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INSURANCE

Spring 2019

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THE MUTUAL FACTOR ALIGNED FOR SUCCESS

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HOW DO YOU DEFINE SECURITY?

We define security as freedom from risk.

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The Most of M

THE M IN THE NAMIC LOGO WILL ALWAYS STAND FOR "MUTUAL," BUT IT SHOULD ALSO STAND FOR SOMETHING ELSE ... MEMBERSHIP.

 CHUCK CHAMNESS

I recently came across a quote from Scott Stratten, president of UnMarketing and one of our 122nd Annual Convention keynote speakers. It reads, "If you believe business is built on relationships, make building them your business."

To me, it epitomizes what the mutual insurance industry is all about. Whether it's relationships with employees, agents, reinsurers, vendors, or — most importantly — policyholders, mutual insurance companies have made a business out of building relationships for more than 265 years.

And as a trade association representing companies made up of relationship-oriented people, NAMIC has an ongoing responsibility to foster those connections as well.

Our current NAMIC chairman, **Henry Gibbel**, did so by urging fellow members to focus on building relationships when he spoke at the 123rd Annual Convention. He has continued urging his peers to do the same as he travels the country attending state association meetings. His message is to make the most out of the M in the NAMIC logo and to make it stand not only for mutual but for membership.

You see, when you make the most out of your NAMIC membership, you naturally build relationships, which can later influence your professional and organizational growth as well as NAMIC's strategic direction.


We hear time and again about the impact events such as CEO Roundtables, Management Conference, and Farm Mutual Forum make on the careers of senior-level NAMIC

members. Attendees appreciate being in close proximity to other insurance executives with whom they can make connections and call on for future advice. The relationship building at NAMIC events isn't exclusive to member companies' executives, though. Events such as the Agricultural Risk Inspection School, Claims Conference, and the Commercial Lines and Personal Lines seminars offer the same networking

opportunities for mid-level managers all the way to those who are just beginning their insurance careers.

Relationship building within NAMIC extends beyond educational events. It happens through member participation on boards, committees, working groups, and task forces that help establish NAMIC's strategic direction, advocacy efforts, and policy positions as well as the educational events' agendas. Yes, involvement in these groups cultivates and solidifies friendships within the NAMIC membership, but these groups can also foster relationships that move our industry forward.

If you think about it, there is a full array of NAMIC membership involvement opportunities that can take a mutual professional all the way through a career — from entry level to the C-suite. Because there are more opportunities than I have space for this column, we're producing a directory that includes the full array, which will be coming your way soon.

I hope you will find something that piques your interest and prompts you to take Henry up on his encouragement to make the most of M. 

Our Cooperative Moment

MUTUALS AND COOPERATIVES HAVE STORIED HISTORIES OF SUCCESS. NOW IS THE TIME TO SHOWCASE THAT HISTORY TO HELP PEOPLE SUCCEED IN THE FUTURE.

 Doug O'Brien with Greg Irving

We are at a pivotal cooperative moment. People feel excluded, economically and societally. The challenges include the changing nature of work, increasing inequality, and accelerating technology that overlooks some people and exploits others. People want control of their futures, equitable access to stable jobs, and opportunities to build meaningful businesses.

We have a great opportunity to convince fellow cooperators and mutual members that current challenges present a generational chance to increase our impact. History shows that cooperatives and mutuals can be an answer.

Our movement's 19th century history reveals an environment more challenging than today's. Yet, cooperatives allowed farmers to access markets more equitably. Early mutual insurance companies provided economic security where none existed. Credit unions offered widescale financial stability. Cooperators electrified rural America. As cooperative and mutual insurance legend Murray D. Lincoln said, "It can be done. It has been done again and again."

Early Cooperators

Cooperative pioneers would recognize our challenges. The nature of work was changing. Inequality and economic instability had risen. Our hyper-partisan media and politics would seem normal. Technology disrupted the economy. Transformational technology, productivity growth, and new conveniences did not immediately provide broad well-being. Farmers frequently had to leave their land because of competition and transition into more dangerous factory

into more dangerous factory work. Cooperators faced these challenges, creating the vibrant cooperative, credit union, and mutual sectors.

Moving Toward Shared Prosperity

Cooperation and mutualism were the response to contemporary problems. Cooperative loan associations — orerunners to credit unions — succeeded notably, with \$450 million in profits and dues by 1893. Though most individual farmer co-ops failed, they laid the groundwork for effective associations. These developed into the cooperative and mutual business models as we know them.

Success helped expand the cooperative economy. By the 1890s, mutual insurance companies had formed in large numbers, often by farmer cooperative members. These cooperators transferred the principles, lessons, and successes of their co-ops to new businesses that protected members from life's risks. In 1893, the U.S. Commission on Labor remarked that cooperative successes demonstrated that ordinary Americans were unexpectedly "quite competent to manage their ... business affairs." Around 1900, federal and state governments increased investment and began supporting cooperative development.

During the Great Depression, cooperatives became a critical economic strategy. Rural electric co-ops and credit unions grew tremendously. The 1934 Federal Credit Union Act authorized credit unions in all states while the 1936 Rural Electrification Act and 1937 Electric Cooperative Corporation Act supported electric co-op

development and created a template for uniform state laws.


Cooperatives were an integral part of the post-war U.S. economy. Electric cooperatives served more than 90 percent of rural homes by the 1950s. By 1968, credit unions had 19 million members, their savings totaling more than \$11 billion.

Our Cooperative Moment

Two points emerge from this history. First, cooperatives and mutuals can grow and thrive in adverse circumstances, empowering people to overcome challenges. Second, relative to mutual and cooperative pioneers, we are better positioned.

Though our policy environment could improve, it is more supportive of our enterprises than earlier generations. Technological innovations provide powerful tools for spreading our message.

Now is our moment to build on this foundation to create an economy that works for everyone. Platform co-ops are making the creators of data the owners of data. Cooperative broadband brings connectivity and economic opportunity to rural America. Home care co-ops help older Americans age at home affordably while ensuring meaningful work and living wages for home care workers. Cooperatives provide a path for people in the traditional and gig economies to own, control, and benefit from their workplaces, creating job security and helping curb growing inequality.

This is our moment. We know the cooperative and mutual models are the best ways to do business, build communities, and help people take control of their economic futures. Just as these businesses thrive when their members are engaged, a new mutual and cooperative economy will succeed only if members are engaged. We can build an economy in which more people participate if we invest our time and energy. Our businesses thrive on participation. We reward the users of the businesses, not shareholders. We value community impact over profit. We are the right business models for today's economy. 



It's Time for a Checkup

IF YOUR COMPANY HASN'T CONDUCTED A REVIEW OF YOUR AGENCY PARTNERSHIPS, IT MIGHT BE IMPACTING YOUR MUTUAL'S OVERALL HEALTH.

 Larry Johnson

Soft market conditions have historically pushed carriers to implement strategies that may not improve their long-term financial health. Pricing is an anticipated component subject to reduction. Yet, as the profitability cycle continues, underwriting flexibility follows. Some carriers decide they need to rewrite their underwriting discipline prescription by offering more concessions. Others nurture new lines of business to supplement the carrier's core revenue baseline. Even more aggressively, some look outside the traditional organic growth channel to acquire strategic partners.

Each of these methods is familiar to any insurance veteran as "acceptable medicine" to treat the "soft market blues." A carrier's prescription for the soft market blues will undoubtedly have side effects both foreseen and unexpected. However, there is also a predictable path to improving results.

Always make time for a thorough review of your sales and distribution channel. You may find this task just short of a painful process, but it serves a vital role in the overall fitness of your organization.

Find the season or business activity cycle that best suits your mutual and book your review. Like your annual physical — you forgot to schedule that, didn't you? — several outcomes could be determined.

Start with the routine "blood work." These are the basic facts at hand. Who is doing what — and where — based only on the numbers presented? Does your profile show a healthy balance of controlled growth in a geographically spread area acceptable to your company's goals? Will it uncover, instead, a diabetic tendency that reveals you are experiencing too much growth in an area that was not on the target list? Conversely, are there pockets of territory that are either underrepresented or that you do not fully understand the potential of because of a lack of production?

Physicals always come with a questionnaire. Answer the inquiries without bias or subjectivity. For instance, the dreaded alcohol consumption question. Two drinks a week you say?

Just know the physician has already multiplied that number to determine the likely status of your habits. Because we do not have a doctor who can complete the recalculating in our sales examinations, an honest assessment will only improve your efforts. Answering all the questions will invariably generate further inquiry. This will speed up the progression toward diagnosis.

Ask these questions:


- Are there agencies that have served you exceptionally well?
- Could these successful results be replicated elsewhere by observing their practices?
- Do certain agencies continually show up on either the underwriting or claim's exam chart? If so, can you identify a training, marketing, or communication issue to resolve?

The results from a poor-performing agency will not improve without addressing the concern and implementing a thought-out remedy plan. Unfortunately, some prognoses are terminal; however, keeping agencies informed on their progress — or lack thereof — will make any future difficult discussions easier to deliver.

Do you have any distribution channel trends — good or bad — that should be generating follow-up inquiry? If so, define an urgency level, assign an accountable individual or team for follow up, and determine if the information is useful to any other departments in the organization.

For example, is there a repeated request for a coverage not currently offered but perhaps warrants another look?


Check your quoting hit ratio to determine if there is unnecessary "internal bleeding" that further analysis could improve.

There are certainly many reasons to evaluate your agency distribution channel. Assessment may take many forms; however, the most important part of a wellness check is prioritizing future goals that ultimately match those of your agency partners. 

LARRY JOHNSON is senior vice president at North Star Mutual Insurance Company in Cottonwood, Minnesota.

Not Just for the Sake of Growth

M&A ACTIVITY IS A PART OF THE BUSINESS ENVIRONMENT.
BUT IN THE MUTUAL WORLD, IT OFTEN WORKS DIFFERENTLY.

 Julie A. Vincent

Mergers, acquisitions, affiliations, amalgamations, joint ventures. Whatever you call them, they are not uncommon in the business world, the mutual insurance industry included. Sometimes they are necessary for company survival. Other times, they are a means of finding new and better ways to serve policyholders. Because just like many other industries, the mutual insurance landscape is changing rapidly, calling for new products, services, and technology and the nimbleness to make it happen.

In a 2018 S&P Global Market Intelligence report, senior insurance analyst Tim Zawacki wrote, "We are in a period where insurance carriers are reevaluating what is core to their franchise and pushing for greater efficiency in both expenses and capital utilization." He added that a variety of factors will continue to drive more activity beyond 2018. These factors include federal tax reform and strategic investment in insurtech startups.



No matter the factors, the size of the companies involved, the combined structure chosen, or the timing of the agreement, incentives and motivations for partnerships are very similar.

Southern Mutual Insurance Company, headquartered in Athens, Georgia, and Marietta, Pennsylvania-based **Donegal Mutual Insurance Company** formed an affiliation agreement in late 2009, with finalization in 2010. The affiliation has been successful because it has allowed both mutuals to increase their personal lines business in the Southeast, aided Southern Mutual in offering new commercial lines products across Georgia and South Carolina, and, therefore, allowed Donegal to expand its commercial lines footprint across those states.

Discussions regarding the affiliation began more than a year in advance of its finalization and centered on the need for increased efficiencies and expanded product offerings. **Dan DeLamater**, president of Southern Mutual, says the decision was well received by company stakeholders.

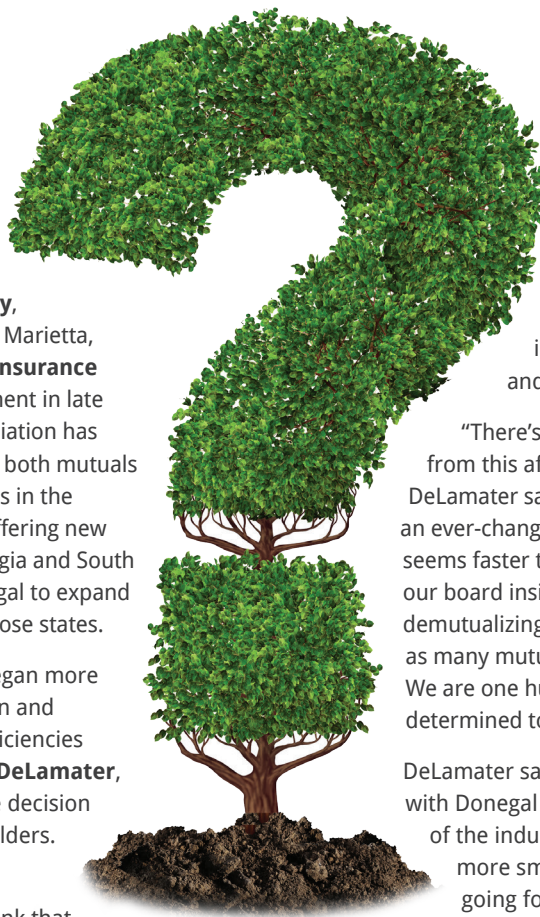
"Our policyholders did not have a tremendous amount of questions. I think that was because most of our customers are local and they trust us, our board members, and our leaders. That really helped," he explains. "The approval was overwhelming, and I think a lot of that was also due to good communication."

