is building an USD 80 million floodgate to protect residents from a perennially flooding bayou. In Florida, the easing of regulations is helping property owners access flood insurance. And Missouri wants to limit tax breaks given to developments in flood plains.

While the National Flood Insurance Program (NFIP) continues to receive backing from reinsurers and capital markets, no one should expect it to be the sole defense against residential flood losses. Nor should it be. Clearly, it's time for the private market to step up. The industry should not see it as an obligation, but rather as an opportunity.

Admittedly, flood has long been considered an uninsurable risk. An inability to effectively underwrite and price it left private insurers reluctant to offer coverage. So, every time it rains and floods, we are reminded of the consequences of inadequate data and undercapitalization.

But that's all changing. Insurers can offer more enhanced protection to their customers with confidence because flood

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Insurers can offer more enhanced protection to their customers with confidence because flood modeling has improved exponentially.

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Only  
**one in six**  
homes

in the United States has  
flood insurance.

modeling has improved exponentially. No longer are underwriters limited by historical experience and rating tables. It's now possible to rate individual risks thanks to high-resolution data, which means an insurer can offer flood coverage on the very same dwelling that's covered by a homeowners policy.

For example, Global Flood Zones is a mapping technology developed by Swiss Re that generates high-resolution views that weren't available before. Using this technology, a flood rating tool for single risks and probabilistic models has been developed for countries where no official flood zones are available. Armed with a detailed assessment of an individual exposure, an underwriter can rate and price a flood policy with greater confidence. These advances have led to the emergence of flood insurance in the private market – a win for consumers – and more confident risk assessment – a win for insurers.

It's becoming easier for insurers to adopt the technology by integrating new and improved flood rating models into their policy quoting and administration systems. Their agents are receiving training to generate individual coverage premium quotes in real time and bind new flood insurance policies immediately. This requires little additional investment from agents.

Where reliable risk assessment and potential healthy return goes, capital will follow. More and more insurers are incorporating flood into their strategy. Carriers in just about every region of the country have recognized this significant

commercial opportunity and have begun offering flood coverage to their customers.

More insurers are getting in the flood business because they know their customers better than ever. They're constantly receiving information on that customer – data which can be unlocked for growth. Using that data wisely, they're providing coverage that people desperately need at a fair price and making it easy for the consumer. It's a recipe for greater profitability and increased loyalty.

Consumers are noticing, too. Insurers are seeing brisk take-up rates on flood-eligible new business as customers become more aware of their true risk to flood damage; and because the price more accurately reflects the risk, they're now making the smart decision to purchase the coverage.

When disaster strikes, insurance is a first responder. Flood has been the exception, until now. Reliable modeling, accurate pricing, and fresh capital create a compelling case to add this peril to the portfolio.

**For more information on flood,**  
please visit [www.swissre.com/usflood](http://www.swissre.com/usflood)



# NAMIC®

## 124<sup>TH</sup> ANNUAL CONVENTION

### All Eyes on National Harbor and the 124<sup>th</sup> Annual Convention

When we gather in National Harbor, Maryland, for the 124<sup>th</sup> Annual Convention, it will be the sixth time NAMIC members, insurance industry service providers, and guests convene in the Washington, D.C., area for the association's premier event. With a jam-packed agenda full of networking, optional activities, and educational sessions, "The Place Where the Industry Comes Together" is bound to connect and inspire current and future leaders of the mutual property/casualty insurance industry.



## We Gather

### The Venue

The Gaylord National Resort & Convention Center will allow the NAMIC membership an opportunity it hasn't experienced since the last time it convened in Washington, D.C., area ... a convention that is truly all in one place.

Because convention registration has steadily grown to its current level, attendees of the past several events have had to stay in different hotels. But the Gaylord National's massive size — 19 floors, 1,886 rooms, and 110 suites along with more than half-million square feet of total meeting space — allows for the entire delegation to be located under one roof.

"Any time we can all meet in a singular place, it just feels different. When you grab a cup of coffee on your way to your first educational session or when you go to the bar for a beer after a full day of meetings and see a familiar face or run into someone you've been hoping to meet ... that is the special connection that comes from attending industry events in person."

**Crista Hassett**  
*Vice President of Event Operations*  
NAMIC



### Chairman's Reception

While convention gets into full swing Monday morning, the Sunday evening Chairman's Reception serves as the event's kickoff. Hundreds of people are expected to gather for a relaxing evening to mingle with peers.



### Closing Celebration

Because the convention's location overlooks the Potomac River, it makes sense for the Closing Celebration to have a water theme. Attendees who take part in the event's final gathering will be treated to a night of dinner, conversations, and the Yacht Rock Revue.





# We Connect

## Marketplace for Mutuals

The Marketplace for Mutuals is the hub of the Annual Convention — and it has undergone a remodel for the 124<sup>th</sup> event. A new circular layout is meant to give the marketplace a more collaborative feel and allow for easier connections between members as well as between members and the more than 120 exhibitors.

### Networking Opportunities

Events like the Annual Convention lend themselves to natural networking opportunities, but there are several events providing more targeted networking as well. Whether it's the prayer breakfast, the multiple roundtable discussion breakfasts, NAMIC PAC events, or the optional activities touring Washington, D.C., landmarks and hot spots, attendees will find myriad opportunities to connect with people who can share experiences and insights.



### Educational Sessions

Everyone wants to continue to successfully lead their companies into the future; however, with the ever-changing pace that the insurance industry experiences, it can be difficult to have a pulse on everything.



That's why there are more than 30 educational sessions covering a wide variety of need-to-know topics and industry issues being offered while attendees gather in National Harbor. Not only will attendees learn about the important issues, they will be able to meet with and ask advice of the experts who present on those topics.

# We Inspire

### Keynoters

#### Josh Linkner

Who started and served as CEO to five technology companies and sold them for a total of more than \$200 million? Josh Linkner, that's who. The jazz musician turned innovative entrepreneur is a self-claimed tech nerd who inspires others to embrace, rather than fear, innovation.



"By definition, [insurance professionals] are in the business of managing risk, but I think people overestimate the risk of trying something new and underestimate the risk of standing still," Linkner says. "So while the industry is thriving, I think there is still a real opportunity ... and responsibility ... for insurers to innovate their way forward and make sure they're not underestimating the risk of standing still."

To avoid standing still, Linkner encourages people to be creative — a trait he believes is hardwired in everyone. While in National Harbor, he'll share ways in which convention attendees can tap into and take advantage of the creativity they may be hiding inside themselves.

#### Sarah Thomas

Sarah Thomas made history when she became the first female to officiate in the National Football League. She did it again when she was the first female to officiate an NFL playoff game. Thomas doesn't think of herself as a barrier breaker, though.



"I never set out to break down the barriers," she says "I am just truly thankful that hard work has paid off. I hope I'm recognized for merit as opposed to being 'the first.'"

Nevertheless, Thomas is an inspiration to many, and she will speak to the NAMIC convention audience members about finding their passion and overcoming adversity to be able to do what they love.

#### Senator Marion Michael Rounds

Senator Marion Michael "Mike" Rounds obviously isn't a stranger to the D.C. politics, but he's no stranger to the insurance industry either. In fact, he's a long-time champion of the mutual property/casualty insurance industry.



The born-and-raised South Dakotan helped build Fischer Rounds &

Associates, a successful insurance and real estate firm, prior to entering public service. And as a member of the Senate's Armed Services; Banking, Housing, and Urban Affairs; Environment and Public Works, and Veterans' Affairs committees, he's still familiar with several of the issues currently facing the industry.

He'll join the 124<sup>th</sup> Annual Convention Tuesday for a fireside chat question-and-answer session.

#### William R. Evanina

If you've ever wanted to be in the presence of a counterintelligence agent, you won't need to go any further than convention. William R. Evanina, the director of the National Counterintelligence and Security Center, spent more than 20 years as a special agent with the Federal Bureau of Investigation and led the Central Intelligence Agency's counterespionage group prior to joining the NCSC. In his current role, Evanina leads and supports CI and security activities for entities at risk of intelligence collection or attack from foreign adversaries. He will take the Main Stage Tuesday to discuss China's threat to United States industry.





# We Inspire

## Mutual Insurance Foundation Scholarship Focus

NAMIC has always had a focus on our industry's future. But with the continued concern about the industry's talent gap, that attention is becoming even more focused and it is showing through at convention.



Not only are students from a local university attending the association's premier event — for the third consecutive year — there are two opportunities for NAMIC members to help “fund our future.”

The Annual Golf Outing, which takes place Saturday, September 21, at the Renditions Golf Club, will now benefit the NAMIC Mutual Insurance Foundation Scholarship.

