

SOLUTIONS

Overcoming obstacles with creative solutions that put our policyholders on top.

NAMIC INSURANCE SOLUTIONS ... LET US PUT YOU ON TOP

(800) 336-2642 | www.namicinsurancesolutions.com



Creative Solutions | Outstanding Service

INSURANCE

Summer 2019

A publication of **NAMIC**

RESILIENCY PLANNING FORECASTING THE FUTURE

INSIDE

-  The Next Best Things
The Latest in Forecasting
and Modeling
-  Preparedness
Made Personal
One NAMIC Staffer's
Story on Preparedness
-  Protecting the Promise
The Importance of Disaster
Recovery and Business
Continuity Planning
-  Roofs for the Ages
Spotlight on IHBS's
Roof Aging Project
-  Shattering the Ceiling
How Mentoring is Shrinking
the C-Suite Gender Gap



Freedom to focus on what matters— your customers

Guidewire InsuranceNow™ is a streamlined, ready-to-go core solution in the cloud that enables you to focus your business on what's most important with:

- Rapid implementation and upgrades
- Freedom from system maintenance
- Risk mitigation
- Faster response to market demands

Contact Guidewire for a free customized value hypothesis to see how InsuranceNow can enable your business to focus on the important things.

www.guidewire.com/namic



IN THIS ISSUE



6



11



15



20



23

6 THE NEXT BEST THINGS
We may never be able predict disasters with 100 percent accuracy, but forecasting and modeling are helping the industry get as close as possible.

11 PREPAREDNESS MADE PERSONAL
Advocating preparedness is an important part of NAMIC's regional vice presidents' jobs. For RVP Paul Martin, preparedness is an everyday part of life.

15 PROTECTING THE PROMISE
Because of insurers' promise to help policyholders recover from disasters, business continuity and disaster recovery planning are strategic musts.

20 ROOFS FOR THE AGES
The Insurance Institute for Business & Home Safety's 20-year Roof Aging Study opts for the real deal rather than simulations.

23 SHATTERING THE CEILING
Society Insurance's majority-female executive suite might not be the norm for most companies, but one mentoring group is working to close the gender gap even further.

...AND MORE

5 WEATHER OR NOT
INsights from Chuck Chamness

13 IT'S WHAT YOU DO

18 Q&A WITH FEMA'S NATALIE ENCLADE
INterview

23 LEADERSHIP DEVELOPMENT SPECIAL SECTION

- 27 THE BOSS/LEADER CONUNDRUM
- 29 FACING YOUR COLLEAGUES
- 31 MEETING CONTROL
- 33 THOUGHTS ON DEVELOPMENT
IN My Opinion

37 EYES STILL TO THE SKY

40 IN THE KNOW

43 CONNECTIONS FOR SUCCESS
WithIN the Beltway and Beyond

45 THE SMARTEST INVESTMENT AROUND
Advocacy Agenda

Smart Home. Smarter Policy.

Smart home devices are designed to make life easier, but once connected to the internet, they could unintentionally become a target for hackers. Which is why NAS created **Personal CyberPlus™**, a convenient cyber coverage you can bolt on to a homeowners policy to address the increased cyber risks faced by homeowners.

Cyber risks are complicated. Protecting your policyholders doesn't have to be.

nasinsurance.com/AlwaysOn



NAS PERSONAL
CYBERPLUS™

NAS INSURANCE SERVICES, LLC | CA LIC. #0677191



Weather or Not

MANY ASPECTS OF THE INSURANCE INDUSTRY ARE OUT OF OUR CONTROL. PREPARING FOR WEATHER DISASTERS AND DEVELOPING OUR FUTURE LEADERS ARE NOT AMONG THEM.

 CHUCK CHAMNESS

I had just returned from NAMIC's CEO Roundtables when I sat down to write this column, which means I was considering all the wisdom offered by the industry leaders who joined us in Orlando.

As usual, the topics were varied, the discussions lively, the opinions diverse, and the camaraderie invaluable. Also as usual, the NAMIC team came away with valuable insights into the issues and concerns facing members.