DeLamater says affiliations can make sense for a number of strategic reasons, including the ability to develop new insurance products along with the ability to spread risk and become better positioned in the reinsurance marketplace. He cites slim margins as a detriment to new product development and says today's customers not only want new products, they want new ways to conduct business.

DeLamater also says that while most M&A activity in other industries results in major impacts on employees and leadership — often, job loss — it differs in the mutual industry. **If the partnership is successful, the companies grow and end up needing additional headcount to serve more customers and offer more product lines.**

Donegal made every effort to reinforce that this was not a takeover, and everything has gone as promised, according to DeLamater. There was no "jumping ship" and all employment contracts were honored. There was no real disruption in the workplace, and the new joint venture was seamless to policyholders.

While designees of Donegal represent the majority on Southern Mutual's board of directors, Southern Mutual retained its mutual



status, its headquarters in Georgia, and its management, employees, and agents. DeLamater stresses that reputational risk in these situations is real; however, both companies experienced successful outcomes because they had — and still have — great relationships with their respective insurance departments and regulators.

"There's no question Southern Mutual emerged from this affiliation strengthened and refortified," DeLamater says. "The mutual insurance industry is an ever-changing landscape, and the rate of change seems faster than ever before. There were some things our board insisted on, like we were not interested in demutualizing, and we didn't have to. We are proud, as many mutuals are, of our company's rich history. We are one hundred seventy years old and we were determined to keep our domicile in Georgia."

DeLamater says Southern Mutual's partnership with Donegal put his company on the leading edge of the industry's affiliation activity, but he expects more small mutuals to see this as an option going forward.

"Margins are so thin and product development is so important. We need to do more than just survive," he says. "Mutuals can be protective of their brands and their histories, but I encourage others to remain open-minded to affiliation."

When farm mutual Frontier Mutual Insurance Company and domestic company Mt. Carroll Mutual Insurance Company came together at the beginning of 2017 to form **Frontier-Mt. Carroll Mutual**, it wasn't because either of the Illinois-based companies was unsuccessful.

"Both companies were well positioned to succeed as separate entities, and both were well capitalized with strong brands in the market niches where we specialize," **Larry Cook**, FMC's CEO, says. "But when digging deeper, [we realized] combining the strong company balance sheets, niche markets, and unique management skills [of each company's leader], we could bring a company that would be able to provide unique product solutions and services to Illinois policyholders, agents, and farm mutuals"

Cook says initial merger deliberations occurred more than a year before the effective date. He describes those as high-level discussions that focused more on the theory of how the partnership could work. This included identifying obstacles that would give them reason to discontinue the process. While those obstacles were never identified, Cook does admit that the first year was difficult.



The new structure was challenging for staff and required an adjustment period. "The volume of difficult decisions was

almost overwhelming," he says. "Communication with key stakeholders was critical but challenging, given the rapid pace of decisions and the changes that inevitably came with the process."

However, with the second year of the partnership behind them, the companies are seeing benefits of the combined entity. Cook says teamwork among the company's employees has improved significantly, especially now that they have learned about each other's strengths and needs for development. The real measure, he says, will be five, even 10 years in the future. However, FMC is now much closer to the planning stages for potential growth areas such as adding new products, offering additional services to its agents, and exploring partnering possibilities with interested farm mutual companies.

Cook has advice for other mutuals considering a similar move. He says to carefully research all possible key decisions and develop a plan timeline prior to merger. Then he says to double the amount of time estimated for that research and development.

As difficult as any consolidation activity can be, Cook says he sees it continuing in the small-company marketplace. The necessity for growth will continue to impact agents and farm mutuals as they strive to adapt to a changing marketplace that requires financial capacity and resources to meet increasing stakeholder expectations.

"FMC is well positioned to expand products and services to meet the specific needs of smaller rural agents and mutuals in the future," he says. "Forecasting the future has always been a moving target, and the ability to nimbly adapt will be an even more valuable skill set as the insurance market evolves."

Perhaps the most recent mutual insurance merger to take place involves **The Main Street America Group**, based in Jacksonville, Florida, and **American Family Insurance**, based in Madison, Wisconsin, the nation's 13th-largest property/casualty insurance group. The deal, which took about six months to complete from board approval to closing, was finalized October 31, 2018. It is now the largest merger of property/casualty mutual holding companies in history.

Tom Van Berkel, Main Street America's president and CEO, says his company had the financial strength to operate "as is" for many years; however, continuing "as is" ultimately would not provide the scale necessary to rapidly deploy innovative products, advanced pricing methodologies, or leading-edge technology in an increasingly demanding environment.

"Our decision to merge with American Family derived from our long-range planning that included an assessment of the property/casualty insurance industry as well as consideration of consumer interests, purchasing behaviors, and future expectations," Van Berkel explains. "These have escalated because of demographic shifts and transactional advancements. We believe that consumer purchasing power is paramount and that companies will be left behind if they don't respond effectively to the new consumer-centric model."

Van Berkel cites several key benefits coming from the merger with American Family, including more rapid deployment of products and technology; increased capabilities for analytics and pricing; enhancement of distribution and the opportunity for each company to have access to new product lines; purchasing power and economies of scale; and employee development and growth opportunities.

Because the merger occurred as recently as it did, it is too early to point to tangible gains. However, integration teams are currently identifying opportunities and the companies expect to leverage near-term benefits this year. Main Street America continues to operate and market under current leadership, brand, and operating companies. Employee benefit programs and other important items operate under the Main Street America brand, and employees remain employed by Main Street America.

"The most important considerations for us were preservation of our strong culture and unwavering customer focus," Van Berkel says. "Therefore, we focused much of our due diligence on assuring that these were aligned between companies, which they were. We believe that with our franchise value, strong customer base, and winning products, analytics, and technology, we will remain relevant for years to come."



While this was the first transaction of its kind for Main Street America, American Family is not new to the merger world. The company acquired Nashville, Tennessee-based Permanent General in late 2012 and Boston, Massachusetts-based Homesite Group merged with American Family in early 2014.

American Family's strategy for this kind of activity includes enhancing its overall opportunity to grow through geographic expansion, diversifying risk, and providing agents and policyholders broader product offerings. It's also a way to serve new markets. Such was the case when acquiring Permanent General Assurance Corporation, whose umbrella includes The General, which specializes in the nonstandard auto insurance market. The General now sells products in 46 states — with rapid expansion since being acquired by American Family — through the internet, call centers, and some independent agents who specialize in nonstandard coverage. Today, The General's products are also available through American Family's exclusive agents.

American Family's acquisition of Homesite brought a different segment — direct-to-consumer homeowners, renters, and condominium insurance. This also spreads American Family's homeowners' insurance catastrophe risk, which is one element of preserving financial strength.

When it comes to the American Family and Main Street America relationship, **Bill Westrate**, president of American Family, says it will have immediate benefits for policyholders and the two companies. He says Main Street America helps extend American Family's reach to the East Coast and American Family will help bring new products and more technology to Main Street America.

Growth has been remarkable with the other agreements, according to Westrate, with each company focused on serving its unique customer segments with limited integration of certain administrative functions. He reiterates how important it is to maintain the legacy of the companies in their respective communities. Employees and company reputations are important, and Westrate says it's vital to be conscious of employees and cultures.

"I believe we will see more consolidation and more companies interested in strategic mergers and acquisitions, and not just for the sake of growth," Westrate says. "Growth isn't the primary driver for us, but scale does matter. We are making significant investment in technology and are leveraging powerful technology platforms. Consumers are really demanding flexibility. It's easy to see some of these changes as threats, but we've seen opportunity and mutual benefit." [\[IN\]](#)

A photograph of a family—a man, a woman, and a young girl—sitting on a roof made of reddish-brown tiles. The roof is partially submerged in blue water, suggesting a flood. The background is a cloudy sky. Three overlapping circles are on the left: a light grey one at the top, an orange one in the middle, and a lime green one at the bottom. The circles overlap in a way that suggests a mathematical equation. The text 'Your resolve' is in the grey circle, 'Our resources' is in the orange circle, and 'They can rebuild their lives' is in the green circle. A plus sign is in the overlap of the grey and orange circles, and an equals sign is in the overlap of the orange and green circles.

Your
resolve

+

Our
resources

=

They
can rebuild their lives



As losses from natural catastrophes increase, so does the risk. And so, inevitably, do the cost and complexity of covering it. So what better way to confront the forces of Nature than by joining forces with our clients and leveraging every ounce of our combined expertise and resources? Our flood risk expertise and proprietary NatCat modelling help our clients to start providing flood protection on a scale that was, until now, unavailable. And, to some, maybe even unthinkable. **We're smarter together.**

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A Field Guide to Building Financial Vendor Relationships

WHEN IT COMES TO WORKING WITH THIRD-PARTIES, FINDING THE CORRECT ONE IS KEY. THAT HAPPENS BY ASKING THE RIGHT QUESTIONS.

 JEFFREY W. BROWN

Three of four insurers believe the industry is on the brink of disruption, according to a recent PwC survey, and the operational component that is most vulnerable to disruptive innovation involves the financial aspects of the business — claims, data, policyholder experience, compliance, and more. That's because many insurers still cling to traditional models for claims processing and payment, even as they experiment with innovation in other areas.

Capegemini and Efma's 2018 World Insurance Report shows that 80 percent of insurers say evolving policyholder expectations, including the desire for more digital touchpoints, customized digital experiences, and seamless service, are driving digital innovation. But as insurers expand their capabilities, most of their digital offerings are lacking in core insurance-specific capabilities, especially financial aspects of their business. This hampers insurers' ability to provide seamless experiences when policyholders aren't able to leverage the digital platform to manage a claim from start to finish or service their policy.

As a result, 90 percent of insurance executives fear losing part of their business to companies that have invested in financial technology capabilities — more commonly known as fintech. While fintech capabilities make it easier to conduct financial transactions and related services, and manage or invest money through a computer or mobile device, just 43 percent of insurance companies have a fintech strategy.

It's one reason why more insurers are beginning to partner with vendors to develop a fintech approach.

Fintech as a Value Differentiator

Given the rise in disruptive forces in the insurance industry, incorporating fintech could be a competitive advantage.

Consider the number of disruptive forces affecting the insurance industry today. From artificial intelligence and blockchain to mobile, telematics, and fintech, it's impossible for

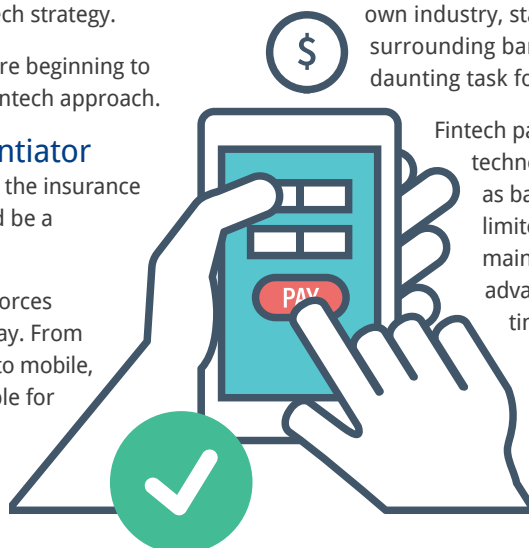


insurance companies to be experts in each of these areas. Instead, insurance company leaders should select the areas they want to and can control — such as mobile engagement, considered central to the policyholder experience — and consider outsourcing areas where they have less expertise.

Fintech is a natural area for insurance companies to outsource because banking services are subject to different regulatory authorities than insurance services. National banks are regulated by the Office of the Comptroller of the Currency while state-chartered banks are regulated by the Federal Reserve Board or the Federal Deposit Insurance Corporation and the state banking authority. Money transmitter laws also apply to fintechs that are not banks or don't transmit funds by and through chartered banks. These money transmitter laws vary by state and can be onerous. Further, the variety of laws and regulations designed to prevent financial crimes such as money laundering, terrorist financing, and other illicit transactions as well as to enforce U.S. economic and trade sanctions must be complied with.

Insurance companies, on the other hand, are primarily regulated at the state level by a department of insurance or its equivalent. Data security is highly regulated in both banking and insurance, and while these statutes and jurisdictional requirements for banking and insurance often overlap, nuances between them exist. With so many regulations within their own industry, staying on top of numerous regulations surrounding banking and other financial services is a daunting task for insurance companies.

Fintech partners have a focus on e-payment technologies, whereas traditional institutions such as banks tend to offer e-payment services that are limited in scope, costly, and not the company's main focus. E-payment technologies offer advantages such as reduced processing time per transaction and decreased costs per transaction.





APPROVED



Forty-five percent of insurance companies already have established outsourcing partnerships with fintech companies, and 84 percent will increase fintech partnerships over the next two to four years, according to a 2017 PwC report. Some companies choose to start by outsourcing just a portion of their financial services.