And the NAMIC Merit Society will host the “Funding Our Future” Lunch that all convention attendees are encouraged to register to attend. A portion of the registration fees will go toward the scholarship fund.



## St. Baldrick's Activities

It wouldn't be convention without the Fun Run and Walk and the now-annual head shaving in the Marketplace for Mutuals, both of which raise money for the St. Baldrick's Foundation and its research effort to cure childhood cancers.



**St. Baldrick's**  
FOUNDATION

The run/walk begins bright and early Tuesday morning. Participants will trek along the Potomac River, taking in the sunrise and views of National Harbor, including the Capital Wheel and a sculpture known as The Awakening.

The head shaving will take place Tuesday afternoon during the Marketplace for Mutuals' final hours. **Erin Collins**, NAMIC's assistant vice president of state affairs, will be the one to “Brave the Shave” this year. She's shaving her head to honor a friend who lost her child to cancer.



# Overcoming Challenges With Quality Surroundings

FOR INCOMING NAMIC CHAIRMAN RANDY DRUVENGA, TURNING TO QUALITY PEOPLE HAS ALWAYS BEEN HIS GO-TO WAY TO FACE ADVERSITY.

 LINDSAY ROBISON

Challenges are inevitable parts of life from which none of us are immune. There is a good possibility that reading the previous sentence brought to mind a tribulation you're currently facing. While impactful, challenges don't define any of us. But how we handle them sure does.

For **Randy Druvenga, First Maxfield Insurance Association's** president and NAMIC's incoming chairman, handling challenges has always involved surrounding himself with good people and continuing to move forward. He calls it "The Rule of 309." And, yes, there is a story behind it.

One summer night, Druvenga and one of his close friends, both Iowa natives and avid

cyclists, were sitting around telling stories about their farthest bike rides. Both had taken on the challenge of RAGBRAI, which is short for The Register's Annual Great Bicycle Ride Across Iowa, a seven-day noncompetitive trek across the Hawkeye State. However, they decided to attempt the ride just the

two of them with no extra training and a 20-hour completion goal ... on a tandem bicycle.

The men finished the 309-mile mentally and physically draining journey they now refer to as IBRAI — the Idiots' Bike Ride Across Iowa — two and a half hours beyond their goal. Despite the ride's nickname, Druvenga enjoyed its process.

"When you're biking three hundred miles and you're a hundred miles in, [pushing through] is all about the mental part of it," he says. "When you're two hundred miles in with a hundred yet to go, well, we decided it would have been a lot better if we had trained for this. We were really starting to feel it, but we had to keep going.

"The Rule of 309," he continues. "If you're challenged with something, whether mental or physical, you can get through it. It's difficult, but it's all in how you view it. You just have to keep going."

Druvenga might have established this rule years ago, but he's been applying it to life for much longer.

He used it in 2006 when David Diemer, his predecessor at First Maxfield, unexpectedly passed away from a heart attack. The company's board of directors appointed Druvenga interim manager and began the search for a permanent successor. Ultimately, the board decided Druvenga was the person for the job.

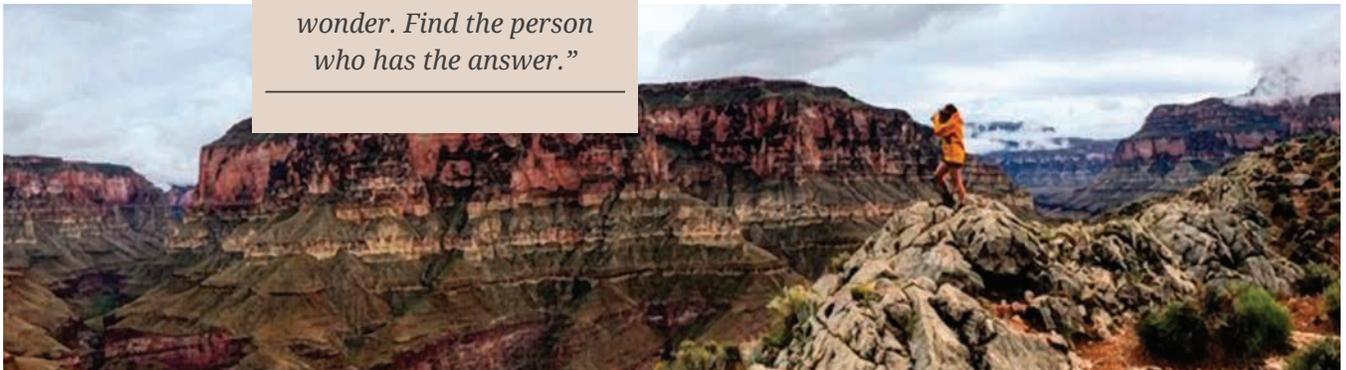
## Words to Live By

Randy Druvenga, president of First Maxfield Insurance Association and incoming NAMIC chairman, has heard many words to live by during his life, and he likes to share these philosophies with others. Here are a few:

*"You can't get to second base with your foot on first."*

*"Make a decision, move forward, and remember that on that day, this was the right decision."*

*"Don't sit around and wonder. Find the person who has the answer."*



He accepted, even if it was a little reluctantly. Although he'd been an adjuster with the company for nearly a decade, he wasn't sure he was ready for the company's top spot quite yet. Because Diemer spent as much time as he did as First Maxfield's manager, much of the organization's knowledge base died with him.

Not one to shy away from a challenge once accepted, Druvenga grabbed hold of the role, surrounding himself with quality people who could help move the company forward. "We essentially started over. I have said that we couldn't do anything wrong because we didn't know what we were doing," Druvenga chuckles. "But I also say, 'We don't have to be the smartest people in the room, we just need to know who to call.'"

Some of his first calls were to NAMIC and the Mutual Insurance Association of Iowa. He relied on their institutional knowledge so much that he considers himself a product of these organizations. "I had to be a sponge," he says. "I burned up my cell phone making calls. I attended as many meetings as I could. I relied heavily on people in the mutual industry and away we went."

Druvenga soaked in as much knowledge as he could, bringing back best practices for the company to try. One of Druvenga's biggest influencers wasn't a NAMIC member, but someone he encountered while attending a NAMIC event. Druvenga met Jim Collins, author of "Good to Great" while attending the NAMIC Annual Convention in San Diego. Inspired by Collins and his message, Druvenga took the book to his board.

"I said, 'We might not be a big company, but there are some things in here we can implement. We can take the foundation of the company we have and here is where we can go,'" he recalls. "I believed that in a decade, this company could double in size and be much more secure than where it was."

In less than 10 years, First Maxfield met and exceeded Druvenga's expectations, and he considers immersing the company in NAMIC a huge contributor to that success. "What NAMIC has done is helped open our company to next-level ideas," he says. "That's the neat thing about the mutual philosophy. People | will share ideas, even if we don't agree all the time. We all face similar challenges; it's incredible to be able to | sit and talk about them."

The biggest challenge Druvenga has faced, though, has nothing to do with physical exercise or learning to run a company. In fact, this ultimate test is something he's still figuring out how to overcome. But he is thankful to be surrounded by people who are helping him move forward.



Druvenga met his wife, Pam, when they were teenagers. They were best friends, high school sweethearts, and husband and wife for 41 years. On the day Druvenga had planned to celebrate Pam's retirement by picking her up in a limo after her last day of work, he, his family, and close friends were celebrating Pam's life instead.

Earlier that month — June 5, 2018 — Pam lost control of her bicycle while the couple was out for an ordinary ride. She sustained severe head injuries and was flown by air ambulance the 100 or so miles from Waverly, Iowa — the Druvengas' home city — to an Iowa City hospital. After 10 days, the Druvenga

family decided to move Pam to palliative care. She passed June 20, 2018.

How does one survive a personal tragedy of that magnitude? It's a question Druvenga has asked himself often during the past year. Once again, his answer has been to move forward, surrounded by quality people, many of whom are his fellow NAMIC members.

Just two short months after Pam's passing, Druvenga found himself in San Antonio, Texas, for NAMIC's 123<sup>rd</sup> Annual Convention. It was a way to keep life somewhat normal. "I was not prepared for the outpouring from people I didn't know," he remembers. "But people knew Pam or knew about our story and what we had been through. You go to [these events] to focus on business, or at least you think that, but people care. It really solidified the quality of individuals who are out there."

Not long after NAMIC's convention in San Antonio, Druvenga sent a note to several fellow NAMIC members and staff to show his appreciation of that compassion. He closed the note with kind words that seem so fitting.