One common undercurrent that seemed to pervade the group discussions centered around how quickly our industry changes and how little control companies have over a lot of what affects them the most.

Consider consumer preferences, weather events, the pace of new technology, and communications channels. All move and change more rapidly than anyone would like, and these were just a sampling of what CEO Roundtables attendees discussed. Yet, the mutual industry has managed to evolve and adapt in the past, and I'm confident we'll do the same in the future.

Still, it doesn't hurt to have a little help in planning for the unexpected and the uncontrollable. That's where this issue of IN magazine comes into play. Many of the articles offer perspectives on ways insurers, as individual organizations and as an industry, can prepare for what the future may bring. In fact, preparation is a recurring theme you'll see throughout this issue.

A main focus is on weather and what some experts say about the trends insurers can anticipate. Whether technological advances in forecasting and modeling, FEMA initiatives, or even personal preparedness, there are ways to take control ... at least to some degree.

Preparation is certainly the industry's mantra, and together we have used it effectively to achieve positive changes, particularly in federal and state disaster policies. But there's more to do.

Part of that preparation involves knowing what's on the horizon when it comes to storms and other perils that affect insurers' bottom lines and, more importantly, the ability to protect and serve policyholders.

Another way to take control of the industry's future — that has nothing to do with which way the wind blows — is to focus on developing leaders. This subject is two-fold. We're all aware of the insurance industry talent gap. It's a topic that came up in the context of several discussions at CEO Roundtables, as members grapple with how to prepare for a large contingent of retirees in the coming years.

Last year, we created the NAMIC Mutual Insurance Foundation and relaunched the NAMIC Merit Society Scholarship as the NAMIC Mutual Insurance Foundation Scholarship. Through the foundation — and the expanded scholarship program — we have an even better ability to shine a light on the industry and attract top-notch next-generation talent.

In just the first few months of this year, members have contributed enough money to fund \$50,000 in scholarships for the next school year. I hope you and your company will consider making tax deductible contributions to this worthy cause. Plus, we have some big plans for the scholarship program as we approach NAMIC's 125th anniversary next year. Stay tuned for more on that.

Developing leaders also involves personal growth and taking advantage of opportunities to achieve that. Do you know what separates a leader from a boss? What can you do to become a more effective leader? How does NAMIC help members develop as leaders? You'll find some answers to these important questions in the following pages.

In the end, control is fleeting. Preparation, however, is not. And it cannot be neglected. As good ol' Benjamin Franklin might have said, "By failing to prepare, you are preparing to fail."

I say "might have said" because I ended a recent staff meeting by focusing on quotes falsely attributed to the polymath founder of our industry. I invite your input on whether the quote above, that fits so perfectly in the column, sounds like it came from a colonial American. 



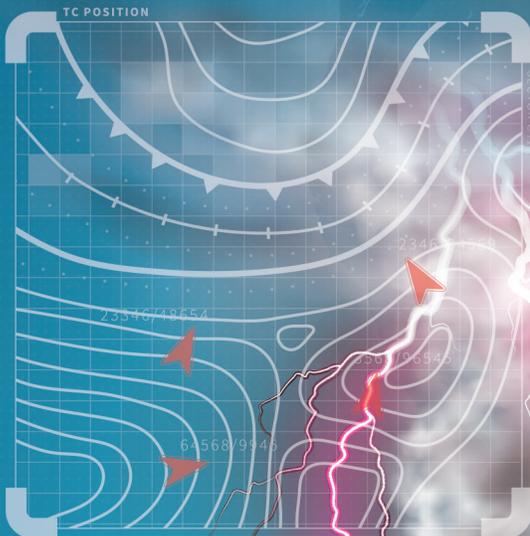
The Next Best Things

HAVING A CRYSTAL BALL THAT COULD TELL THE MUTUAL INSURANCE INDUSTRY WHAT IS IN THE FUTURE WOULD BE NICE. WHILE THEY WILL NEVER EXIST, FORECASTING AND MODELING ARE HELPFUL TOOLS AT INSURERS' DISPOSAL.