Small and midsize companies typically begin by outsourcing transactions and payment services. This includes advanced methods for improving information security and detecting and preventing payment fraud. Then they move toward solutions that help them keep pace with customers' demands for greater digital touchpoints and more seamless policyholder experiences. As fintech matures, small and midsize companies can embrace solutions that increase the ability to leverage consumer data to provide highly targeted, value-added experiences.

Larger insurance companies that already have outsourced transactions and payment services are more likely to invest in fintech solutions that boost data analytic capabilities and enhance the ability to identify and quantify risk. They also seek fintech solutions that enable them to more effectively reach, engage, and serve policyholders.

Finding the Right Vendor

How can insurers evaluate financial services partners to be sure they have found the right fit? There are four factors to keep in mind.

How much business will the vendor outsource? A financial services partner may have subvendors that may also have subvendors. Each handoff creates a new risk. When insurers entrust policyholder data to a financial services partner, they need to be aware of all the companies that will have access to that data and know how well prepared those companies are to protect data from cybersecurity threats. Insurers should make sure they assess the risks involved based on the number of subvendors that will potentially touch their accounts.

What investments has the vendor made in information technology security and protocols?

How closely does it monitor data security among subvendors? The right partner should support security and compliance. Insurance companies have access to two of the most sought-after categories of consumer data — protected health information and payment information. When a company's reputation is on the line, it needs a vendor that not only understands the importance of high-level security precautions for financial data but demonstrates its commitment through credentialing.

It's important to look for these credentials, in addition to checking for HIPAA compliance:

- Payment Card Industry Security Standards Certification
 - This supports protection for sensitive payment card information — critical in an era of digital transactions as well as in-office payment;

- Service Organization Control 1 and 2 Compliance
 - SOC 1 focuses on financial audit controls and SOC 2 centers on operations and compliance controls; and
- National Automated Clearing House Association Certified
 - This is a voluntary accreditation program for third-party senders and those that send automated clearinghouse payments.
 - NACHA's standards include a solid risk and compliance program, stability, sound governance, and strong core ACH practices.

These certifications offer assurance that the vendor undergoes regular audits and has invested in the training, tools, and resources needed to maintain the highest levels of security and compliance for electronic payment and more.

How does the vendor guard against cybersecurity threats?

With demand for e-payments by insurers continuing to swell, verifying that a third party has invested in a frontline security response for e-payment transactions is critical. In assessing the maturity of a vendor's cybersecurity defense, there are three things insurers will want to do:

- Ensure that the company uses the most-up-to-date encryption technology available;
- Ask the payment provider for copies of its most recent security assessments that include physical security controls, perimeter security, and wireless network security; and
- Provide the third-party vendor with a yearly security questionnaire and ask an outside company to evaluate the responses.
 - Examples of questions include:

- Do you have or are you planning to purchase a cyber insurance policy?
- What is your network security policy?
- How do you protect your networks from internal and external attacks?

What is the vendor's business continuity and disaster recovery strategy?

Just as policyholders experience disasters that leave them disconnected from critical information during times of need, so do third parties ... unless the right protocols have been established in advance. Insurers should ask a vendor to share the investments it has made to ensure data will be protected and available at all times. Three important considerations include:

- Whether the vendor has invested in a reliable solution for data backup;
- Whether the vendor keeps all sensitive information onshore; and
- Whether sensitive information is encrypted while at rest.

Carefully evaluating a financial services vendor's response to these four questions will better position insurance companies to find the right vendor to meet an insurer's needs. [IN](#)

JEFFREY W. BROWN is president of VPay, a turnkey claim payments platform focused on the property/casualty, workers' compensation, health care, and warranty industries.






When Disaster Strikes: How Fintech Can Help Insurers Maintain Critical Functions

When natural disasters shut down business operations, insurance companies run the risk of losing more than just valuable data. They can lose policyholders' loyalty and trust.

The experience of one company demonstrates the potential for fintech solutions to keep critical operations functioning after a disaster, maintaining seamless service for customers, employees, and service providers.

When Hurricane Maria struck Puerto Rico in September 2017, the Category 4 storm cut off electricity to the entire island. Many of Puerto Rico's 3.4 million residents required

medical care. The challenges included making sure those who provided the care were paid for their services.

A care management company headquartered in Florida partnered with a fintech vendor to sign up providers for electronic funds transfer, even when providers were unable to access bank information. When claims were processed, providers were paid within days rather than weeks. EFT supported timely recovery of financial operations and business continuity, enabling providers to focus on the critical work at hand. 



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Mutual Matters

👤 LINDSAY ROBISON

No matter the method you choose to consume the news these days, it's not hard to see, hear, or read that our country is more divided than it has been in a long time. It seems as if the question "Why can't we all just get along?" is as far from many Americans' minds as New York is from California.

We're lucky that not everyone has pushed the Golden Rule to the back of their minds. There are people — and business sectors — where striving to work together and do what is right for the majority is alive and well. The mutual insurance industry is among those doing unto others as they would have done unto them.



Forming relationships and doing what is good to maintain them has been at the forefront of mutual insurers' priorities since the first company came into existence more than 260 years ago. The examples run rampant within the NAMIC membership. We've included just a few.

Cumberland Mutual Insurance Company

When Cumberland Mutual Insurance Company got its start, it didn't even have a headquarters. The founders would get together at Davis Hotel, which was in

the middle of the company's hometown of Bridgeton, New Jersey, at the school house, or at Potter's Tavern.

"So you know there were a couple of relationships built there at the tavern," **Paul Ritter**, Cumberland Mutual's president and CEO, says. "Back then, relationships were built over cider and ale, which were the drinks at the time."

The company has been a huge part of the Bridgeton and Minerva County communities, building and strengthening more than just insurance relationship for the past 175 years. Not long after its founding, Cumberland Mutual not only

served as an insurance company, it acted as the town's fire department as well. The company has long since passed along those duties, but it solidified its integrity and importance to the community.

Ritter says he doesn't look at insurance policies as business transactions but as partnerships. "You test those relationships when you go through catastrophes, like we did with Hurricane Irene and Superstorm Sandy," Ritter recalls. "We really pulled together as a team. Employees in underwriting and billing helped in the claims department so we could take care of policyholders as quickly as possible. Of course, we worked

many hours of overtime to make sure that we helped everyone who was in need during those events.

"The way I look at it, our relationships are part of a four-legged stool," Ritter continues. "We have the policyholders, agents, employees, and the community. We're not just a business, we're a service organization."

American Mutual Insurance Association

While the mutual insurance industry is one many people choose as their long-term careers, it does require a bit of a learning curve for those just starting out in the business. **Mark Schmidt**, American Mutual Insurance Association's secretary/treasurer, found this out six years ago when he joined the small-town mutual and then again when he assumed his current title two years ago.

"What I understood about the mutual industry, I learned from my father," Schmidt says. "He has been on the board here for ... I can't remember how long ... but it's been a long time. He told me about a job opportunity here, and all I really knew was it was a small, local insurance company."

He learned quickly, though, about the value of relationships within the mutual industry and the importance of close partnerships with third parties, agents, and customers.

American Mutual's technology and reinsurer partners have kept the company on track for growth and allowed it to offer policies it would not have been able to make happen alone. While those relationships are close, the ones with agents and customers are even tighter.

"We know and see each other socially as well as from a business partner perspective," Schmidt says about the fewer than a dozen agents his company works with. "They know the area we write in. They know our customers.

"Our customers are our neighbors and our friends," he continues. "We've hired more

employees who are from right here in the community. This is more important than just being an insurance business. It's about being a part of a community and giving back to the communities we are part of."

Northern Finnish Mutual Insurance Company

Much like American Mutual's Schmidt, **Kathy Beach** didn't know much about the mutual industry when she joined Northern Finnish Mutual Insurance Company in 1992. But as she moved up from her original position to co-manager and then to manager, her knowledge of and appreciation for mutuality grew. "The connections are fantastic. I am a people person," she says. "So, it just fits."



Beach admits she's seen the policyholders' knowledge of the mutual concept dwindle as their average age has become younger. "For a lot of them, it's more about the price," she says. "The price aspect often means more to them than the fact that we're a small, local company that can fit their unique needs and will be there for them when they need something."

Not long ago, though, Northern Finnish was able to put the "there-for-the-policyholders-when-they-need-something" aspect to use for a particularly tricky claim. The matter took a lot of communication between the company, the agent, and the insured, "but we were able to come to

an agreement that we, the agent, and, most importantly, the insured found to be positive," she explains. "I'm not sure the same thing would have happened in a stock company."

"We can look at a claim, really talk to one another, and come up with a solution," she continues. "I think that is an advantage for us. People will remember that."

Being able to leave that impression is vital. "Just being here for as long as I have, I can tell," Beach says. "I could tell going from co-manager to manager, that's what has really hit home ... our customer service. We need to be customer-service oriented and work with agents and policyholders, and we can because of the environment we have."

Constellation, Inc.

It was just about a decade ago when MMIC Insurance executives began questioning why the organization operated under a stock company structure when its mission aligned better with those of its mutual counterparts.

"We pay dividends to our policyholders and really focus on and serve [them]. Even though the company was a stock company, all of our stock was owned by policyholders," explains **Bill McDonough**, Constellation's president and CEO. "There wasn't a good answer to the 'Why are we a stock company?' question."

McDonough says it became evident that formally reorganizing to a mutual insurer with a mutual holding company was the correct strategy.

"We're in a market space that is a little unique in that we provide medical professional liability to the health care community," McDonough says. "There are probably forty companies across the country that are similar in mission.

"We thought it made sense to form a mutual holding company so we could bring companies together to increase scale and share resources such as technology, finance, reinsurance, and other things," he continues.

Three companies have since joined with MMIC, and each is looked at as a partnership rather than a merger. "We want each individual company to continue to operate in its market," McDonough says. "The success we've had is enough of a track record for others to see how these relationships can work and how the company has grown."

It has been important for the companies involved to tout their mutuality. One way they did this was by creating a unique name for the group. "When we were talking about what we wanted the organization to be, the name Constellation popped up," McDonough explains. "We wanted to be a collection of companies, like a collection of stars coming together for policyholders."

"Part of why we've done all of this is really what NAMIC is all about," McDonough comments. "The tagline we use is 'Together for the common good.'"

ClearPath Mutual Insurance Company

Perhaps the youngest mutual on the books, ClearPath Mutual Insurance Company, under its current name and structure, will celebrate its second anniversary this year. And while transforming from a self-insured workers' compensation fund to a mutual insurance workers' comp carrier was a clear path — hence the name — for the company's decision makers, everyone with a stake in the company is still learning the day-to-day aspects of what it means to be a mutual.

Therefore, one of ClearPath Mutual CEO **Jeff Borkowski's** goals is to help educate people about the mutual concept. At the beginning of the restructuring, what was at the top of peoples' minds was "making sure we were going to provide the same services as we did as KESA [the company's old name]," Borkowski says. "Agents and insureds were more concerned about whether they would

have the same quality of underwriting, claims, accounting, and loss prevention. I say it is going to be better. Plus, we won't have to fight as we had to when we were a self-insured fund to overcome issues such as joint and several liability and the potential for an assessment."

Now that ClearPath stakeholders are beginning to understand that the change is for the better, Borkowski says he wants to play up the mutual aspect of the company. "I have been with more mutual companies than stock, and mutuals have a better relationship with agents and insureds," he says. "That is something we should be promoting so that everyone understands the value of having a partner like a mutual insurance carrier, that having an insurer like ClearPath Mutual impacts their long-term future." [IN](#)



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Uniquely Northwest

PEMCO MUTUAL AND ITS EMPLOYEE BASE HAVE BEEN PART OF THE NORTHWEST COMMUNITY FOR DECADES. TOGETHER THEY ARE DOING THEIR BEST TO REMEMBER THEIR ROOTS AND PUT MUTUALITY AT THE FOREFRONT OF EVERYTHING THEY DO.

 STAN MCNAUGHTON

When I think about the word "mutual," the first thing I think about is people — people sharing risks so everyone can worry less and live more. As a personal lines mutual insurance company, we hold a long-range view guided by our members' consolidated voices. We can never become complacent, but we don't have the pressure to meet short-term profit-centered goals. Instead, we can allow our shared values and courage to drive our decision making. Being a mutual company allows us to keep our policyholders front and center and to repeatedly and deliberately prioritize relationships over transactions.

At PEMCO, it is evident that the policyholder is the customer and the owner. Every meeting, including those of the board of directors, starts with a customer story that either inspires or creates angst to keep us focused on policyholders.

We believe customer service and claims handling should be exemplary, especially in the intimate business of insurance. Since our founding, we have never been a sales-driven organization. Instead, we're

committed to giving our customers what they need, not what we want to sell. At the core of the success we seek is enduring relationships.

We go to great lengths to ensure our customers feel at home with PEMCO, striving to ensure they are fully heard and respected. We're very careful about deciding what metrics we value and reward. We've taken a "uniquely Northwest" approach to show our customers that we know and understand them. We've been an active partner in their communities for nearly 70 years. We've volunteered alongside our customers, supported the same charities, and attended the same schools.