"Our professional and personal lives have similar paths to a meaningful and successful life. To accomplish this, we must build a strong network with a foundation of family, staff, friends, and faith," he wrote. "The challenges we face prepare us for the necessary resolve required to achieve and experience more than we currently imagine.

"Reward yourself by accepting change, it will happen," he continued. "Embrace your challenges, because they will come your way. This attitude and courage will take us on a meaningful, magical life journey we can only imagine. May it be so for you and for me." [IN]

# Get to Know a Little More About Randy Druvenga

**Growing up, I wanted to be a:** middle linebacker for the Chicago Bears.

**If I weren't working in the insurance industry, I would be a:** retired middle linebacker of the Chicago Bears.

**As a kid, my favorite activity was:** playing outside.

**As an adult, my favorite activity is:** reading and bicycling.

**I earned my:** associate degree from Hawkeye School of Technology.

**The hobby I would pick up if time and money weren't issues would be:** playing a harmonica while writing a book as I sail a yacht.

**My first mentors were:** my parents.

**They taught me:** a work ethic and the meaning of grace.

**My most recent mentor is:** Tony Nester, a friend and a retired pastor.

**The best piece of advice I ever received was:** Never lose sight of who you are and the difference you can make in the lives of others.

**The one piece of advice I would like to give those professionals who are new to the insurance industry is:** to build relationships. You do not need to be the smartest person in the room; you just need to know who to call.

**The NAMIC event I don't miss is:** CEO Roundtables.

**Because of:** the opportunity to network with peers.

**My most memorable NAMIC experience is:** meeting Leroy the brewery tour guide at a PAC event during the Farm Mutual Forum in Ohio. He autographed my cap.

**I am looking most forward to being NAMIC chairman because:** it is an opportunity to give back to NAMIC for what I have received.

**I think the biggest opportunity for the insurance industry is:** to share our story. We make a difference in providing security to those who entrust us with their businesses, homes, and farms.

**I think the biggest challenge to the industry is:** adapting to the changes and evolution of technology and weather events.

**My favorite quote is:** "You can't get to second base with your foot on first."

**When I retire, I plan to:** drink wine and read National Geographic magazines.

**My biggest pet peeve is:** not winning the "need a restroom competition" on a road trip.

**The song I always turn up the radio for is:** "A Beautiful Morning" by The Rascals.

**The most recent thing I crossed off my bucket list was:** backpacking in the Grand Canyon.

**The next thing I want to cross off my bucket list is:** seeing salmon runs and Northern Lights in Alaska.

**On a weekend, you're most likely to find me:** outside, working on yard projects, cycling, or attending sporting events.

**The most interesting place I have ever visited is:** a café in Paris, where I had a glass of wine with Pam.

**I wouldn't be where I am today if it weren't for:** the challenges I have faced and quality individuals who have impacted my life. 



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# NAMIC PAC at Convention

The generous support of NAMIC membership made the 2018 election cycle the highest fundraising election cycle for NAMIC PAC to date. After raising more than \$1.14 million, NAMIC PAC is known as the largest insurance company trade association political action committee in America.

During NAMIC's 124<sup>th</sup> Annual Convention, NAMIC PAC has many opportunities for attendees to have a little fun while investing in NAMIC's important efforts to support industry-friendly political candidates.

**SUNDAY**  
SEPTEMBER 22

**Cruise on the Potomac**  
7:30 - 9:30 p.m.

Set sail on a two-hour cruise on the Potomac River with the best views of the Washington Monument, National Harbor, Old Town Alexandria, and other iconic D.C. sights. Enjoy a delicious buffet of local foods while you relax and take in all the beauty Washington, D.C., has to offer.

**SUNDAY**  
SEPTEMBER 22

**Distillery Tour and Tasting**  
10:00 a.m. - 2:00 p.m.

Most people know that the Mount Vernon Estate was home to our nation's first president, but did you know that in 1799, George Washington's distillery produced nearly 11,000 gallons of whiskey? Back then, it was one of the largest whiskey distilleries in America. Today, it's a faithfully reconstructed working distillery producing small-batch spirits on site. Join NAMIC PAC and mingle with your insurance peers for a whiskey tasting at Mount Vernon's working distillery.

**TUESDAY**  
SEPTEMBER 24

**VIP Luncheon**  
Noon - 1:00 p.m.

Get the "inside scoop" on all things political from Washington D.C.'s influencers and politicians.

**TUESDAY**  
SEPTEMBER 24

**Silent Auction Closing Reception**  
4:00 - 5:00 p.m.

Stop by Advocacy Central to bid on NAMIC PAC Silent Auction's exciting travel experiences, one-of-a-kind jewelry, artwork, and so much more. Stick around to make sure yours is the winning bid and participate in the auction's closing reception. You can also check out NAMIC PAC's mobile bidding app on Handbid to participate from anywhere in the world.

**WEDNESDAY**  
SEPTEMBER 25

**Sparkling in the Nation's Capital**  
6:00 - 7:00 p.m.

Prior to the Closing Celebration, join NAMIC PAC for a special diamonds and champagne reception. All who attend will receive a tiny blue box that holds a pair of earrings, but only one will hold the winning item. Will you be the lucky one to win gorgeous jewelry valued at more than \$4,000? Join NAMIC PAC to find out.

**TOP 10**

**NAMIC PAC TOP 10 for Quarter Two 2019**

**TOP 10 PROPERTY CASUALTY CONFERENCE CONTRIBUTING COMPANIES**

Auto-Owners Insurance Company	\$54,162
Western National Mutual Insurance Company	\$29,118
Ohio Mutual Insurance Group	\$21,917
Harford Mutual Insurance Company	\$19,058
Pennsylvania Lumbermens Mutual Insurance Company	\$17,000
Pioneer State Mutual Insurance Company	\$16,150
Mutual of Enumclaw Insurance Company	\$14,918
Frankenmuth Mutual Insurance Company	\$11,933
Preferred Mutual Insurance Company	\$11,896
Lititz Mutual Insurance Company	\$11,475

**TOP 10 FARM MUTUAL CONFERENCE CONTRIBUTING COMPANIES**

Fairmont Farmers Mutual Insurance Company	\$11,300
Heartland Mutual Insurance Company	\$6,800
Farmers Protective Mutual Insurance Company	\$5,450
CFM Insurance, Inc.	\$5,100
First Maxfield Mutual Insurance Association	\$5,000
Germania Farm Mutual Insurance Association	\$4,575
Mutual of Indiana Insurance Company	\$4,350
RVOS Farm Mutual Insurance Company	\$2,500
American Mutual Fire Insurance Company of Kentucky	\$2,500
Mound Prairie Mutual Insurance Company	\$2,500
Western Iowa Mutual Insurance Company	\$2,500
NAMIC Staff Contribution	\$28,511

NAMIC PAC serves the political purpose of supporting candidates for federal and state offices. Contributions to NAMIC PAC are not deductible as charitable contributions for federal income tax purposes. Federal law requires NAMIC PAC to report the name, mailing address, occupation, and name of employer for each individual whose aggregate contributions exceed \$200 in a calendar year. All contributions to NAMIC PAC are voluntary. Your decision whether or not to contribute will not benefit you or disadvantage you. [IN]

# Steps to Networking Success

EVENTS SUCH AS THE ANNUAL CONVENTION ARE WONDERFUL PLACES TO NETWORK. BUT DOING SO EFFICIENTLY TAKES PRACTICE.

 LINDSAY ROBISON

“It’s not what you know, it’s who you know” might be one of the oldest clichés in the book. But it’s a cliché for a reason. Networking should be — and is for many people — an important part of a professional career.

Networking, according to one Forbes article, is “the power of observation in full force.” It is a great way to learn from others. In fact, PayScale says somewhere between 70 percent and 85 percent of the workforce landed their jobs because of networking.

Yet, networking has its challenges; otherwise, there wouldn’t be countless consultants out there to help people hone their skills. Derek Coburn, one of those consultants and author of “Networking Is Not Working,” believes one main source exists for all of networking’s problems.

“If you ask one hundred people to define networking, you’ll get one hundred different responses,” he says. “Not only are the definitions going to be different, some people will tell you it’s a verb, others a noun, others an adjective.”

Add to that the fact that many networking events aren’t as well focused as people need, and you can quickly see why attempts to network can fail. “Anyone’s success or lack thereof when it comes to networking will be directly correlated with how well they put themselves in a room with other people who are there for the same reasons,” Coburn says.

Meeting people with similar professional backgrounds and issues is a no-brainer at NAMIC-hosted events. Everyone in attendance is looking to gather information and exchange ideas and best practices in the property/casualty insurance sector.