 Catherine Imus and Lindsay Robison

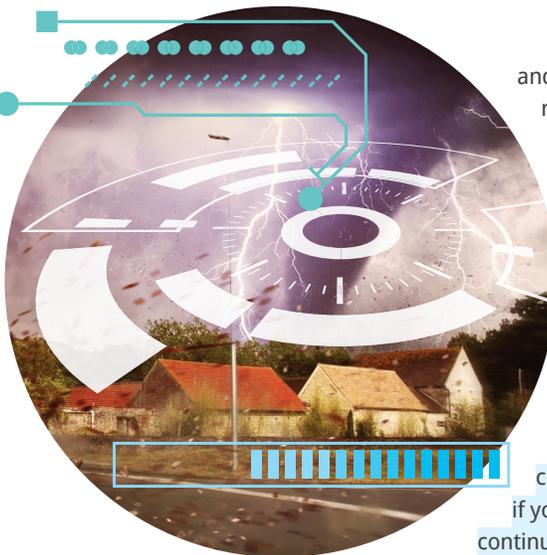
Hurricanes Florence and Michael. California's Camp Fire. Winter Storm Ulmer. Tornadoes in the Southeast. The list of major storms and natural disasters in just the past 12 months is extensive, as is the loss of life and property they caused. With them have come questions about what appears to be an increasing frequency and severity of weather-related disasters. Is this increase in occurrence and intensity of storms real? Is it related to global climate change, a natural variability in weather cycles, or something else? What does it all mean?

For the insurance industry and its policyholders, the "why" behind the storms is less of an immediate concern than is the reality of their occurrences. Regardless of what the science might say, all we have to do is look at the number of events and the dollar amounts of their losses to see that frequency and severity are rising. In fact, 2017 currently holds the title as second costliest year for insurers for weather disasters, with insured losses totaling \$134 billion.



0.01101210111002114121200111100000001010110000
0.001000001015478547544552115811000010110000
0.2565478544411142223000214125488456497654

Take tornadoes as one example. Victor Gensini, professor of atmospheric sciences at Northern Illinois University, recently completed a study at the National Severe Storms Laboratory in Norman, Oklahoma, that looked at shifting patterns of tornadic activity in the United States. The study found that in the past decade, the frequency of tornadoes in what's traditionally thought of as Tornado Alley has declined while occurrences in states along the Mississippi River and farther east have increased.



"Look at states like Arkansas, Missouri, Mississippi, Alabama, Tennessee, Illinois, portions of the Midwest. You're seeing accounts there of tornadoes going up. That's not to say that the center of activity in Tornado Alley isn't still in Texas and Oklahoma, it is. We still see the greatest frequency there every year," says Gensini. "But the trend there in the last thirty to forty years has been down, but it's increasing in portions farther to the east. And that's a real, significant problem for underwriting in the insurance industry, as we have so many more at risk as we go farther east out of the Great Plains. The population density increases, the number of exposed homes increases, the exposure is just much greater."

Gensini says the study points to climate change as one potential cause, though natural variability is a factor as well. He says it is possible that in the next 30 years, the tornado activity could shift back to the Great Plains in terms of greater frequency, but it's also quite possible that the peak in severe weather activity in the United States is shifting to the east. That, according to Gensini, is something insurers should be considering now.

"I've seen too many companies say that this is a hazard they can't deal with, so they will just deal with it when it happens," he says. "We'll try to take the historical climatological record

and use that as a model going forward in regard to what we would expect for events.

"If you're only using historical events to try to predict future losses, you're going to have a big struggle as the dynamic landscape of the risk changes, which is the probability of having a hail storm or a tornado and coupling that with the changes in exposure, which is really the change in the footprint on the ground — bigger cities, more buildings, more targets, if you will," Gensini continues. "We will continue to see increased losses. This is now a peril that perennially is reaching ten billion dollars across the insurance industry. It's just no longer a peril that we can ignore."

Fortunately, technological advances have made it easier for insurers to pay attention to and understand historical, current, and future events, which allow companies to better serve policyholders.