Many of our employees hold PEMCO insurance policies, which makes them authentically dedicated to providing the same level of remarkable customer service they expect — and deserve — for their own lives. We use this to our advantage to strive to make every interaction with PEMCO a positive one. Our customer-centric approach is what differentiates us in a crowded market, and we've received many awards for customer satisfaction.

Being an active partner in our communities has been — and always will be — a defining characteristic of our company and our mutuality. We have many examples, but a recent one is a video we produced and socialized ahead of the 2018 midterm elections. It encouraged our employees, our customers, and our communities to vote. We were excited to build on our long-term commitment to community with a call to action as important as voting.

This is an opportunistic time for the mutual insurance industry. Mutual insurance isn't a familiar concept to most consumers. PEMCO is just starting to include "Mutual" in our name. Credit unions have done a much better job getting the membership message out. Now with social media, more consumers and potential employees are beginning to understand and embrace concepts like the sharing economy, and co-ops, credit unions, and mutual insurers become an extension of the new type of community — one where people are prioritized before profits, which is a guiding principle we have held since our inception almost 70 years ago.

The mutual insurance industry can lead by example, fostering relationships and showing dedication to our employees, policyholders, and communities. We need to tap into the power of being branded as mutuals. [IN]



The Concrete Evidence

MUTUALS HAVE LONG KNOWN ABOUT THE VALUE OF THEIR BUSINESS MODEL.
NAMIC NOW HAS THE RESEARCH AND STATISTICS TO BACK IT UP.

 CATHERINE IMUS AND LINDSAY ROBISON

For centuries, NAMIC member companies have been telling the story of mutuals through anecdotes and examples of what makes the mutual industry different. Not surprisingly, these stories have repeatedly shown that when people learn about the benefits of mutuals, they respond favorably to this model.

What the industry has lacked, however, is recent evidence to back up the mutual stories members have shared. In 2018, NAMIC worked with outside experts to conduct and publish research that addressed the awareness and perception of mutual insurance from the consumer perspective. NAMIC also collected and analyzed definitive data from a market performance standpoint.

The association worked with John Gilfeather & Associates to survey more than 1,000 home and/or auto insurance consumers regarding their knowledge of insurance companies. The survey began by asking whether participants had ever heard of a mutual insurance company. A quarter of them had not. Yet, after being provided a clear definition of mutual insurance and the differences between


mutuals and other insurers, consumers' favorability of mutuals shot up by nearly 30 points. At the same time, favorability of other insurers dropped by 10 points. The survey also questioned consumers about what they value in an insurance company. It found that consumers cite fairness in settling claims, excellent service, and price stability as the most important attributes for home and auto insurance companies. And they recognized the mutual advantage here, associating mutuals with fairness and customer service by 10 points more than other types of insurers.

While the consumer survey reinforced the value in educating people about mutuals, NAMIC took the research initiative a step further to demonstrate the mutual insurance industry's market performance impact. The association teamed up with the University of South Carolina — more specifically Robert P. Hartwig, Ph.D., director of the Risk and Uncertainty Management Center in the university's Darla Moore School of Business — to look at the actual performance numbers. Just how does the mutual industry stack up when compared to others in the property/

casualty insurance industry? The answer — pretty darn well.

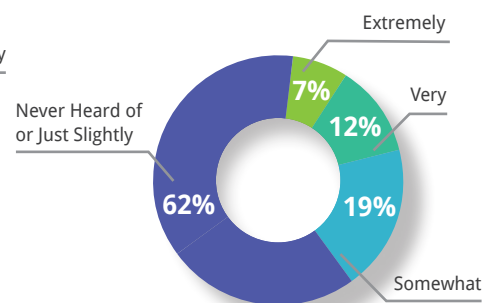
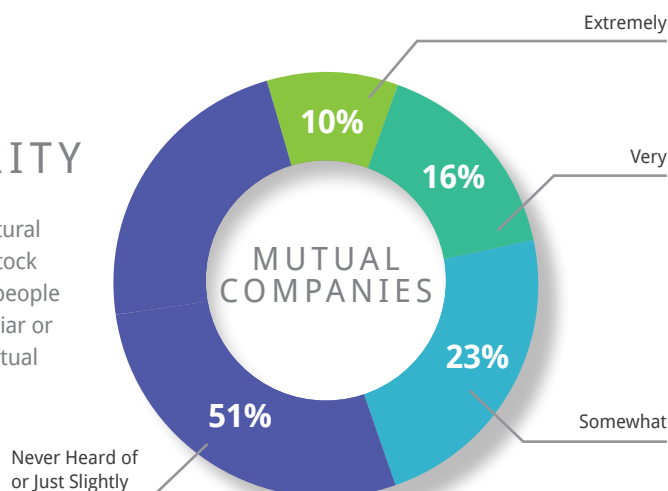
The published market performance analysis findings — called “The Mutual Factor” — presents a strong picture of the current state of the mutual insurance industry. Not only have the findings given the industry — and the public — concrete evidence of the value of the mutual model, they have provided a baseline for future research.

NAMIC plans to expand on Hartwig's work and conduct a second round of consumer research, which will focus on commercial lines insurance consumers. In the meantime, Hartwig provides an overview of the 2018 analysis' findings on page 23 of this issue, and the full report can be found at NAMIC.org on our public policy paper webpage.

Overall, though, the market research validates what NAMIC and member companies have known all along. The mutual industry is financially strong and consistently puts policyholders' interests first. 

FAMILIARITY

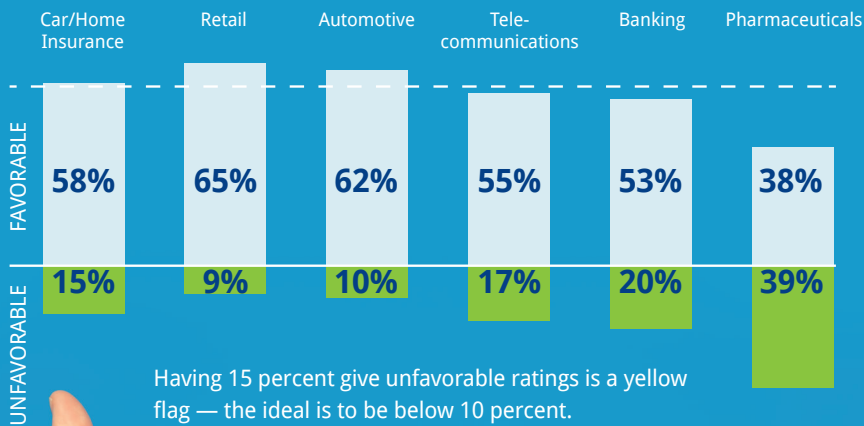
Insurance buyers are more familiar with mutual companies than with stock companies, but many people were only slightly familiar or had never heard of mutual insurance companies.



STOCK COMPANIES

INDUSTRY FAVORABILITY

The majority of insurance buyers is favorable toward the car/home insurance industry.

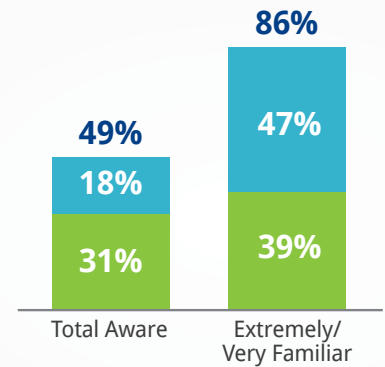


FAVORABILITY BY FAMILIARITY

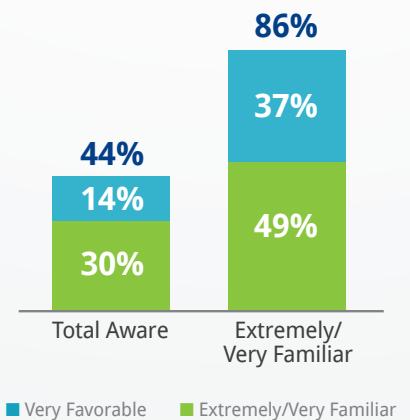
For both mutual and stock companies, familiarity breeds favorability.

- Buyers more familiar were substantially more favorable than all buyers aware of each type of company.

MUTUAL COMPANIES

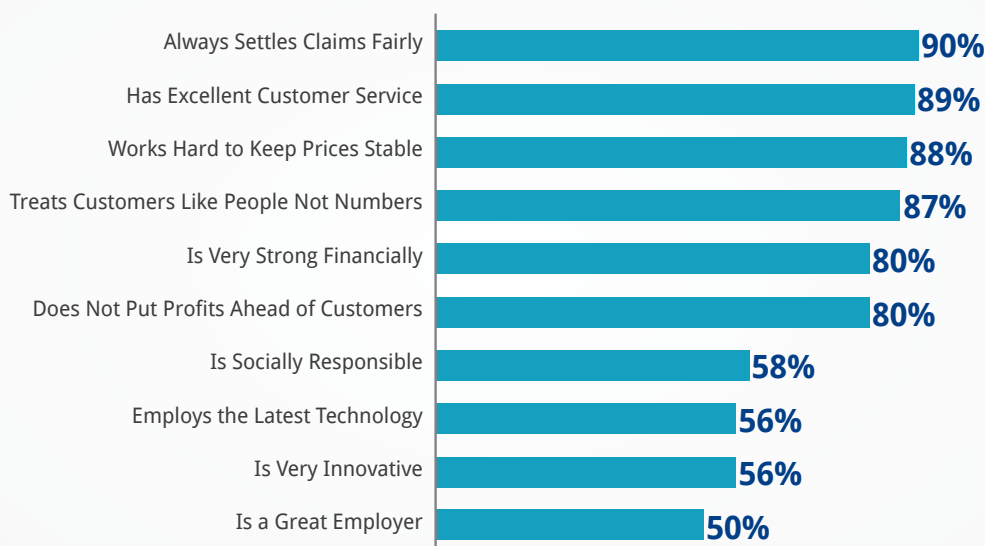


STOCK COMPANIES



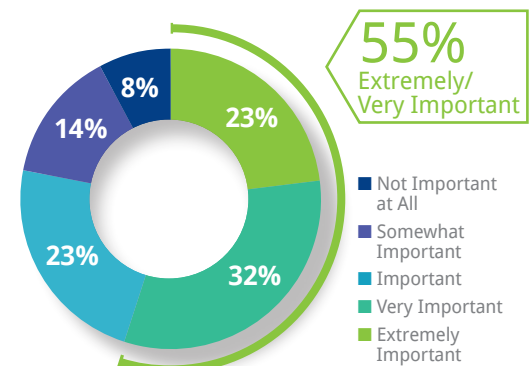
ATTRIBUTE IMPORTANCE

Important attributes when choosing a car or home insurance company.



BEHAVIOR AND TECHNOLOGY

More than half of buyers say it is important that they can deal with their insurance agents/companies using the latest technology.



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The Mutual Factor

TIMES MAY BE TOUGH, BUT IT'S A GREAT TIME FOR MUTUAL INSURERS. "THE MUTUAL FACTOR" SHOWS US WHY.

Robert P. Hartwig, Ph.D.

Economic and financial market turbulence returned with vengeance in 2018. There is every expectation that volatility will persist, if not intensify, through the remainder of this year and into 2020. The recovery that began a decade ago is very long in the tooth. America's economy is slowing, its trade war with the rest of the world is expanding, interest rates are rising, the nation's budget deficit is exploding, and gridlock in a hyper-polarized Washington is a certainty. A now-towering wall of worry overshadows U.S. and global financial markets, routinely sending stock markets around the world into convulsions. Consider also that during the past two years, Mother Nature has pummeled property owners coast to coast with nearly \$100 billion in insured losses.

These are the times that test the mettle of insurers. However, these are also the best times for people to be insured by mutuals.

Managing risk and uncertainty for the long haul — across business cycles, borders, and clusters of catastrophes — is the stock-in-trade of insurers. With a median age of 120 and the fact that more than 60 percent of all mutuals are older than 100, mutual insurers do this better than anyone. This means that the typical mutual insurer has weathered 25 recessions — something to bear in mind given the storm clouds gathering on the economic horizon.

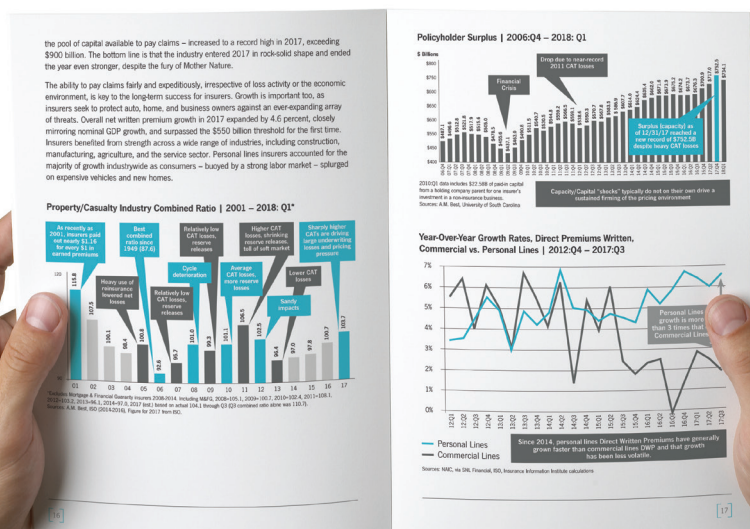
It is with this spirit and tradition in mind that NAMIC — itself approaching its 125th anniversary — launched "The Mutual Factor" in 2018. It is a report designed to document some of the distinctions in key metrics of operating performance between mutual and stock insurers, as well as the insurance industry overall, that over time contribute to resounding success of the mutual model.