With the 124<sup>th</sup> Annual Convention, NAMIC’s most prominent educational and networking event, just over the horizon, here is some food for thought — yes, another cliché — on how to make meaningful connections.

The singular insurance focus of convention lends itself to making easy connections, but Michelle Tillis Lederman, speaker, corporate trainer, and author of “The Connector’s Advantage,” says work commonalities can become a crutch, especially for people who are new to networking events or find these situations uncomfortable.

“It helps in that you already have a common association, but that is where people often get stuck,” Tillis Lederman says. “We have a basis to begin a

conversation, but it doesn’t help expand the conversation into an area where we truly connect.

“True connections happen when we are talking not only about common professional associations but common personal associations as well,” she continues. “When you find unique connections, those are the parts of the conversations we get excited about, when you start feeling a little more personally connected.”

Making that personal connection can be assisted by a four-part conversation model, according to Tillis Lederman. The first step is to open a conversation with a question. “Ask something you actually want to know the answer to, something you would be willing to share about yourself,” she advises.

Step two is to listen and then move on to something Tillis Lederman refers to as “the dance.” The dance begins by



**Step 1**  
Find a Common Connection

**Step 2**  
Listen and Ask Questions

**Step 3**  
Find the Commonality

**Step 4**  
Create Positive Mood Memory

listening to the answer of the initial question and either asking more questions or sharing something in return. It's all about the back and forth, the ongoing conversation.

Step three is to find the commonality. "The moment you find a similar experience, that is when you feel a point of connection," she says. "What you want is to move a conversation into a connection, and that requires additional points of contact. Look for the follow-up opportunity."

For example, if you find out someone is planning to vacation at a spot you'd like to visit, Tillis Lederman suggests setting a reminder to reach out to that person to inquire about the trip.

The final step is to create positive mood memory. Making a meaningful connection means both networkers end the conversation feeling good about it. "It's the idea that people will remember how you make them feel, not necessarily what you say," explains Tillis Lederman.

For Coburn, true networking connections happen when professionals go into an event unselfishly, thinking about what they can contribute and not just

about what they can get from it. "What I consider networking is any activity that increases the value of your network or the value you contribute to your network," he says. "The connections that got you where you are now aren't always the same connections that get you where you want to be."



To find out what several NAMIC members' thoughts on networking, check out IN magazine's special convention issue, available only at the 124<sup>th</sup> Annual Convention.

To contribute and derive value from these opportunities, Coburn suggests networking on levels. Find people who are in the position you'd like to be in, who you can relate to currently, and who you can mentor. And like Tillis Lederman, Coburn stresses the importance of follow-up opportunities.

While there is no formula for following up, it does seem a little like dating ... and the three-day rule may apply, according to Tillis Lederman. "After first meeting someone, reach out to them within three days," she says. "But keep in mind they were away from their desks, too. They may have a ton of emails to go through.

"Allow them to breathe again and feel like they can connect without being overwhelmed," she continues. "I always say, 'Stay in someone's mind, not their face.'" [IN](#)



## Make It Memorable

For first-time networkers, those who scale more toward the introverted side of the Myers-Briggs Type Indicator or those just looking to draw more networking relationships, speaker, corporate trainer, and author Michelle Tillis Lederman suggests wearing something that makes you memorable.

That doesn't mean you must do something crazy, just something a little different than everyone else.

"I know a guy who used to wear his nametag upside down," she comments. "People would come up and say, 'You know your nametag is upside down, don't you?' He'd reply with, 'I know, but it got you to come talk to me.' It's little things that make it easier for others to approach us." [IN](#)



## A Networking Approach to the Insurance Industry Talent Gap?

Not only is Derek Coburn a networking strategist, he is a wealth management advisor. And as part of his goal to keep in touch with existing clients and potentially form new client relationships, he hosts invitation-only quarterly wine

tasting events and ask clients to bring a guest. "[The guests] might not have been in the market for a new financial advisor, but if they like good red wine, they might come to the event," Coburn says. "Then I have the opportunity to build a relationship with them that goes beyond wealth management or drinking wine."

And the day they are in the market for a wealth manager, they just might reach out to Coburn. In fact, after one year of hosting these events, he says he generated approximately \$150,000 of new revenue by way of relationships sparked during these events.

Hosting wine events might not be a big draw for the generation the property/casualty insurance industry needs to fill its talent gap, but the overarching concept is the same.

Whatever you host, make the event fun. It might not have anything to do with potential insurance careers. But make your event's attendees curious as to why other potential employers aren't doing the same thing. According to Coburn, "they just might start asking questions to bring it all full circle." [IN](#)

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# Q&A With Convention Keynote Speaker Josh Linkner



INNOVATION IS AN EVER-PRESENT CONCEPT IN THE PROPERTY/CASUALTY INSURANCE INDUSTRY. SO, IT MAKES SENSE FOR NAMIC TO ASK CREATIVE INNOVATOR JOSH LINKNER TO SPEAK AT THE 124<sup>TH</sup> ANNUAL CONVENTION. IN MAGAZINE HAD THE OPPORTUNITY TO ASK LINKNER SOME QUESTIONS PRIOR TO HIM TAKING THE MAIN STAGE IN NATIONAL HARBOR.

**Q:** *You started your professional career as a jazz musician, how did you go from musician to the super innovator you are today?*

**A:** It's funny. Jazz music is creating something out of nothing. It's improvisational. You have to think on your feet and innovate all the time. You have to lead but also listen. You make decisions in the face of ambiguity and sometimes quickly correct course. You're constantly trying new things, and you have to be okay with the mess of it all. I found business to be very similar. So, while it sounds like a random career leap, the skills [I learned as a jazz musician] are exactly the skills that have been helpful to me in my years in the business world.

**Q:** *Do you think the insurance industry is an innovative one? Does fear of failing hinder innovation at times?*

**A:** There is definitely room to grow. I do think fear is by far the biggest blocker of human creativity. Fear and creativity cannot coexist. The trick is to create a safe environment where fresh thinking is tolerated. The real way to de-risk creativity [and innovation] is to stop thinking innovation is a great, companywide change. Making a massive change could affect millions, even billions, of dollars and human lives. It's too risky, so people do nothing. If a risk is too high, we default to the status quo. Innovators must figure out how to de-risk the creative process.

One of the ways to do that is to break down big ideas into small experiments. If the big idea is an unimaginable, bet-the-farm risk, no one is going to do it. But if you break it into small experiments and say, "Let's try this concept for a few days and get some feedback. If the feedback is positive, move to a prototype. If people embrace that, let's expand the prototype."

If you think of creativity and innovation as a pathway as opposed to coming up with a huge idea and betting the entire business, it totally de-risks the process. Think about how drug discovery works in a lab. There are tons and

tons of scientific experiments that ultimately lead to a breakthrough. If you take that approach in business, it is much more palatable.

**Q:** *The word "innovation" can be intimidating, but you're saying innovation doesn't have to be something earth shattering, correct? Can simply doing something you've never done before be considered innovation?*

**A:** Absolutely. A phrase I use all the time is "everyday innovation." Innovation is such an overwhelming word. You think you have to be Thomas Edison or Leonardo da Vinci, but we can all be everyday innovators, which means you can be innovative in the way you run your Monday morning meeting, the way you send an email or answer the phone, the way you conduct a job interview. When we think about innovation on an everyday basis, it de-risks it and makes it accessible to us all.

My dad used to sell life insurance. I got to see the industry from the ground up. He would try different things. Sometimes they worked, sometimes they didn't, but I admired that he tried. He pushed the boundaries a little bit every day.

The long-term path to success isn't achieved by taking that big risk. It's really quite the opposite. Those who make history are the ones who are always trying new things, who take the small risks and let their imagination, their inventive thinking creep into their daily work.

**Q:** *The property/casualty insurance industry has a long, successful history. Some people get stuck doing things the way they always have because it has worked for so long. What would you say to those who are stuck?*

**A:** We often think success is a permanent condition, that when you solve a problem, you've cracked the code forever. Doing things the way they have always been done [and succeeding at it] would be awesome ... if the world

was a vacuum. Today, the world is changing at a rate like no other that has ever existed, which means if we are simply relying on yesterday's solutions, we're taking a tremendous risk.

You know how milk has an expiration date? Well, I believe most things in life should have an expiration date. Say you've implemented a new sales procedure; sure, it looks great now, but that doesn't mean it will forever. So why don't you implement the procedure and say, "All right, this process expires in a year. We're going to try this, and at the end of one year, we'll review it." Was it the best procedure to implement? If yes, renew it; if not, find another way.