Forecasting — A Science and an Art

Meteorologists often get a bad rap. As one television news meteorologist says, "I can't tell you how many times I've heard, 'You've got the only profession where you get paid to be wrong every day.'" There are many variations of that statement out there. And, yes, we've all experienced instances when our preferred news station's meteorologists were wrong. However, weather forecasts can help insurance companies tremendously when trying to make business decisions — and their accuracy has made extreme improvements, even if they are not always correct.

Because weather behaves in nonlinear and chaotic ways, forecasting is both a science and an art, according to Eric Snodgrass, director of undergraduate studies for the Department of Atmospheric Science at the University of Illinois and principal atmospheric scientist at Nutrien Ag Solutions.

Modeling — It's Not Just for Natural Catastrophes Anymore

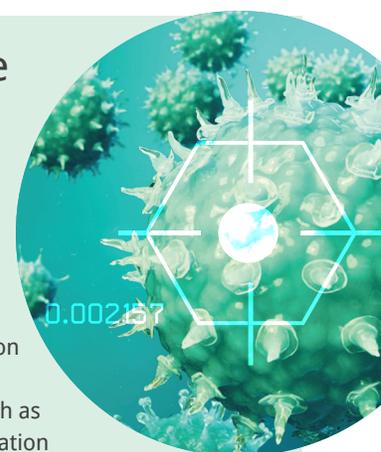
Modeling might be used most often for natural catastrophes, but they aren't the only occurrences that can be modeled. When IN magazine last covered modeling, Cornell University was developing a model for a zombie apocalypse. The likelihood of needing this kind of model is pretty slim, but it shows the extensiveness of modeling capabilities.

Beyond the advances in modeling flood, "the last few years have seen important advances in cyber and pandemic disease

modeling," says **Jason Trock**, managing director of catastrophe risk modeling for **Guy Carpenter**. "These advances have been driven by the demand from traditional and alternative capacity providers and insurtech start-ups as well as by the availability of new, more granular sources of data and the computing power to process it.

"In addition, global supply chain risk and terrorism, especially with regard to the localized impact of specific scenarios, have taken great leaps forward," Trock

continues. "Quantification of hazard and structural impact have continued to advance, but the incorporation of conditional parameters such as structural mitigation is an area that requires additional investment." 





“My role boils down to being a person who can make others aware of what their potential risks look like,” he says. “The advances we have made have been incredible. Dial the clock back fifteen or twenty years and we didn’t have much trust or reliance on even a two-day forecast, let alone a two-week forecast. And long-range weather forecasting? We were lucky to do better than the Farmers’ Almanac.”

“With computing technology, outstanding statistical analysis, and a constantly growing record of high-resolution historical weather events, we are now able to draw from multiple ways by which we can better predict the future,” Snodgrass continues. “Now, I have a lot of confidence in a two-week forecast.”

Snodgrass admits that a two-week forecast still cannot pinpoint exact locations where weather might hit or how severe it will be when it does; however, he says “we are able to say something such as, ‘In nine days, we could be looking at a set of circumstances that historically has produced a higher probability of hail over this region. Therefore, over the coming days, we should pay attention to those circumstances.’”

While long-range forecasting is more difficult, it too has improved tremendously from where it was just a few years ago. Snodgrass says meteorologists now have the capability to forecast as far out as nine months. Again, not to the extent that they can tell exactly where the severe weather will hit, but they can get a good enough handle on what’s driving the current weather patterns to determine probabilities that can help insurers prepare.

Because of these capabilities, Snodgrass encourages insurers to make speaking with atmospheric scientists a priority in order to get their hands on the historical data sets and current forecasts. “With those,” he says, “actuaries can produce much more representative risk packages,” which benefit so many insurance stakeholders.

Advancing Modeling Capabilities

One insurance stakeholder sector that is taking advantage of the forecasting capabilities is the catastrophe modeling industry.

Cat modeling has been around for decades and was born from the desire to transfer risk and do so correctly, according to Cagdas Kafali, senior vice president of research and modeling at AIR Worldwide, a company that has been in existence for more than 30 years.