I am proud to say that "The Mutual Factor" was produced in partnership with the Risk and Uncertainty Management Center in the Darla Moore School of Business at the University of South Carolina, where I serve as director. The initial report, released in conjunction with NAMIC's 123rd Annual Convention, provides some general information about the entire property/casualty insurance industry that goes beyond just the performance of the mutual sector. The report also provides a benchmark for future comparison.

In our first report, which focuses on the results for calendar year 2017, 16 metrics were compared across the mutual, stock, and "other" categories of insurer. The metrics employed in the analysis compare various measures of underwriting performance, profitability, capital adequacy, and growth.

The data and analyses found in the report are quite detailed; however, a discussion of some of the key findings follows.

In terms of underwriting performance, all insurers experienced materially higher underwriting losses in 2017 as a direct result of near-record catastrophe losses. Mutual insurers experienced slightly higher underwriting losses relative to premiums than did stock insurers — inclusive of loss adjustment expenses, 77.1 percent versus 74 percent. Expense ratios across all segments of the insurance industry were comparable,



with the mutual, stock, and other segments of the industry all within a narrow range of 27 percent to 28 percent. Commission and brokerage expenses as a percentage of premiums written were slightly lower for mutual insurers at 10 percent than it was for stock insurers at 11.7 percent. The dividend ratio, a gauge of the proportion of premium returned to policyholders, was eight times larger for mutuals at 1.6 percent than for stock companies at 0.2 percent.

Capital adequacy and financial strength are longstanding hallmarks of the mutual segment. Capital and surplus growth was strong across the entire industry in 2017 despite heavy catastrophe losses, with mutual insurers posting an increase of 8.1 percent compared to 9.5 percent for stock companies. Mutual insurers, however, remain less leveraged than their stock counterparts, which is an indicator of

superior financial strength, with \$1.89 in policyholder surplus backing up each dollar in net premiums written compared to \$1.64 for stock insurers.

Low interest rates continued to weigh heavily on the industry overall in 2017, with the industry-wide yield on invested assets remaining near 3 percent for mutual and stock companies alike, which are at or close to their lowest levels since the financial crisis in 2008. Yields are slightly lower for mutual insurers, suggesting a somewhat more conservative fixed-income portfolio.

The combination of elevated catastrophe activity and persistently low interest rates exerted negative pressure on insurer profitability in 2017, pushing return on surplus to the low-to-mid single digit range for many insurers. The return on average surplus for the mutual segment was 2.4 percent compared to 6 percent for stock insurers. This disparity is not

unusual or a concern. Mutual insurers typically operate with lower returns on surplus — i.e., equity — because policyholders not external shareholders, are the owners of the companies and benefit from their relationships with insurers in other ways — e.g., policyholder dividends and lower pricing.

Despite the challenges associated with 2017's near-record catastrophe losses, the inaugural issue of "The Mutual Factor" documents in detail the inherent and enduring strength of the mutual property/casualty insurance industry. The 2017 report provides a basis for comparison for the many challenges in the years ahead, a future that will no doubt serve as a testament to mutuals' enduring resilience amid adversity and uncertainty. [\[N\]](#)



To read "The Mutual Factor" in its entirety, visit NAMIC.org.

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The In-House Human Connection

When relationships in the mutual insurance industry come up in conversation, the ones talked about are often those with policyholders and agents. Yet, some of the most critical relationships are those built within an organization. Whether you're focusing on building relationships with new talent or strengthening already-established ones, mutuals can never lose sight of the internal human connections.





Benefits On Trend

WHILE COMPENSATION WILL ALWAYS BE A KEY ASPECT OF RECRUITMENT AND RETENTION, BENEFITS ARE BECOMING INCREASINGLY ATTRACTIVE. SEVERAL OF THOSE THAT ARE TRENDING COULD BE PERFECT FOR MUTUAL INSURERS' EMPLOYMENT STRATEGIES.

 LINDSAY ROBISON

With unemployment rates at lows American citizens haven't seen in years, employees have the advantage. More jobs exist than there are people to fill them, and employers' competition to snag the most qualified candidates for their jobs or to prevent their tenured talent from testing the waters is fierce.

When it comes to a candidate choosing your open position over another or preventing current talent from searching for jobs elsewhere, compensation is always important; it is what pays the bills, after all.

However, compensation can sometimes be an issue. Salary compression is just one example. According to Kristen Deutsch, president of New Focus HR, this is occurring at almost every organization. For the last decade, "the average merit pay increase across the board for all employees has been around three percent," Deutsch wrote in a 2018 article. "However, the market has outpaced the average



increase; thus, employers have had to offer new hires higher wages in order to attract them, compared to the increases that they have given to current experienced employees."

Yet, not all employers can afford to offer higher wages to new talent. And many need incentives to retain the longer-term employees who have, perhaps, capped out on their salary levels. Where else are employers turning to recruit and retain talent?

Many are upping their benefits games, and it's not all about health care.

In fact, offering a health care plan should be a given, according to Julie Stich, associate vice president of content for the International Foundation of Employee Benefit Plans. "If you're interviewing with a company, you expect them to offer health insurance," she says. "If they don't, it makes you take a couple of steps back."

While companies can differentiate themselves by what they offer within their health insurance plans or how much they require employees to pay in premiums, companies are getting creative in other benefits realms in order to stick out from their competition.

Student Loan Repayment Assistance

Because the average graduate leaves college with nearly \$40,000 in student loan debt, according to a 2018 CNBC article, many companies are beginning to offer or are considering assistance in paying those loans.

"Massive student loan debt is making people more stressed and really hindering what they are able to do, hindering the ability to save money or put money toward retirement," Stich says. "Employers are also seeing that employees will jump ship to another company, even if it is a small pay increase because they have so many loans."

Employers, therefore, are opting to pay a certain amount annually as long as an employee serves the company for a specified number of years. "For example, one company gives employees two thousand dollars a year up to a maximum of ten thousand dollars," Stich says. "They are doing this so that they are guaranteed to have those people for at least five years."

Greater New York Mutual Insurance Company recently implemented a student loan repayment benefit. Employees can

Benefits by the Numbers

56%	of all employers offer maternity leave
38%	of all employers offer paternity leave
31%	of all employers offer leave for grandparents or other caregivers
46%	of all employers offer tuition assistance
13%	of all employers offer student loan forgiveness programs
21%	of all employers use a specialty pharmacy benefits manager

Source: Gallagher Employee Benefits Consulting and Brokerage

receive \$100 per month to help pay down their loans. "Some younger employees, especially recent college grads have [student loan] debt like another mortgage," **Nancy Pearlstein**, the company's vice president of human resources, says. "We've realized that in order to get them to properly prepare for retirement, we have to ease the outstanding debt burden and encourage them to save."

Paid Time Off/ Paid Leave

Unlike many countries around the world, the United States has never passed any kind of mandated paid time off. Stich says companies that choose to offer paid time off for more than just vacation or personal days have an appreciated advantage. These paid leaves can come in many forms.

Parental Leaves

Under the Family Medical Leave Act, companies with 50 or more employees are required to allow each one up to 12 weeks off ... unpaid. However, Stich says employers are finding benefit in providing paid leave of some sort, particularly when it comes to maternity or paternity leaves.

GNV instituted a new paid parental leave benefit at the beginning of the year. Women taking maternity leave will be paid at 100 percent of their salary for six to eight weeks depending on the type of delivery. In addition to that, the company offers eight weeks of paid paternity leave that applies to mothers and fathers. "A woman on maternity leave can take the eight weeks of parental leave right on top of that," says Pearlstein, "and a father can take eight weeks off as well. We even allow the eight weeks to be taken on an intermittent basis."

There are even companies that offer some time off when people bring new fur babies into the family. "It is euphemistically called 'pet-ternity' leave, giving people time to bond with their new pets," Stich says.

Caregiving Leaves

As our country's definition of family has changed, some companies have followed suit by changing their caregiving-leave parameters. "I think employers are wise to be more inclusive in what they're offering in terms of caregiving," Stich says. "To expand it to more than just caring for a child or an aging parent."

"A perfect example might be older millennials being asked to take care of grandparents," she continues. "It's smart to make

this type of benefit available to whomever an employee feels is family.”

Domestic Violence Leaves

While not yet widespread, there are companies offering what Stitch refers to as safe leaves, allowing time off for those who are victims of domestic violence, stalking, or sexual assault. She says some states are currently looking into mandating this kind of leave.

Other common leaves include extended bereavement leaves, paid days off to volunteer at charitable organizations, and the ability to donate PTO days to colleagues who need them.

Identity Theft Insurance

Nearly 15 million consumers experienced an identity theft incident in 2017, according to a Harris Poll published last year. With numbers such as these, everyone is at risk of having their personal information stolen. Because it is such a prevalent risk, Stitch says some employers have chosen to fully pay for identity theft insurance for all employees. Others have gone the route of providing it on a voluntary, employee-pay-all basis with group-discounted rates.

Other Health Benefits

Some companies are also supplementing their traditional health care benefits with options such as pharmacogenetics testing and transgender and fertility benefits. Pharmacogenetics testing can assist in identifying effectiveness of prescription drugs. There are other genetic tests that can help identify risks of inherited diseases. Companies that choose to offer transgender benefits often help cover medical treatments and procedures as well as counseling for individuals who are transitioning. And Stitch says that according to a recent survey conducted by the

International Foundation of Employee Benefit Plans, 17 percent of employers now offer help with paying for invitro fertilization treatments for employees.

Stitch says the list of potential benefits could go on forever, but that doesn't mean they work for every company.

“An employer needs to sit down and really think about company culture, about present employees, and about the kinds of employees it is trying to attract,” she says. “What resonates with you? What do you think will resonate with employees? It all must tie together.”

“You hear about companies that have ping pong tables and massive slides in their buildings and others have community farms. Those are great because they work for their companies,” Stitch continues. “But they don't work for every company. Benefits have to come with an individualized strategy.”

The larger the employer, the more likely it is to offer:

- Disease management programs;
- Telemedicine;
- Cost-transparency tools;
- Health care decision support;
- An on-site health clinic;
- Coverage for retiree medical benefits, bariatric surgery, gender reassignment, and other transgender-inclusive benefits; and
- Three or more medical plan choices.

Source: Gallagher Employee Benefits Consulting and Brokerage

The larger the employer, the more likely it is to offer:

- A lower median annual deductible for individual and family medical plans and
- A health savings account or flexible spending account and employer contributions to those accounts.

Source: Gallagher Employee Benefits Consulting and Brokerage

On the NAMIC Member Benefits Radar

THE BENEFITS COMPANIES CAN OFFER ARE ABUNDANT, BUT NOT ALL OF THEM FIT A COMPANY'S CULTURE. WE ASKED A FEW NAMIC MEMBER COMPANY HUMAN RESOURCES PERSONNEL ABOUT WHAT THEIR ORGANIZATIONS CURRENTLY OFFER AND WHAT MIGHT BE ON THE HORIZON FOR THEIR BENEFITS PACKAGES.

Q: *What beyond pay do you use as a major recruitment and/or retention tool?*

A: We focus on flexibility in hours worked ... for several reasons. It gives parents opportunities to get their children on and off the school bus, so they have less stress about finding and paying for daycare before and after school. People differ in when they are most productive. Some employees are morning people, so they come in early; other employees want to sleep in and work later. It also allows employees to leave during work hours for doctor's appointments and make it up later. There are special events that occur during work hours. They can flex their time to attend them.

At the end of the year, we contribute a percentage of each employee's salary into their 401(k) accounts because we want to invest in employees' futures. We also contribute either \$2,500 or \$5,000 — depending on the type of insurance plan — to each employee's health savings account. This money is each employee's to spend on medical expenses. If they don't use it during the year, they can build on it to use later.

We also focus on family. We plan an event each fall that includes employees and their families. And about every three years, we do an all-expense-paid weekend for employees and their families.

Melanie Alger
Human Resources
Mennonite Mutual Insurance Company/
Mennonite Mutual Aid Society
Orrville, Ohio

Q: *There are always new benefits trends emerging. Are there any new benefits your company is considering implementing?*

A: We owe it to our associates and potential new hires to continually evaluate different benefit options. In the current labor market, we need to be competitive with larger companies to aid in talent acquisition and retention, and we consider what may appeal to current associates and new hires.