**Q:** *You use the phrase "creative disruption." Could you define what that means to you?*

**A:** Disruption can mean a lot of different things to a lot of different people. For some, it is negative ... you were disrupted. But creative disruption is more positive, it is much more intentional. You become the source of disruption rather than having something disrupt you. If you really think about it, part of any organization's responsibility is to creatively disrupt themselves.

There is this saying I used to tell my team: "Look, someday a company is going to come along and put us out of business. It might as well be us." Think about it, it is the definition of creative disruption right there. It is the willingness to confront the mores, traditions, assumptions of the past in favor of the possible. Being in the driver's seat, realizing it is your responsibility to put your previous self out of business. Creative disruption is the manner in which you get there.

**Q:** *There is a lot of talk about insurtech in our industry. Are these start-up companies' way of doing business the way older companies should be doing business?*

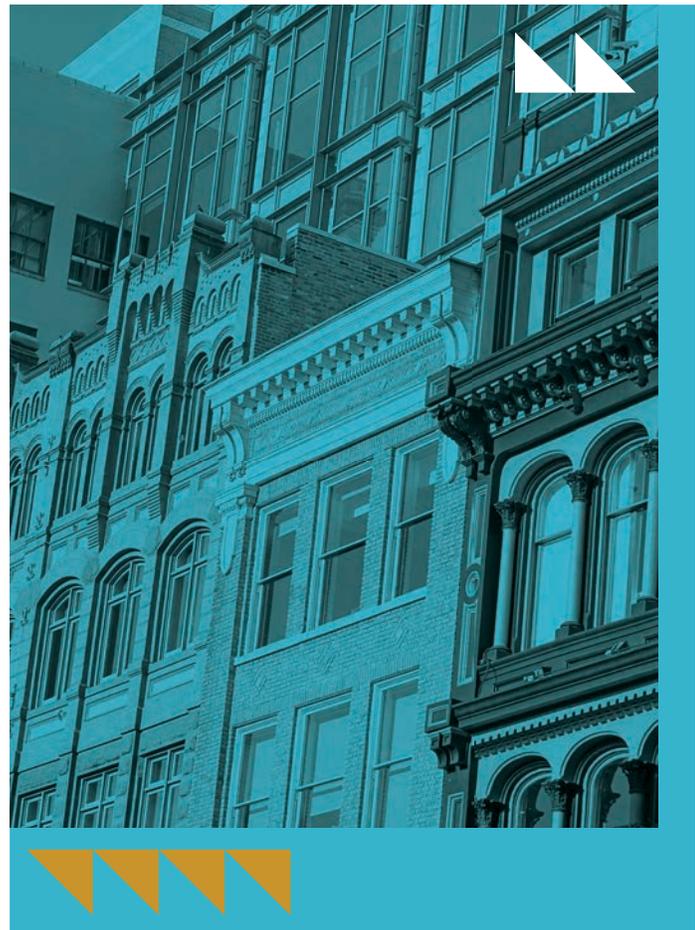
**A:** There is a lot of value in thinking like a start-up. The good news is you don't have to be a start-up to think like one. Think about a big, established company. It has the resources, the distribution, the dependability, the brand, the investors, and then some company comes out of nowhere with none of those things and upends the big company. Why? How can that start-up compete? Its weapon is creative disruption.

Yet, creative disruption doesn't have to apply to only a changing industry. Sure, Uber used it to disrupt the transportation world. But you can also use it in how you make a sales call or how you present your insurance policies to customers. You can apply creative everywhere; it doesn't mean you have to completely change a business or an industry.

**Q:** *Without giving too much away, what are you planning to share with the 124<sup>th</sup> Annual Convention audience?*

**A:** I am going to key in on several things, but I really like the idea of everyday innovation and how to make it accessible to everyone in the room. I plan to challenge everyone there to not only think of themselves as insurance professionals but also as innovators. And that doesn't mean you have to go start a company; you can be innovative in your current role.

I have discovered that there are five core mindsets of innovators. I will show attendees how to embrace those five core mindsets. My goal is for people to not only leave inspired but with some practical tools they can use in the months and years to come. 





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# Underneath the Smoke

CURRENT ADVANCES IN FIRE DETECTION TECHNOLOGY ARE HELPING STAKEHOLDERS UNDERSTAND HOW WILDFIRES WORK AND WHERE THE NEXT ONE COULD SPARK.

 LISA FLOREANCIG

Nearly 30 years ago, sharp-tongued politico “Ragin’ Cajun” James Carville coined a phrase that would become a cultural phenomenon — “It’s the economy, stupid.” With those immortal words, troves of comedians and plenty of everyday Americans added it to their repertory of catchphrases, “It’s the [fill in the blank], stupid.” But at no time has that iconic rallying cry resonated more. For researchers who are sleuthing scientifically to solve the mystery of where and when wildfires will spark, it becomes “It’s the data, stupid.”

With the numerous variables that impact the severity of wildfires — climate, weather, vegetation, unpredictability, and, of course, humans — the answer to the mystery could just be a pipedream. Or is it?

J. Timothy Ball, Ph.D., has made a career of studying the subtleties of wildfires. First as an on-the-ground firefighter, then as a researcher/professor/biologist/ecologist studying everything from leaf-level biology all the way to global climate. It was during his professorship at the Desert Research Institute in Reno, Nevada, more than 20 years ago, however, that he set his sights on developing a fire prediction model. While he says he continues to work on gaining an understanding of the nuances of how fires really work, he has been using the technology of remote sensing for fundamental wildfire measurements that will become the basis for a predictive model.

“People have dabbled around the edges of it, but it’s just not been done in a large-scale, continuous, real-time resolution way,” Ball says. “And that’s a big missing piece. You can’t really make [predictive models] work unless you have the fundamental measurements, and those are lacking.”

Insurers know all too well the chaotic nature of wildfires, never knowing how one will react to its environment and where it will advance, but Ball has been surveilling fires from the air for the last two decades acquiring an operations professional's perspective as the fire moves along its path.



"You ask yourself 'Where should the fire line be?' 'Where should they make the next fire line?' 'What's the fire really going to do?'" Ball says. "At the same time, I'm thinking, 'How can this information be quantified?' This is a huge hole in research that has not been funded and completed."

That hole, however, is getting closer to being filled. Today, Ball is president of Fireball International Services Corp., which provides mapping and airborne field observer services. The 20-year-old company develops and uses hardware, software, and integrated systems for low- and high-altitude airborne mapping across the entire electromagnetic spectrum.

His current project in early fire detection involves setting up 300 cameras on mountaintops around California to get data feeds on smoke presence with the goal of beating the 9-1-1 call. That strategy — stopping a wildfire before it begins — has been gaining momentum, particularly in California where the University of Nevada will soon have nearly 1,000 cameras from Ball's company installed throughout state.

"Part of what we're doing is when one camera thinks it sees a fire, we bring the other camera around from the other mountaintop. It's the old-fashioned lookout tower," Ball explains. "We're looking forward to the time when we can use satellites that all talk together."

Ball and his company are also delving into outage reports from the utilities, which, he says, know instantly when a line has a problem that may result in a fire. "If that data was fed to us at the same time," he says, "we could bring over a camera and look at exactly where the fire started."

Unfortunately, this would not have stopped last year's Camp Fire, which killed at least 86 people and destroyed nearly 12,000 structures. "It was just out of control. Ideally, there would have been an understanding that the fire was just outrageously big very early on so that the evacuation could have started earlier," Ball says. "You couldn't stop that fire. But the timing and the way the evacuations were done could have been done better if [the information] had been available."

Because of Ball's firefighting experience, he knows firsthand that an essential tool in stopping wildfires in their paths is an airborne component activated as soon as a fire is spotted; however, most aircraft today are not equipped with the systematic ability to see through smoke.

"You don't want to only be looking at the edges of a fire; you need to be able to peek underneath the smoke," Ball explains. "You need a new full-on picture of the fire [provided by] a large camera system in multiple wavelengths in thermal so you can see everything that's hot. You can see the flames, and you can understand the amount of energy that's coming out of the fire. Those are the things that you need to have updated all the time."

The National Interagency Fire Center is predicting another heavy wildfire season from California to Canada because of an increase in grasses and other fire-susceptible foliage that have grown because of this year's wet winter. As more fuel accumulates — and more people move into areas that were once wildland — risk of wildfires increases exponentially.

According to the American Academy of Actuaries, the geographical area of wildland-urban interfaces grew from 7.2 percent of the contiguous United States in 1990 to 9.5 percent in 2010, with 43 percent of all new homes built during this time in the wildland-urban interface. Today, about one-third of U.S. homes are within these areas and are vulnerable to extreme wildfires.