“The discussion started with portfolio management. Not for a particular home and its risk of fire or flooding, but more

so for an insurance company that has a large portfolio and wants to get reinsurance coverage,” Kafali says. “What is the accumulated risk? The correlations between individual locations and catastrophic events? Cat events are unique because they create a very large correlation across structures. Auto insurance is more individualized, self-sufficient independent risks.

“But think of buildings in Florida or California,” he continues. “If there is a hurricane or earthquake, a lot of them are impacted at once. There is correlated risk — how can you measure it, put a number to it? That is where modeling comes in.”

While the basic structure of modeling has not changed much over the years, the technology used in that structure has advanced tremendously. This has given insurance companies a much better look into the risks they face and what they can do to prepare for them.

It was about a decade ago that modeling companies were looking only at earthquakes and hurricanes — and just the wind component of hurricanes. Since then, modeling has added numerous factors.

“We’ve gotten into the complexities and details of modeling storm surge, which is a key part of a hurricane’s impact,” says Robert Muir-Wood, chief research officer at Risk Management Solutions. “And, in the last couple of years, we have linked the inland rainfall and flooding that accompanies hurricanes all the way back to the hurricanes themselves.”

Muir-Wood says RMS has even been able to add waves into the models. “We generate a huge amount of data,” he says. “And now that we use cloud capability, we can integrate all that data to get the best picture of a hurricane in real time.”

Advanced computing capabilities have also afforded modeling companies the ability to model events at very high resolutions. These high resolutions allow experts to drill down to the specific areas that Kafali says they were incapable of back when AIR came into existence — or even just a few years ago. These high-resolution capabilities have made it so modeling companies can dial down to specific areas.

“We’re getting a better understanding of how to create more realistic storm tracks and how specific storms react or how

0.011012101110021141212001111000000010101010000
0.001000001015478547544552115811000010110000



specific structures react,” says **Matt Junge**, head of property solutions, U.S. and Canada for **Swiss Re**. “This is probably the most exciting part of modeling right now, the ability to have a much finer resolution. ”

This finer resolution is the reason modelers have been able to add flood to their list of perils. It is also why more private insurers are becoming interested in adding flood insurance to their portfolios. “We’re no longer simulating a storm through a wide area. We can now simulate water depth at a single block or even an individual property,” Junge says. “Modeling has given insurers a lot better understanding of flood and, therefore, the ability to actually price for the peril on a risk-by-risk basis. They can be a lot more confident that this is an area they can profitably underwrite.” It also helps reinsurers better price the products they offer their customers.

Wildfires are now on the list of disasters to model as well. Like floods, wildfires must be looked at in very high resolutions. However, the insurance and modeling industries have yet to collect a deep enough understanding of the ways these disasters behave.

But it may only be a matter of time. Earlier this year, RMS launched its new U.S. Wildfire HD model, which the company says offers zoning and mapping products that are significant improvements over what insurers and reinsurers currently use.

A Look Into SCS

While all catastrophe modeling companies are taking on the lower-frequency, high-severity events such as hurricanes. Karen Clark & Company has been focusing on severe convective storms as well.

“Insurers have weather-related claims nearly every day,” says Karen Clark, president and CEO at KCC. “When we talk about a ‘catastrophe,’ it can be a bit arbitrary as defined by Property Claims Services. PCS says events must cause at least twenty-five million dollars in damage and impact multiple insurers to be considered catastrophes.

“PCS confines its estimates to the larger events,” Clark continues. “KCC estimates that the losses PCS tracks account for about sixty-five percent of

weather-related claims insurers pay out on average. The other thirty-five percent are considered attritional losses that were left to the insurance companies to model, if you will.”

Because there had been a growing demand from insurers for more credible SCS models, KCC made that a priority.