Lisa Ireton
Human Resources Manager
Rockford Mutual Insurance Company
Rockford, Illinois

Q: *Do you think benefits will continue to be major recruitment/retention factors?*

A: Benefits are crucial in recruitment and retention. There is an ocean of businesses looking to hire the best of the best. Plus, hiring a new employee is expensive, not only in salary but in the time spent in training. Mennonite Mutual strives to create a culture that focuses on continual investment in our employees. Retention is much cheaper than recruitment. We are always looking for ways that uniquely express our appreciation for our employees. In 2018, we created a Tree of Remembrance. There is a pine tree outside our office and at Christmas we asked employees and the community to feel free to donate lights or ornaments in memory of loved ones.

The initial idea grew from the fact that two of our employees have lost their young sons. Mennonite Mutual wanted to honor these employees by remembering their boys as well as honor others who have lost loved ones. The tree was lit the entire Christmas season, day and night.

Melanie Alger

Human Resources

Mennonite Mutual Insurance Company/

Mennonite Mutual Aid Society

Orrville, Ohio

Q: Have you recently implemented new benefits?

A: A pre-paid legal plan was one recent addition to our benefits offerings. This appeals to a diverse group of associates because legal needs can be needed and differ at various points in life.

Lisa Ireton

Human Resources Manager

Rockford Mutual Insurance Company

Rockford, Illinois

A: We are currently in the process of implementing a student loan assistance program. Approximately two years ago, we implemented paid parental leave. SFM is very deliberate in the benefits program we offer. It is important for us to not just offer a benefit because it is trending. We survey our employees to learn what benefits matter most to them. Each employee is at varying stages in his or her life and we want to provide benefits that are meaningful, whether the employee is a recent college grad, beginning a family, or thinking about retirement.

Jody Rogers

Senior Vice President of Human Resources

SFM Mutual Insurance Company

Bloomington, Minnesota [IN]

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The Art of Motivation

ORGANIZATIONS CAN'T BE SOLELY RESPONSIBLE FOR MOTIVATING THEIR EMPLOYEES. HOWEVER, THERE ARE SOME TECHNIQUES MANAGERS CAN USE TO INCREASE THEIR TEAM MEMBERS' AMBITION.

 LINDSAY ROBISON

Sure, we've been seeing more hours of daylight each day since December 22, but it's been a long winter. It shouldn't come as too much of a surprise if your employees or co-workers have seemed to lack some motivation these past few months

"People struggle with being productive in the winter for a number of reasons," a productivity coach told Forbes. "In January, especially, there can be a post-holiday letdown. In areas where it's quite cold or very wet, people feel confined to the indoors, which leads to illness or cabin fever. Still other people find they've already broken New Year's resolutions and feel discouraged. And finally, those who suffer from seasonal affective disorder or other mental health conditions can find the darkness of winter especially difficult, making them less productive and interested in work."

Approximately 6 percent of people experience winter depression, and another 10 percent to 20 percent of people suffer from SAD, according to the American Academy of Family Physicians.

Yet, a lack of motivation might not be the consequence of the winter blues. Employees can lack ambition when they feel as if they aren't getting enough attention, recognition, and/or appreciation for the dedication they put toward their jobs.

Have you told your employees lately that you appreciate them? It might be a perfect time to do so.

Let's be honest, though, motivating employees isn't as easy as it sounds. That's because, according to Jennifer Loftus, founding partner and national director for Astron Solutions, motivation has two sides — a theoretical one and a realistic one. "If I'm an employer and I think I am recognizing my employees, communicating with them, building relationships, celebrating successes, and helping them when they get off track, then I'm doing everything I can to provide external motivation," Loftus says.

"But motivation must come from the inside an employee as well," she continues. "The reality is that if an employee doesn't believe they're being appreciated in the right way, if they are in a job that isn't the right fit, or the culture of the organization isn't the right fit, no amount of external motivators are going to bridge that."

As difficult as it might be, it's important that employers have a strategy to bolster the drive within their employees and, ultimately, their organizations. Research shows that motivated employees are substantially more productive than ones who aren't.

"If [employers] aren't focused on motivation and have a strategy around it, they're missing a key part of their human resources strategy," Loftus says. "And they are going to see that result in the inability to retain employees and, perhaps, the ability to attract talent moving forward."

There is no magic formula to bring out employees' ambition, yet there are different approaches that could fit company cultures.

Speaking the Language

Speaker and author Sherene McHenry is a proponent of the "5 Languages of Appreciation at Work," developed by anthropologist Gary Chapman and psychologist Paul White. In fact, McHenry is a certified facilitator of these "languages," which are affirmation, time, gifts, service, and touch.

These may sound familiar, and for many people, they should. The appreciation languages are the same as the "5 Love

Languages," which were also developed by Chapman.

For people who speak the language of affirmation, making them feel valuable and motivating them is simple. All managers have to do is tell these employees "Thank you." "Have you heard the term 'talk is cheap'? I am telling you, talk is cheap with these employees," McHenry says. "Thank them, tell them they have done a good job when you see them working hard, and they will work harder."

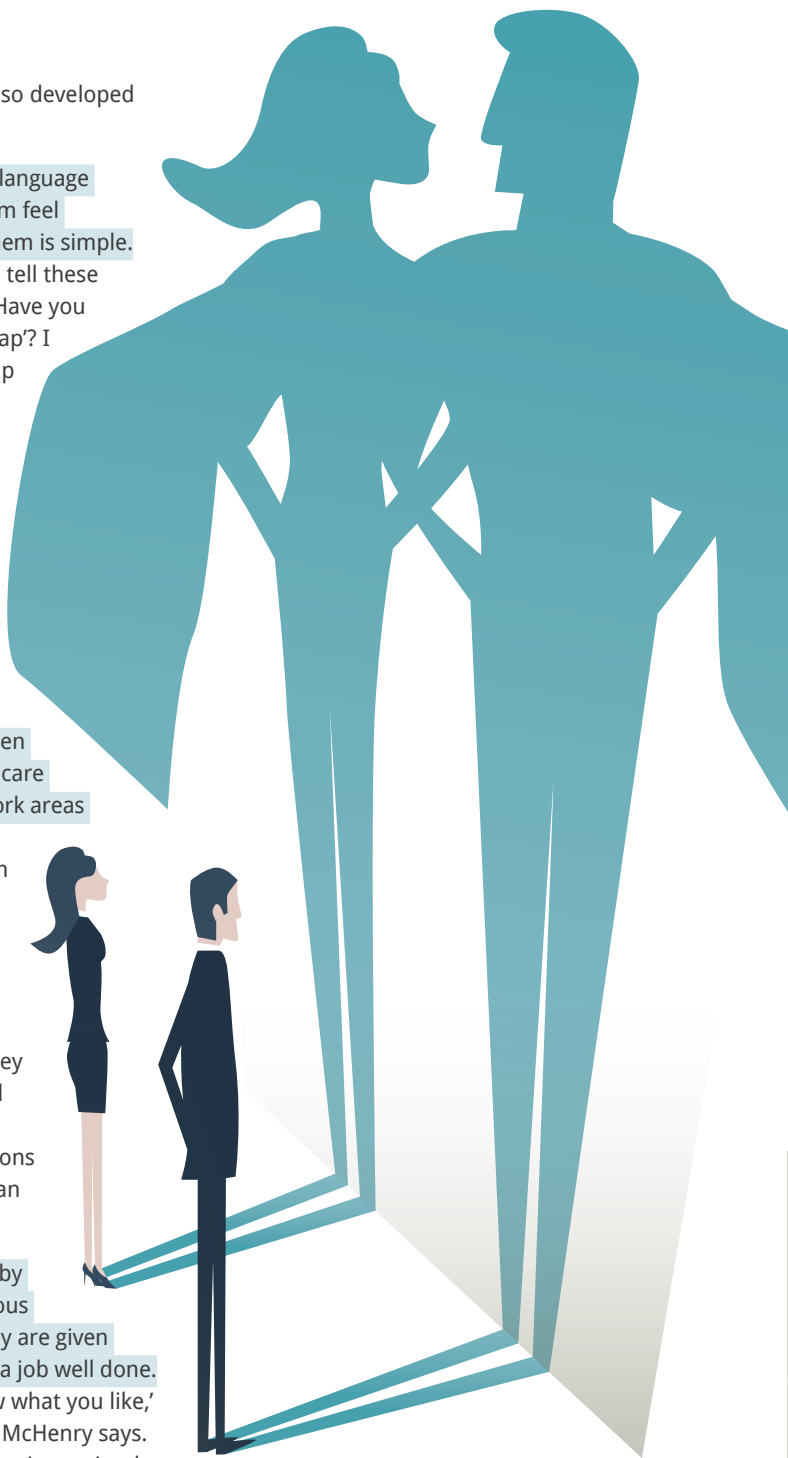
People motivated by time — quality time at that — like it when their bosses chat with them, when they remember what they care about and stop by their work areas to ask about it. "Ask how their kids are or their mom is doing. Say 'Hey, I'd like to take some time to talk about your goals within the company,'" McHenry says. "They want to spend one-on-one time where they have someone's undivided attention." If you want to motivate them, conversations need to be about more than work tasks.

Those who feel motivated by gifts become more ambitious about their work when they are given tokens of appreciation for a job well done. "Anything that says 'I know what you like,' that is what is important," McHenry says. "It doesn't have to be expensive, a simple little trophy can do the job. One of the ways to hurt their motivation is to not acknowledge their birthday. You don't have to give them a gift, but a card or verbal acknowledgement goes a long way."

For people who speak the language of service, their motivation increases when their bosses lend a helping hand if they see these employees becoming overwhelmed. "It's important to these people that their managers notice and

pitch in without being told," McHenry says. "They will be energized like nobody's business and believe they work for the best person in the world when things like this happen."

McHenry says the final language is the most misunderstood in business because touch must be appropriate touch for the workplace. "These people are motivated when they receive a handshake, a high five, a fist bump, a pat on the back," McHenry explains. "As a manager, if you give them one of these touches when you



see them or when they do a good job, they will be instantly energized because they'll know you care."

Managers who motivate their employees through these languages must figure out which languages motivate their employees. McHenry says "seventy-five percent of American workers report that they don't feel as if their bosses care.

When we find a boss who speaks our language, we're in heaven.

An astute boss learns to speak all five."

And she says managers can figure out which languages their employees speak by simply sitting down with them and asking them about the kinds of things that make them feel appreciated.

"An astute boss takes notes," McHenry says. "The smart boss makes sure they act on those notes."

AMPing Up

When Rob Sanders, a human resources consultant for Paychex, consults with

clients regarding motivation, he focuses on the intrinsic factors and works with managers to "AMP" up their environment and their employees. This is a technique he learned from psychologists Edward Deci and Richard Ryan. The acronym stands for autonomy, mastery, and purpose.

Autonomy, Sanders says, comes in four areas: task, technique, time, and team. "The more you are able to give employees some degree of control over what they do, how they do it, when they do it, and who they do it with, you're fostering the intrinsic driver of autonomy," Sanders explains.


It all comes down to trust, and autonomy, according to Sanders, is directly correlated to someone's concept of trust. An employee being given autonomy in his or her tasks from his or her supervisor "is emblematic of that sense of trust," Sanders says. "It says 'I am willing to give you some control because I trust that you will use that control to reach the goal.'" That, in turn, increases the employee's motivation.

The mastery concept has developed from the thought process that most people don't want to get worse at the tasks they perform. "If we have a passion for

something," Sanders says, "we look for ways to get better at it." This also feeds back into the autonomy portion of the technique.

"If a direct report and a supervisor have a common understanding of the goal and what needs to happen to get there, the manager can step back and give the employee some autonomy to reach the goal," explains Sanders. "Reaching that goal will feed the employee's sense of mastery."

Purpose, Sanders says, has three focus areas: connection, clarity, and meaning. Just about every person wants to believe or know his or her life has a purpose. "Developing positive connections with managers, teammates, customers, whomever will feed into the purpose aspect of intrinsic motivation" Sanders says. "Clarity of purpose is identifying a way to parallel your personal value system with that of the organization you work for.

"People want to feel like what they do impacts the bigger picture of the organization," Sanders says. "When they feel that way, intrinsic motivation increases." 

A Case Study of Motivation

Dane Austin, president of the New York Property Insurance Underwriting Association, says he has learned a thing or two about which management styles motivate employees during his four decades of experience in nearly every department within an insurance organization.

"How do we keep employees motivated? I think the key item is that we hire people who have always been overachievers," Austin says. "They were born that way. They have always owned what they do.

"I don't think you can motivate people who aren't naturally motivated," he continues. "We find people who are just core wired [to be ambitious]. Then, the question is 'How do we keep them going?'"


How does Austin answer that question? "Treat them with dignity and respect."

At NYPIUA, that treatment means getting to know employees — their histories, their families, their goals,

their views of success — and the company going out of its way to recognize employees when they are successful, no matter their job titles.