At the University of Colorado Boulder's Earth Lab, Maxwell Joseph, Ph.D., pulls massive amounts of data, embarking on the path of scientific discovery of understanding and predicting wildfires in the United States. Driven by his recent study, Joseph found the latest wildfire extremes should not be surprising and future extremes might be predictable if accurate meteorological forecasts are available to drive models of fire occurrence and size. Through this research, he hopes that predicting such wildfires will lead to stronger disaster prevention and add to the understanding of this natural catastrophe, particularly against the backdrop of a changing climate and a growing population.

Joseph's model provides essential information about the hazard of wildfires but less about risk assessment, in that it does not predict home losses or lives threatened. "To translate our results to the domain of risk [assessment], it would be important to combine our model with some data from actual losses associated with particular fire events," he says. "For wildfire risk assessment, there's a critical spatial component, too, because an extremely large wildfire might pose little risk in an unpopulated area, but a small wildfire could cause massive risk in a populated area."

In setting up the research, Joseph and his colleagues borrowed from models of rainfall extremes that boil down forecasting them to two tasks: predicting the number of events and predicting the magnitude of each event. By integrating a 30-year wildfire occurrence record with meteorological and housing data, the team found that dryness and air temperature strongly regulate wildfire risk, with precipitation and housing density playing weaker roles.

“By allowing the nonlinear effects of weather and housing density to vary across space, we were able to achieve good predictive accuracy for fire extremes during a five-year prediction window,” Joseph says. “We estimate a moderate chance of wildfires larger than what has been observed in recent decades, perhaps even more than one million acres. The core idea behind this approach is that extreme events can result from ordinary events and that extremes are more likely when there are more events.”

“There are some physical reasons why extremely large wildfires are fundamentally different than typical or small fires,” he continues. “Namely when fires get large enough, they start to create their own weather, which makes them behave differently. The fact that a statistical model could still provide some predictive utility — despite ignoring these physical dynamics — was surprising to me.”

While Joseph says he was surprised by his research findings, Dominique Bachelet, Ph.D., a climate scientist at Oregon State University, wasn’t astounded about the conclusion from her study that showed a strong relationship between housing density and the amount and type of vegetation nearby.

“The key message is: it is not if, it is when,” Bachelet says. “Climatic conditions are getting warmer and drier. Wherever fuels are not limited, drier conditions will increase fire risk because human ignitions will always occur and become more frequent as humans move on the landscape.”

Urban areas have their similarities, including population density, and a wildfire with perfect wind conditions can send embers miles away, making for a widespread, disastrous fire. While there are homeowners who apply all the recommendations to safeguard their families and homes, sadly if their neighbors aren’t forward thinking, no amount of mitigation will be protection against flames.

“[Safety] measures are important, but it is more important to stop building houses in the middle of forests or chaparral where fires are to be expected,” Bachelet says. “Local governments should stop giving building permits in such areas.”



Bachelet’s research should raise concerns among developers, insurers, and city planners who can restrict opening wildland to roads, power lines, and housing development as well as floodplain occupation. “We only hope the people we talk to understand that preparing for the challenges ahead is critical,” Bachelet says. “Heat waves, more frequent fires and floods, sea-level rise, and pest and pathogen outbreaks are expected to exacerbate the effects societies already have had on our environment.”

She advises that decision-makers need to be convinced that a one-size-fits-all strategy is unrealistic. Thinning the Pacific Northwest forests will allow warm air to dry fuels, thereby increasing fire risk — the only ingredient missing is ignition from the rare lightning strike or humans. Conversely, ponderosa pine forests, where fire has been suppressed, have higher fire risks because fuels have been accumulating in areas where lightning and dry winds are common.

Yet, Bachelet warns that fearing dramatic negative consequences and ultimately imposing reactive crisis management do not help. “The time is now for collaboration, informed decisions, proactive measures to be ready when, in this case, fires come close to human infrastructure and threaten lives,” she says. “It is unconscionable to expect firefighters to risk their lives to prevent houses from burning in fire-prone environments where they should have never been built.” <sup>IN</sup>

## Community Involvement

Sheboygan, Wisconsin-based **Acuity Insurance's Acuity Charitable Foundation** donated \$425,000 to a local education foundation to support its school district's ongoing capital improvements. In response to the donation, the school district named its gymnasium after the insurer.

Twenty employees from **Preferred Mutual Insurance Company**, New Berlin, New York, helped clean up a stretch of New York's Route 8 this past Earth Day. The team collected more than 20 bags of trash on a two-mile stretch of road. This is the seventh year that Preferred Mutual took part in the Adopt-A-Highway program. Preferred Mutual also co-hosted a child car seat inspection in May. The local sheriff's department conducted 19 inspections. Eleven car seats were replaced at no cost.

**The MEMIC Group**, Portland, Maine, awarded a total of \$20,000 in scholarship money to three children of workers who suffered serious workplace injuries. The MEMIC Harvey Picker Horizon Scholarship began in 2001 and has gifted nearly \$200,000 to 36 students.

## Hires & Promotions

**Wisconsin Reinsurance Corporation**, Madison, Wisconsin, promoted two team members in the spring. **Jason Fogg** was promoted to executive vice president. He joined the organization in 2017 as chief operating officer. He will work closely with the CEO **Terry Wendorff** to grow WRC's business and develop its strategy. WRC also promoted **Stacy Brieman** to senior manager in the reinsurance division. She joined the company in 2009 as part of the finance department. She transitioned to the reinsurance team in 2011. In her role, Brieman will manage the reinsurance division's day-to-day functions and lead reinsurance underwriting for several states.

**Rockford Mutual Insurance Company**, Rockford, Illinois, made several hires recently. **Gregg Hansen** joined the company as assistant manager of IT infrastructure and support. He is responsible for guiding Rockford Mutual's technical support group and enhancing technical solutions. **Lisa Olsen** was

## Awards & Recognitions

The International Association of Insurance Professional's Region 7 honored **Keri Herlong**, the Nevada commercial field underwriter for Sheboygan, Wisconsin-based **Acuity Insurance**, with its Insurance Professional of the Year and Professional Underwriter of the Year awards. Herlong has more than 25 years of experience in the insurance industry and has earned several professional designations during her career.

Six of the top 10 auto insurance companies, as rated by Clearurance, are NAMIC members. San Antonio, Texas-based **USAA** and West Trenton, New Jersey-based **NJM Insurance Group** ranked in the top two spots. The other NAMIC members rounding out the top 10 are **Amica Mutual Insurance Company**, Providence, Rhode Island; **Shelter Mutual Insurance Company**, Columbia, Missouri; **Auto-Owners Insurance**, Lansing, Michigan; and **State Farm**, Bloomington, Illinois.

Forbes ranked Grinnell, Iowa-based **Grinnell Mutual** the fifth-best Iowa employer in its inaugural America's Best Employers by State. Grinnell Mutual was the only property/casualty insurer in Iowa to make the list.

**Arbella Insurance Group**, Quincy, Massachusetts, was named one of Boston Business Journal's Best Places to Work for 2019. This is the 11<sup>th</sup> year in a row that the company has been named to the extra-large business category.

hired as commercial lines underwriter. She will support independent agency partners located in Wisconsin. **Joseph Tassone** and **Peter Fassbender** were hired as marketing representatives. They are responsible for prospecting and contracting agents. **Lynette Duncan** joined the company as a claims representative. She will investigate and resolve claims. **Tracey Parker** joined Rockford Mutual as a casualty specialist. She is responsible for reviewing, investigating, and negotiating claims with attorneys, primarily in the workers' compensation and casualty lines of business.

**Missouri Farm & Home Mutual Insurance Company**, Richmond, Missouri, promoted two of its leaders. **Jimmy Carter** is now president and CEO. He previously served as mutual manager and has been with the company for nine years. **Lisa Harp** was promoted from office manager to vice president and chief financial officer. She joined the company 24 years ago.

**Mutual Benefit Group**, Huntingdon, Pennsylvania, promoted **Amanda Zanylo** to personal lines underwriter trainee I. She joined the company in 2015 as a personal lines underwriting analyst. She has more

than a decade of experience in the financial and customer service industries. She earned a bachelor's degree in business management and marketing from Penn State University.

**GuideOne Insurance**, West Des Moines, Iowa, appointed **Doug Pearson** senior vice president and chief underwriting officer. He is responsible for niche product management, home office underwriting, and underwriting compliance and business systems. He has extensive underwriting and product leadership experience.

**Frederick Mutual Insurance Company**, Frederick, Maryland, promoted **Jill Showalter** to vice president and chief insurance operations officer. She joined the company in 2017 as a regional vice president responsible for commercial lines underwriting and agency marketing strategy for commercial lines and personal lines. In her new role, Showalter is responsible for all underwriting and agency management operations. She has more than 20 years of experience in the insurance industry. She earned a bachelor's degree in communications with a minor in business.



### **Pinnacle Actuarial Resources,**

Bloomington, Illinois, hired **Greg Frankowiak** as a senior consulting actuary. He has more than 20 years of property/casualty actuarial experience. He earned a bachelor's degree in mathematics and physics from Knox College and a master's degree in management from The American College. Frankowiak is a fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

**NJM Insurance Group**, West Trenton, New Jersey, named **Chris Malone** chief financial officer and a member of NJM's executive leadership team. Malone has more than 25 years of financial experience, most recently serving as vice president and lead financial officer for Ameriprise Auto & Home Insurance. He earned a bachelor's degree in accounting from Villanova University and an MBA from the Yale School of Management.

**SFM Mutual Insurance Company**, Bloomington, Minnesota, named **Kathy Bray** vice president and general counsel. She joined the company in 2007 as senior defense counsel for SFM's in-house law firm. She has served as corporate counsel since 2016. In this new role, Bray has responsibility for corporate and board governance, oversight of employment law issues, contract review, regulatory matters, and legislative relationships. She will also oversee the in-house law firm and special investigation unit. Bray earned her bachelor's degree in business from the University of Denver and her law degree from the University of Minnesota Law School.

**Grinnell Mutual**, Grinnell, Iowa, named two new vice presidents in May. **Andrea Brunk** is vice president of strategic experience. She joined the company in 2016 and served as assistant vice president in the company's project management office prior to assuming this new role. Brunk earned a degree from Iowa State University. **Lauren Augustin** was named vice president of product transformation and delivery. She joined Grinnell Mutual in 2008 and most recently served as its vice president of personal lines and farm underwriting. Augustin earned a bachelor's degree from Truman State University and an MBA from the University of Iowa. Both women hold multiple industry-related designations.

## Board Activities

**Harford Mutual Insurance Company**, Bel Air, Maryland, made changes to its board of directors this past spring. The company appointed **Abigail E. Smith** as its chair. She is CEO of her own CPA firm. She succeeded **Stephen T. Scott**, who served as chair since 2013. Scott will remain on the board. The board appointed **Vernon A. Reid Jr.** as a new director. He is a retired investment professional who focused on fixed-income portfolio trading and management during his career.

**Wisconsin Reinsurance Corporation**, Madison, Wisconsin, elected **Kathy Beach** and **Marty Wynn** and re-elected **Lisa Johnson** to its board of directors this past spring. Beach is general manager of Marengo, Wisconsin-based **Northern Finnish Mutual Insurance Company**. Wynn is general manager of **Meramec Valley Mutual Insurance Company** in Hillsboro, Missouri. Johnson is secretary/manager of Union Grove, Wisconsin-based **Yorkville-Mt. Pleasant Mutual Insurance Company**. WRC honored **George Tipler**, president and CEO of Larsen, Wisconsin-based **Homestead Mutual Insurance Company**, and **Jim Viney**, former president of Elkhorn, Wisconsin-based **Sugar Creek Mutual Insurance Company**, for their service to the WRC board.

## Retirements

**Doug Sullivan** retired in May after 27 years as manager/secretary of Orion, Illinois-based **Svea Mutual Insurance Company**. During his nearly three decades with Svea Mutual, he also served his state and national insurance associations. He served on several committees for the Illinois Association of Mutual Insurance Company and was chairman in 2003. He also served on several NAMIC boards and committees. He received NAMIC's Service Award in 2013.

## Miscellaneous

**Geneau Thames**, general counsel and director of compliance for **Harford Mutual Insurance Company**, Bel Air, Maryland, was appointed to the Maryland State Ethics Commission by Governor Larry Hogan. She is one of five commission members. Thames has more than 15 years of legal industry experience. She earned a bachelor's degree in political science and economics from Towson University and a law degree from the University of Baltimore.

**Western National Insurance Group**, Edina, Minnesota, reached the \$500 million in policyholder surplus mark this past March. This figure reflects the combined performance of Western National Mutual Insurance Company and its seven subsidiaries; its affiliates are not included in this figure.

**NJM Insurance Group**, West Trenton, New Jersey, and Pennsylvania DUI Association announced in April the winners of the inaugural Just Drive public service announcement. Students from 34 Pennsylvania high schools submitted 30-second videos they created about the dangers of distracted driving. Three videos were selected as winners, and those students' schools received money to be used toward a post-prom, post-graduation, or safe-driving program.

**Rockford Mutual Insurance Company**, Rockford, Illinois, named **Leffelman & Associates** as its Insurance Agency of the Year. Rockford Mutual has partnered with **Leffelman & Associates** since the **Larry Leffelman** purchased and renamed the **Roemmich Agency** in 1969.

**West Bend Mutual Insurance Company**, West Bend, Wisconsin, will invest in the **DAIS** agency platform to help agencies and address key technology challenges they face. The platform should increase agency efficiency and allow for more focus on serving policyholders. [IN](#)

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 HOLLY PITT YOUNG

We're a little more than a year away from the next presidential and congressional elections, but campaigns are already in full swing. And the political noise is only going to get louder as campaigns begin running ads on television, radio, and your favorite websites.

This election cycle is vital for the property/casualty insurance industry, NAMIC member companies' policyholders, and America. It is critical for each of us to be aware of the policy issues that impact our businesses and daily lives. It is also vital for each of us to become involved in the

political process. Here are some ways you can become more engaged and ensure your voice is heard on the issues that matter to you, NAMIC, your colleagues, and your community.



If you would like to become more politically involved, contact Holly Pitt Young, director of political affairs, at [hpittyoung@namic.org](mailto:hpittyoung@namic.org) or Ryan Gregg, political affairs coordinator, at [rgregg@namic.org](mailto:rgregg@namic.org).

## Register to Vote

Make certain your registration is up to date with your current address. You can register at [www.usa.gov/register-to-vote](http://www.usa.gov/register-to-vote).

## Vote in Every Election

All elections are important, whether federal, state, local or municipal. It is especially important to vote for local offices because the officials on that level can often have the greatest direct impact on your life. These officeholders may also one day move into state or federal positions.

## Volunteer

Candidates for elected office cannot succeed by themselves. They rely on volunteers to help in their campaign offices or with door-to-door communications. The candidates will appreciate the help and provide guidance to make your service as easy as possible.

## Send an Email or Letter to Your Elected Officials

Lawmakers place high value on their constituents' perspectives, and not just because they need the votes. Every lawmaker is faced with a staggering array of issues, with little chance of becoming familiar with all of them. NAMIC makes it easy for you to learn about the important policy issues that affect the property/casualty insurance industry, and you can then send an email or a letter to tell your elected official about the issues facing the industry.

## Speak Up in Public

The people you encounter in town hall meetings may have misconceptions about the property/casualty insurance industry or other legislative issues that impact your state, community, and business. Be sure to seize the moment to educate them.



## Learn More About Your Elected Representatives

Do you know who represents you and what positions they hold on key issues? These are questions that are critical to your involvement in the legislative process. You can easily find your federal legislators by accessing the U.S. House and Senate websites at [www.house.gov](http://www.house.gov) and [www.senate.gov](http://www.senate.gov).

## Contribute

Candidates for political office raise tens of thousands of dollars for local races and millions of dollars for federal campaigns. Unless a candidate is self-financed, which most aren't, contributions may only come from individuals and political actions committees such as the NAMIC PAC. A few states accept corporate contributions for state candidates, but most do not.

## Write a Letter to the Editor of Your Local Newspaper

Put your knowledge to work and help the public better understand issues that ultimately will affect them. The NAMIC political affairs staff is happy to help you craft the letter and place it on your behalf.

## Attend Public Hearings and Town Hall Meetings to Make Your Presence Known

The next time you receive a notice about a public hearing or town hall meeting in your community, take the time to attend. At the end of the program, introduce yourself to the speaker(s) and talk about the issues facing the industry.

## Offer Your Ideas

Good ideas and relevant information are necessary to solving the challenges NAMIC members and policyholders face every day. Who better to offer those ideas than NAMIC members and NAMIC PAC members who know the ins and outs of our industry? [IN]



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# AOB Reform's Banner Year



AFTER YEARS OF WORK BY LEGISLATORS AND ADVOCATES, ASSIGNMENT OF BENEFITS SCAMMERS MET THEIR MATCH IN 2019.