"Our aim is to show people what they do matters," Clare Dichiaro, vice president, corporate counsel, and compliance officer, says. "When they feel like they matter, they want to continue to do good work and continue to get positive feedback.

"I think it is kind of a stick-and-carrot thing," she continues. "I think a lot of companies are a little too heavy on the stick and don't put enough emphasis on the carrot. Find out how people are wired and help set them up to be successful. Being successful is addictive.

"I don't know anyone who wakes up in the morning thinking 'I want to be mediocre today,'" Dichiaro continues. "Don't underestimate the value of acknowledging that someone did a good job." 



Creating Value Through HR Partnerships

Jeff Menary

Leadership transitions can be challenging, even if everything goes to plan. But reality often interferes with our best laid plans, which was the case during my own transition.

In December 2017, I was slated to become president and CEO of **Grinnell Mutual**. But when the time came, I couldn't start my new job because I was fighting for my life in a hospital.

After nearly 40 years at Grinnell Mutual, my plans to lead the organization were put on hold when I contracted West Nile virus. In about 80 percent of cases, West Nile doesn't cause any significant illness and fewer than 1 percent of people become critically ill. Unfortunately, I fell into the latter category.

Given my position at the company, the suddenness of my illness and the uncertainty of when — or if — I would return could have caused a crisis. But it didn't. The service to our policyholders, mutual members, agents, and employees went on uninterrupted.

Our company's culture is based on trusted relationships. The transition and overall management of the situation was seamless because of the trust among our management team as well as the thoughtful planning and partnership with our human resources department.

Planning for Tomorrow

At Grinnell Mutual, we're in the business of planning for the unexpected, which included how to keep the organization moving forward throughout my extensive recovery.

In my absence, chief operating officer **Dave Wingert** served as interim CEO. He

had been working closely with me in creating our strategic plan, so he knew exactly where we were going.

Even with the credibility of someone like Dave, leadership transitions can be difficult. It interrupts an established rhythm and creates uncertainty. HR leaders are often tasked to help steer a company through these times, but they cannot do it alone. They must have the trust of other company leaders.

My recovery gave me a renewed appreciation for having a meaningful mission that everyone can believe in. It also helped me learn that you can't do things alone. While Dave led our team, our HR partners were invaluable in managing the transition.

Here are some tips to foster better relationships among HR and other company leaders.

Know the Culture

Have a core set of values that is demonstrated at all levels of the company. This helps a business stand out. Believing in a company's culture is key to gaining trust and moving in the right direction. If, as an HR manager, you can't demonstrate this to your colleagues, you'll struggle to find common ground.

Have a Talent Pipeline

Use succession planning to prepare for the unexpected. Regularly assess the growth and development of future leaders, including whether they're ready to take on sudden responsibilities.

Dave was successful in our situation because his core values are the same as Grinnell Mutual's. He also had enough experience that we never had to worry



that we were relying on a “placeholder” until I was able to return.

Demonstrate Your Judgment by Knowing the Business Strategy

HR partners should be students of the business. Your skills and business acumen, matched with a strong grasp of your company's culture, help you identify candidates who will — and won't — succeed as leaders.

If you understand your company's challenges, your value increases when called upon to help with an initiative or problem because you're more plugged into what's going on. As an HR professional, you can help anticipate issues and have plans in place for multiple scenarios.

Be a Problem Solver

Leaders look to HR for options and approaches that others simply won't have. You know policies and best practices that present solutions. That kind of thinking is beneficial to every stakeholder, especially in times of adversity.

As someone who's been in the industry for four decades, I know that if you're not prepared for tomorrow, there's no telling how unplanned events will affect your business. Demonstrating that you understand how to manage and anticipate problems before they happen will make you indispensable. [IN]

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Q&A With Incentive Travel Solutions' Kevin Devanney



ONE OF THE MOST RECENT INCENTIVE RESEARCH FOUNDATION'S SURVEYS SAYS THE NUMBER OF UNITED STATES BUSINESSES USING NON-CASH REWARDS TO RECOGNIZE JOBS WELL DONE HAS RISEN SIGNIFICANTLY — FROM 26 PERCENT IN 1996 TO 84 PERCENT IN 2016. APPROXIMATELY 40 PERCENT OF THOSE BUSINESSES USE TRAVEL AS A REWARD. KEVIN DEVANNEY, PRESIDENT AND FOUNDER OF INCENTIVE TRAVEL SOLUTIONS, WHO HAS BEEN IN THE INCENTIVE TRAVEL INDUSTRY SINCE 1993, ANSWERED SOME QUESTIONS FOR IN MAGAZINE ABOUT THE RELATIONSHIP-BUILDING ASPECT OF INCENTIVE TRAVEL.

Q: *When it comes to insurance carrier clients, for whom do they most often provide incentive trips?*

A: Insurance carriers have always been a big driver in the incentive travel business. I think primarily because they are incentivizing independent business owners. A trip to Europe for seven days is a great way to walk alongside your independent business clients and talk on a social level. When spouses meet each other, there is an instant connection. In the long term, these relationships, and ultimately partnerships, that are built are invaluable.

Q: *What are the top reasons for incentive travel?*

A: The primary reason for incentive trips is to reward and recognize. With the incentive trips, we reward top sales performers or independent business owners for reaching top goals. The trip is a motivational tool for companies to announce a once-in-a-lifetime trip for a sales person to take his/her spouse somewhere they would not typically go. They work for a year to win the trip and surround themselves in a beautiful destination with other top performers.

Q: *Insurers are obviously risk-averse entities. Are there liability, legal, and/or compliance issues they need to consider when they offer these trips/rewards?*

A: For tax purposes, in order to not tax the winner for the value of the trip, it is important to incorporate business meetings or true business time in each trip. All companies should consult their tax advisors or chief financial officers prior to designing a trip to be aware of the tax implications.

Q: *Do you have any examples that come immediately to mind of where relationships have been fostered or strengthened by these excursions?*

A: I see it all the time. I was just in Ireland with a West Coast-based distribution company for eight nights. Many of the attendees lived in the same area. They were all

independent business owners who purchase products from my distributor client. They may have known about each other, but they had never met. During this trip, they became friends. They talked about the challenges they face on a regular basis. They walked away from the trip with partners they planned on meeting up with once they got back home. It was a very rewarding trip for everyone.

Another instance that we see relationships form that help build the company culture is with the spouses during an incentive trip. In general, 80 percent of winners repeat a second or third year. Spouses meet, get to know each other, and look forward to seeing each other year after year. As a result, relationships strengthen beyond the business setting. Spouses get behind the winning performer and truly encourage him or her year after year so that the trip is a part of their lives and, ultimately, an important part of the company culture.

Q: *What are the most common questions you get from your clients? What do you wish people knew more about when it comes to incentive travel?*

A: I wish people realized how much work actually goes into designing, planning, and executing an incentive trip. It should truly be a trip that people cannot take on their own. The destination and hotel should be unique. If the winning performer could take the trip on his or her own, it is not a true incentive. My company has operated trips in 102 countries around the world. Our experience and relationships with partners in these destinations make designing, planning, and executing a trip invaluable to our clients. It might seem easy to sign a hotel contract, but as soon as a challenge arises – and many times it does – it is so important to have a true travel partner representing you and your important attendees. [IN]

Hires & Promotions

CopperPoint Insurance Companies, Phoenix, Arizona, named **Jennifer Johnston** chief marketing officer and executive vice president of marketing and communications. She has more than 25 years of strategic marketing and communications experience. She served PMA Companies and Old Republic Insurance Group as chief strategic marketing officer prior to joining CopperPoint. The company named **Trent Marchuk** assistant vice president of the strategic programs office. He has more than 15 years of experience in the technology and finance industries. He served as head of program management for financial systems transformation at Google prior to joining CopperPoint.

Farm Bureau Insurance of Michigan, Lansing, Michigan, named **Matt Taylor** vice president of marketing last fall. He is responsible for leading the growth of policyholders and members through its exclusive agency force. He joined Farm Bureau as an agent in 2009 and has received several promotions prior to the most recent one.

COUNTRY Mutual Insurance Company, Bloomington, Illinois, named **Jim Jacobs** the organization's CEO at the end of January. He served as general counsel, secretary, and chief legal officer for COUNTRY, Illinois Farm Bureau, and other affiliated companies since 2008. Jacobs is a member of the International Association of Defense Council and a board member of the Special Olympics of Illinois.

The Main Street America Group, Jacksonville, Florida, promoted **Jerry Waters** to vice president and chief accounting officer. Waters is based in New Hampshire. He joined the organization in 2010 and has held various positions in financial reporting and controls. He served the group as director of corporate accounting prior to his promotion. Waters worked for Liberty Mutual Insurance prior to joining Main Street America.

Central Insurance Companies, Van Wert, Ohio, elected **Evan Purmort** chief marketing officer and **Cindy Hurless** chief operating officer. Purmort is responsible for regional operations, communications,

Awards & Recognitions

Marcia Merando, director of marketing for Frankenmuth, Michigan-based **Frankenmuth Insurance**, was named to the Top 500 People in Events List. She made the list as part of the corporate producers and strategists list. Merando joined Frankenmuth Insurance in July 2011. She worked in marketing and corporate communications roles at Farm Bureau Insurance of Michigan and MetLife prior to joining Frankenmuth's staff.

Acuity Insurance, Sheboygan, Wisconsin, was honored with the 2018 Company Award of Excellence by the National Association of Professional Insurance Agents. PIA credited Acuity's priority for ease of doing business with agents as one of the reasons for the honor. Acuity received several other recognitions: a Silver Stevie Award for Great Employers; a nod by CEO magazine as one of the Seven Office Wonders of the World, and a spot on the Six Coolest Workspaces That Aren't Apple, Amazon, or Microsoft list put together by the Society for Human Resource Management.

Goodville Mutual Casualty Company, New Holland, Pennsylvania, received recognition as one of the 100 Best Places to Work in Pennsylvania for 2018. Companies are evaluated on workplace policies, practices, philosophies, systems, and demographics. It is heavily focused on employee survey results.

Motorists Insurance Group, Columbus, Ohio, won a 2018 Guidewire Innovation Award last fall. The award honors companies that demonstrate business and information technology benefits with Guidewire products. Motorists used Guidewire platforms in early 2017 when it launched its transformation program meant to create a new company using vended technologies to support a new business model, organizational structure, and products. With the help of the Guidewire platforms and consultation with PwC, Motorists' new company wrote \$18 million in premiums during its first nine months of existence.

distribution, and industry relationships. He served the company as vice president and Northeast regional office manager prior to the promotion. He has worked at the company since 2003. He has earned the Chartered Property Casualty Underwriter, Associate in Claims, and Associate in Insurance Accounting and Finance designations. Hurless joined the company in 2002 as manager of mail/supply and commercial lines services. She was promoted to vice president of customer services in 2004. She holds the Associate in Insurance Services and Associate in General Insurance designations.

SFM Mutual Insurance Company, Bloomington, Minnesota, named **Terry Miller** president and CEO. The promotion became effective last November. Miller joined SFM more than 30 years ago as controller. He moved up the ranks, serving the mutual as vice president of accounting, vice president of finance, senior vice

president, and chief financial officer. He was most recently executive vice president and chief operating officer. He earned a bachelor's degree in accounting and an MBA from the University of St. Thomas. Miller holds the Certified Public Accountant and Chartered Financial Analyst designations.

Farmers Mutual Hail Insurance Company of Iowa, West Des Moines, Iowa, named **Patrick Faga** chief marketing officer. Faga now oversees the organization's sales, marketing, and training teams. He will maintain his responsibilities as executive vice president of the property/casualty division. Faga has more than 25 years of insurance industry experience and was president and CEO of Central Iowa Mutual Insurance Association prior to joining FMH.

Union Mutual Companies, Montpelier, Vermont, promoted **M. Joseph Cook**, **Schuyler Ryan**, and **Matthew Miles**. Cook was named vice president of Union



Mutual and executive vice president of Community Mutual. He joined the organization in 2018 as chief marketing and business development officer of New York operations. Ryan was named director of accounting for the organization and was elected to serve on the board of directors for Community Mutual. She joined the organization in 2014 as a senior accountant and served as accounting manager prior to the promotion. Miles was promoted to director of subrogation. He joined Union Mutual in 2015 as a subrogation adjuster.

Retirements

Kurt Bock retired as CEO of Bloomington, Illinois-based **COUNTRY Mutual Insurance Company** at the end of January. He became CEO of the company in 2012. Bock held positions at Horizon Hobby, the Illinois Agricultural Association, and the IAA Credit Union prior to joining COUNTRY. He served in the U.S. Air Force for 28 years.

Bob Lund retired last fall from **SFM Mutual Insurance Company**, Bloomington, Minnesota. He served as the insurer's CEO for 12 years and was the organization's vice president and general counsel prior to taking over the helm of the company. Lund entered private law practice upon his retirement from SFM.

Community Involvement

Quincy, Massachusetts-based **Arbella Insurance Group's** Arbella Insurance Foundation hosted its 10th annual Pink Day to raise money for the Dana-Farber Cancer Institute. Arbella employees raised more than \$25,000, which was matched by the foundation for a total contribution of more than \$50,000. Employees wore pink to work, bought bracelets, donated money to dress casually, and took part in gift basket drawings. Since Arbella's Pink Day began a decade ago, employees and the foundation have raised more than \$322,000 to support cancer awareness and screenings.

SECURA Insurance, Appleton, Wisconsin, put on a #GivingTuesday contest last fall in which the company donated \$25,000 to nonprofit organizations. Employees from SECURA's independent agency partners

could enter the contest to be chosen at random to have money donated to their charities of choice. More than 310 entries were submitted from more than 48 agencies. Five participating agencies were given \$5,000 to donate to their charities.

Acuity Insurance, Sheboygan, Wisconsin, in December donated \$500,000 to six charitable foundations. The distribution of the contributions was determined by Acuity employees during a town hall meeting. It was the sixth year in a row that Acuity employees directed a special year-end donation. Guided by the Acuity Charitable Foundation, the insurer contributed more than \$1 million in 2018.

Miscellaneous

Jewelers Mutual Group, Neenah, Wisconsin, acquired TransGuardian, a high-value-item shipping and logistics software company. The two companies partnered in 2017 to develop JM Shipping Solution. TransGuardian will continue to serve enrollees of that solution. All TransGuardian employees were invited to join Jewelers Mutual, and the already-in-operation customer service centers continued operations uninterrupted.

State Farm, Bloomington, Illinois, bought the naming rights for the Atlanta Hawks' and Arizona Cardinals' venues. The venues will now be named State Farm Arena and State Farm Stadium and hold 20-year and 18-year commitments, respectively. The company has regional hubs in both locations.

Harford Mutual Insurance Company, Bel Air, Maryland, selected Sapiens North American Property and Casualty Insurance Platform for its software solutions. Harford Mutual will use Sapiens' authority, policy, product designer, rating, and work manager components.

Buffalo, New York-based **Merchants Insurance Group's** Ginny Winkworth, customer experience lead, was named co-chairman of the Customer Experience Work Group for the Agents Council for Technology. ACT is a program from the Independent Insurance Agents and Brokers of America. ACT is meant to help independent agencies, insurance carriers, and vendors implement new technology and systems into their workflows and

focuses on strategic trends to improve customer experience.


Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut, acquired relayr, Inc., a Berlin-based internet of things technology company. relayr provides IoT software and consulting to support digital transformation of industrial and midsize commercial companies.

Stacey Rebbert, director of marketing and corporate communications for Bel Air, Maryland-based **Harford Mutual Insurance Company**, was elected to the Insurance Marketing and Communications Association board of directors. She has served in her position at Harford Mutual for five years. She earned a bachelor's degree in mass communications from Towson University and a master's degree in contemporary communications from Notre Dame of Maryland University.

New Coverages

NJM Insurance Group, West Trenton, New Jersey, began offering home systems protection coverages as endorsements for all homeowners and renters policies last fall. The new offering is meant to cover repair or replacement of home equipment breakdowns. The company is also now offering a service line endorsement that will cover repair of exterior underground piping and wiring.

Arbella Insurance Group, Quincy, Massachusetts, launched its home cyber protection personal lines product in Massachusetts. It is an endorsement that can be added to homeowners, condo, and renters policies and has cyberbullying protection that covers costs individuals may incur after such an attack.

Rockingham Insurance Company, Harrisonburg, Virginia, introduced its commercial lines product, Businessowners Elite, in November 2018. It is meant to appeal to artisan contractors, residential and commercial lessors, and restaurants. 

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The Big Three

LOBBYING, NAMIC PAC, AND GRASSROOTS HELP NAMIC SUCCESSFULLY REACH AND INFLUENCE DECISION MAKERS.

 Holly Pitt Young



Congress, state legislators, governors, and insurance regulators have impacts on NAMIC member companies and their policyholders across America. That's why NAMIC's government affairs team makes certain that the association's positions on key issues are clearly understood by policymakers and that legislators who are committed to the success of the property/casualty insurance industry are supported.

There are three fundamentals of NAMIC's government affairs department — lobbying, NAMIC Political Action Committee, and grassroots. Working in concert, these elements help NAMIC successfully influence decision makers.

Direct Lobbying

Direct legislator education is essential to ensuring NAMIC members' perspectives are heard. Legislators write the rules of the road that affect insurers' daily business; yet, they are swamped with a range of issues and information from countless sources. NAMIC has a strong presence in the halls of Congress, state legislatures, and federal agencies to ensure the message of the property/casualty insurance industry makes it through the noise. NAMIC's government affairs staff works with policymakers and allied organizations on a regular basis and assists legislators who strive to make a difference for the industry.

NAMIC PAC

The role of NAMIC PAC is simple and straightforward — elect to office federal and state candidates who are supportive of NAMIC's positions on key issues and who are committed to the success of the property/casualty insurance industry. Each election cycle, candidates raise millions of dollars to run their campaigns. Under current campaign

finance laws, candidates for federal office may only raise money from individuals and political action committees. NAMIC members have been very supportive of NAMIC PAC, helping it become the largest insurance company trade association PAC in the country.

Grassroots

Mobilizing NAMIC members to directly voice their opinions on issues that affect the property/casualty insurance industry is what grassroots engagements are all about. Grassroots is one of the most important ways to reach elected officials because they often listen more closely to their constituents than to industry lobbyists. Grassroots efforts include taking part in NAMIC's Congressional Contact Program, participating in action alerts sent out by NAMIC's government affairs staff, or even scheduling visits with legislators while they are in their district offices.

Together, lobbying, NAMIC PAC, and grassroots carry NAMIC's message loud and clear to legislators. **[N]**

TOP 10

NAMIC PAC TOP 10

TOP 10 PROPERTY CASUALTY CONFERENCE CONTRIBUTING COMPANIES 2018

Auto-Owners Insurance Group	\$60,922
Pennsylvania Lumbermens Mutual Insurance Company	\$24,552
Ohio Mutual Insurance Company	\$20,542
Western National Mutual Insurance Company	\$20,230
Harford Mutual Insurance Company	\$20,103
Mutual of Enumclaw Insurance Company	\$18,915
Pioneer State Mutual Insurance Company	\$17,975
Preferred Mutual Insurance Company	\$16,805
SECURA Insurance, A Mutual Company	\$14,812
Columbia Mutual Insurance Company	\$14,320

TOP 10 FARM MUTUAL CONFERENCE CONTRIBUTING COMPANIES 2018

Fairmont Farmers Mutual Insurance Company	\$9,750
Germania Farm Mutual Insurance Association	\$8,750
Farmers Protective Mutual Insurance Company	\$6,250
Heartland Mutual Insurance Association	\$5,400
Mound Prairie Mutual Insurance Company	\$4,875
Farmers Mutual Insurance Association of Hull	\$4,025
Friends Cove Mutual Insurance Company	\$3,600
Loudoun Mutual Insurance Company	\$3,453
Western Iowa Mutual Insurance Association	\$3,100
Farmers Mutual Fire Insurance Company of Marble, Pa.	\$2,935
NAMIC Staff Contribution	\$30,755

[PAC] **NAMIC PAC[®]**
POLITICAL ACTION COMMITTEE



Learn more about the ways NAMIC and its members can be involved in the governmental and regulatory processes at NAMIC.org.

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Author's name, title, company name, phone number, and email address should be included. Letters may be edited for length and clarity.

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Last-Mile Transportation and Liability

SHARING ELECTRIC SCOOTERS MIGHT BE THE CURRENT CRAZE, BUT THEY CREATE A MAGNITUDE OF POTENTIAL LIABILITY ISSUES.

 LAUREN ANDERSON AND ANDREW KIRKNER

If you've spent any time in a major metropolitan area lately, you've probably noticed the streets and sidewalks are riddled with electric scooters. The technology behind this emerging last-mile transportation option is simple. Users download an app that lets them find and, for a small fee, unlock and use nearby electric scooters. Users then scoot around town at speeds approaching 20 mph, starting and stopping anywhere they want because a dock isn't required.

Electric scooters in their current iterations are plentiful, useful, affordable, and undeniably fun. They are also immensely popular. Electric scooter industry leaders Bird and Lime have been closely tracking the number of rides their scooters have handled — more than 20 million combined and growing every day. Investors in Silicon Valley are also taking notices of the last-mile transportation phenomenon. After an impressive first year on the market, Bird and Lime are now two of the youngest startups to earn unicorn status in Silicon Valley, becoming rare successful ventures valued at more than \$1 billion.

Despite the many positives, these scooters also bring ample risk along for the ride. As municipalities and states across the country consider regulations and laws governing scooters, rider safety and ample insurance coverage in the event of an accident will be important questions to address.

Potential Issues for Insurers

The overnight success of this technology has left little room for doubt that these companies have created a convenient — albeit sometimes dangerous — service. There is also little doubt that this service, the way it is used, and the corresponding regulations create a magnitude of potential liability issues for insurers.

In one instance, nine people who were injured by scooters filed in the Los Angeles County Superior Court a class action lawsuit against Bird, Lime, and their manufacturers. The lawsuit accuses the startups of gross negligence, claiming the companies dumped thousands of scooters on California roads without regard to public safety and well-being. The injured included riders and pedestrians who say they sustained broken wrists, toes, and fingers, torn ligaments, face lacerations, and damaged teeth. Adding to the adversity, at least three people died in 2018 while riding scooters, according to multiple reports.



As injured parties are left wondering who's responsible, scooter companies will likely point to the fine print of the user agreement, where operators waive liability coverage by clicking the "I Agree" button under the terms and conditions prior to their first ride. Furthermore, while helmet use and other safety precautions are encouraged by these companies, there is no way — and little incentive — for these companies to ensure compliance with local laws.

Riders are also advised to operate scooters on the roads — as opposed to sidewalks — oftentimes in heavy traffic areas where there are few protected bike lanes. Assuming users are following these terms and conditions and get into an accident involving an automobile on a public street, it isn't difficult to imagine an enterprising plaintiff attorney attempting to seek coverage under a scooter user's automobile policy.

It's also not difficult to imagine a scenario in which a scooter operated in accordance with all applicable rules and regulations makes a driver swerve into another vehicle. What portion of liability should be assigned to the operator of the scooter? What if one or both drivers involved in the subsequent collision are uninsured or underinsured? Despite the terms and conditions of scooter use, should Bird and Lime be required to carry insurance to cover users' actions?


Premises liability is another issue ripe for the battlefield. What about the liability of store owners when a scooter is left — without permission — on their properties that connect to a public space? Are scooter operators invitees on private roads that connect to public roads? Does Lime or Bird pick up the tab for liability stemming from in-home charging of their property? Or would Bird and Lime encourage those charging the vehicle to file a claim with their homeowners or renters insurance carriers?

Beginning to Answer These Questions

Efforts to answer these questions and establish regulations have begun in many cities. Some officials have taken extreme measures to remove the unsolicited scooters. Scooter launches in municipalities to date have taken a familiar form — the companies place their scooters on city sidewalks overnight without advance notice. These unannounced and unpermitted launches have led to conflicts between city officials and the scooter companies. A litany of U.S. cities temporarily banned operation of the scooters within city limits and several municipalities have gone so far as to impound the scooters after they were deployed.

After temporary banning or impoundment of their property, the scooter companies generally begin to negotiate permit systems and corresponding regulations with municipalities. In 2018, Los Angeles, Columbus, Ohio, and Nashville, Tennessee, among other cities reversed temporary bans and now allow Bird and Lime to operate within city limits. These jurisdictions have also taken steps to enact operational rules such as speed limits in Los Angeles, parking restrictions in Columbus, and a prohibition against operating on sidewalks in business districts in Nashville. The regulations even go so far as to outline insurance requirements for scooter companies. The rental agreements between scooter companies and users by and large place liability on the rider, absolving the scooter companies; however, cities such as San Francisco require these companies to have adequate insurance for each user.

While many of the answers to the questions stemming from last-mile transportation will be dependent on the specific language of an insurance policy, several insurance regulatory bodies have stepped up to offer guidance and solutions. In December 2018, NAMIC testified at the National Council of Insurance Legislators' Annual Meeting, reiterating its support of the emerging technology as well as the need for appropriate liability structures in the scooter space. NAMIC and representatives from Bird and Lime co-hosted a meeting this past January to discuss the insurance challenges and how they might be overcome by policy or legislative action. NAMIC is now working through its member-engaged policy development process to find solutions that meet the industry's needs in any insurance framework that is contemplated by states.

The insurance industry has a history of embracing innovation and emerging technologies. Starting in the 1960s, insurers advocated for safer vehicles by promoting the mandatory use of seatbelts and airbags. More recently, the Insurance Institute for Business and Home Safety, sponsored by the industry, has pushed for safer, stronger building codes through its groundbreaking research on home resilience. As it has in the past, the industry should continue to embrace emerging technologies, but that embrace and associated participation in the marketplace must focus on safety. 

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