 NAMIC GOVERNMENT AFFAIRS STAFF

Anyone with even a little knowledge of the legislative process understands not much happens quickly in statehouses across the country, and most also know that persistence pays off. Such has been the case for assignment of benefits reform in various parts of the country. As more states grapple with problems of AOB abuse, NAMIC has intensified lobbying efforts to assist member companies and industry partners in protecting policyholders from unscrupulous third-party service providers.

While other states have experienced varying degrees of garden variety AOB abuse, which can be addressed by passing stronger, more consumer-centric AOB requirements, Florida has been the center stage in these efforts for quite some time. That's because a cottage industry of connected vendors and plaintiff's attorneys has used AOB to gain leverage via the state's unique one-way attorney fee statute. Under Florida's old laws, an award of even \$1 enabled a plaintiff to seek full recompense for attorney's fees. But the reverse was not true if the defendant prevailed. This set up a lopsided system to incentivize the massive filing of frivolous AOB lawsuits to pressure insurers into unreasonable demands to avoid litigation. As a result of this misuse of AOB, the number of lawsuits against insurers has skyrocketed in recent years.

After many years of concerted efforts by the insurance industry and other partners to educate policymakers and push for reform, 2019 was the year of a big win on AOB abuse in Florida. On April 24, the Legislature passed a bill to reform the use of AOB in commercial and residential property claims and stem the rising tide of AOB lawsuits.

Despite previous unsuccessful attempts to reform AOB, Florida state Senator Doug Broxson got an early start for a remedy in 2019, filing his version of reform in December 2018.

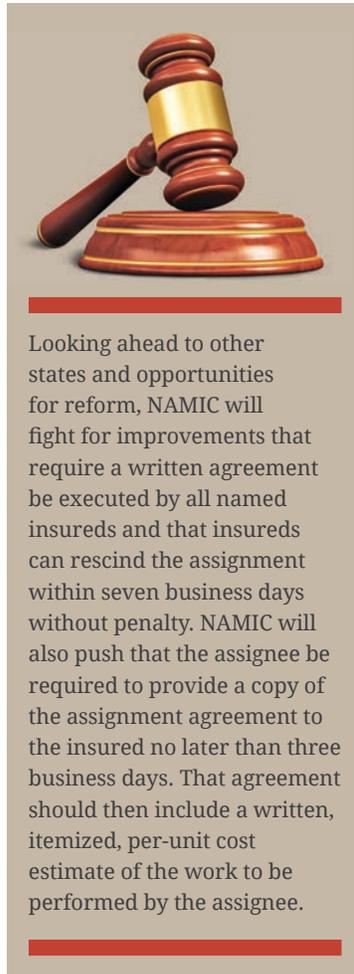
On the House side, Representative Richard Stark introduced a bill in January that dealt with AOB abuse in auto glass claims. Stark's bill prohibited vendors from giving gift cards and anything else of value to policyholders in exchange for signing an AOB, which then allowed the vendor to take over the claims. As was the case with many AOB property claims, work on damage often was completed before the insurer was even aware of the claim.

Neither bill survived in its original form. HB 7065 added AOB reform language for auto glass claims as well as language regarding property claims. Filed in mid-March, the bill made steady progress. It ultimately became the preferred vehicle for reform, even though legislative leadership disappointingly opted to remove the auto glass claims provision.

The final reform bill passed the House April 11 by a vote of 96 to 20. During second reading activity on April 23, the Senate disposed of a last-ditch plaintiff's lawyer-generated amendment to require rate reductions. The Senate voted for final passage on April 24. HB 7065 was presented to Governor Ron DeSantis May 22, and with the quick action he had promised, he signed it the next day.

Following the governor's signature, **Liz Reynolds**, NAMIC's regional vice president for the Southeast, noted that "it's been seven years of hard work, but the passage of assignment of benefits reform legislation in Florida is a major victory for consumers. We are thrilled to see Florida legislators put policyholders first, something that, as mutual insurers, NAMIC members have done for generations.

"This legislation is an important step toward curbing the explosion of lawsuits stemming from unscrupulous contractors and attorneys preying on consumers that has driven up the cost of residential insurance for everyone," she continued. "While it's upsetting that the final bill did not include auto glass



Looking ahead to other states and opportunities for reform, NAMIC will fight for improvements that require a written agreement be executed by all named insureds and that insureds can rescind the assignment within seven business days without penalty. NAMIC will also push that the assignee be required to provide a copy of the assignment agreement to the insured no later than three business days. That agreement should then include a written, itemized, per-unit cost estimate of the work to be performed by the assignee.

## ADVOCACY AGENDA

AOB reform, we will not give up the fight for those important consumer protections in the next legislative session.”

While Florida’s reputation for AOB abuse is well known and well documented, it’s not the only state facing AOB issues. Nebraska has had its own dealings with unscrupulous contractors taking advantage of AOB. In 2018, Nebraska Governor Pete Ricketts signed legislation that protected consumers by requiring disclosures about AOB in roofing contracts. In 2019, Iowa, Kansas, and North Dakota enacted laws that addressed AOB-related consumer protection problems. These new laws include the right of an insured to rescind the AOB within a certain amount of time. They also include the obligation for a contractor to provide the assignment to the insurer in a timely manner.

**Mark Johnston**, NAMIC’s regional vice president for the Midwest, attributed the movement of the reform bills in his region to the notoriety of the problems in Florida and Nebraska, saying “legislators understood the need to be proactive, and they acted accordingly.”

As positive as the measures to cut off underhanded behavior in these states have been and are, there is potential for the bad actors to identify new favorable climates. Not long after Florida passed its reform law, Harvey Cohen, an Orlando, Florida-based attorney known as the “Johnny Appleseed of AOB lawsuits,” urged vendors to act quickly to obtain signed AOB forms so their attorneys could file them with the courts before the new law took effect. In addition, he announced he had “new tactics” to share to thwart the Florida Legislature’s good, commonsense consumer protection,” according to an April 2019 Sunshine State News article. Who’s to say he or someone else won’t take his tactics across state lines?

NAMIC and other insurance industry stakeholders across the country are paying attention and watching very closely for bad actors and/or bad behaviors involving the use of AOB in their respective states. But it’s not just an insurance issue. The business community and individuals consumers can all be hurt by AOB abuse and should be partners in any effort to achieve reform. [IN](#)

Key to successful passage of Florida’s new law was the leadership of the state’s Chief Financial Officer Jimmy Patronis and Insurance Commissioner David Altmaier, highlighting the breadth and importance of the AOB crisis to the Florida administration.

State Senator Doug Broxson has already announced his intention to address auto glass AOB reform during the 2020 session, and NAMIC is ready to take on lobbying for AOB reform 2.0.

## What Florida’s AOB Reform Does

The bill passed by the Florida Legislature applies to commercial and residential property insurance claims and:

- Defines “assignment agreement” and establishes requirements for the execution, validity, and effect of such an agreement;
- Limits an assignment in emergencies to \$3,000 or 1 percent of coverage A;
- Prohibits certain fees and alters policy provisions related to managed repairs in an assignment agreement;
- Transfers certain pre-lawsuit duties under the insurance contract to the assignee and shifts the burden to the assignee to prove that any failure to carry out such duties has not limited the insurer’s ability to perform under the contract;
- Limits an assignee’s ability to recover certain costs from the assignor;
- Requires the assignee to give the insurer and named insured notice of the assignee’s intent to file a lawsuit and establishes requirements for the notice;
- Requires the insurer to respond to the assignee’s notice;
- Sets the formula that will determine which party, if any, receives an award of attorney fees should litigation related to an assignment agreement result in a judgment;
  - Under the bill, if the difference between the judgment and the settlement offer is:
    - ◆ Less than 25 percent of the disputed amount, the insurer is entitled to attorney fees;
    - ◆ At least 25 percent but less than 50 percent of the disputed amount, neither party is entitled to attorney fees;
    - ◆ At least 50 percent of the disputed amount, the assignee is entitled to attorney fees;
- Allows a court to award attorney fees to a respondent in a voluntarily dismissed action if the assignee brings an identical claim against the same respondent in a subsequent action in another court;
- Clarifies an assignment does not allow the vendor to adjust, settle, or negotiate a claim unless the vendor is a licensed adjuster;
- Requires each insurer to report specified data on claims paid in the prior year under assignment agreements by January 30, 2022, and each year thereafter;
- Allows an insurer to make available a policy prohibiting assignment, in whole or in part, under certain conditions; and
- Limits rate increases for Citizens Property Insurance unless savings from the bill are accounted for in the rate filing. [IN](#)



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