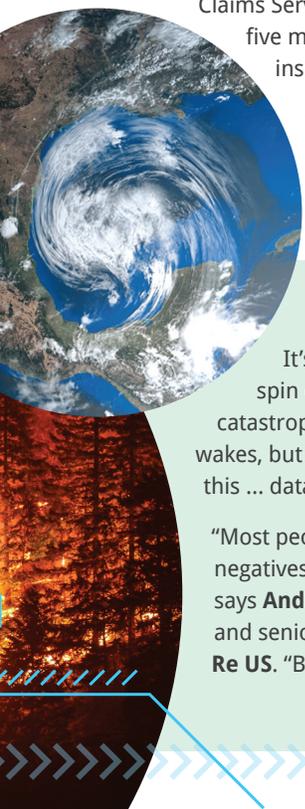
“We decided to use a different modeling technique,” Clark says. “Instead of using the statistical data, KCC scientists developed a physical model for these events. It’s a model that includes all the physics of the atmosphere. It’s like the models weather forecasters use on a daily basis.

“Because we can simulate all weather, we have the capability to estimate our clients’ claims for daily weather activity instead of only events above an arbitrary threshold,” she continues. “And to them, that is a huge benefit.”

KCC sends clients daily footprints that can be superimposed over their insured properties to estimate if they might incur claims, which assists them in claims handling preparations and policyholder outreach.

With the current state of modeling, it seems as if the possibilities are limitless when it comes to what industry experts could model. In fact, RMS’s Muir-Wood says his team should write down accounts of what they talk about in modeling meetings. “We certainly think through models for all sorts of risks,” he says. “We have a couple of people in the company who are very abundant in new ideas, new measures for risk.

“If there is enough demand for a model,” he says, “we certainly can come up with one.”



A Glass Half Full

It’s not easy to put a positive spin on the devastation catastrophic events leave in their wakes, but if there is one it’s most likely this ... data.

“Most people view [catastrophes] as negatives ... for obvious reasons,” says **Andrew Siffert**, vice president and senior meteorologist at **BMS Re US**. “Being on the science side

of things *and* working in the insurance industry, I take a bit of a different view.

“In one sense, we need these kinds of storms,” he continues. “If we don’t have them, we don’t have the data. If we don’t have the data, we can’t enhance technology or refine models. Think about all the technology that has come out in the last five years — automation, chatbots, drones. None of those had been

catastrophe tested; not until the last two years of landfalling hurricanes, at least.

“What did we learn from it?” Siffert asks. “From what I can tell, we didn’t see any major hiccups with the technologies that had been implemented during the major hurricane drought between hurricanes Wilma and Harvey. This shows we’re doing things right. I view it as the glass-half-full approach.”

0 2565479544411142223000214125488456497654



PUTTING THE RE IN RELIABILITY

At Grinnell Re, we've received an "A" rating from A.M. Best every year since 1991. So, you know you can count on us to protect your assets while you protect your policyholders. **Trust in Tomorrow.®** Talk to us today.

STRONG | SECURE | STABLE

grinnellmutual.com



Trust in Tomorrow.®

"Trust in Tomorrow." and "Grinnell Re" are registered trademarks of Grinnell Mutual Reinsurance Company. © Grinnell Mutual Reinsurance Company, 2019.

Preparedness Made Personal

IT'S NO SECRET THAT NAMIC STAFF ADVOCATES DISASTER PREPARATION. IT MIGHT BE LESS WELL KNOWN THAT ONE STAFFER BEGAN A PERSONAL MISSION FOR PREPARATION LONG BEFORE HE ENTERED THE WORLD OF INSURANCE.

 LINDSAY ROBISON



Anyone who has spent any amount of time around NAMIC's regional vice presidents knows preparation is a key topic for them. It's a regular part of each of their jobs to talk to member companies, legislators, regulators, and other mutual insurance industry stakeholders about how preparation not only makes America a more resilient nation, it can help curb higher insurance costs after a disaster — whether natural or manmade — occurs.

While all seven RVPs strive to carry their professional life preparedness message into their personal lives, one of them is particularly dedicated to making it a lifestyle. In fact, **Paul Martin**, RVP for the Southwest, developed a passion for preparedness at a young age.

When he was 16, a fire ignited in his neighbors' home. Martin and his parents raced down the road to assist in whatever way possible while waiting for firefighters to respond. Despite valiant efforts by all involved, the home and most of the neighbors' belongings could not be saved from the flames.

That night, Martin decided to become better prepared for emergencies. Little did he know he'd be in the midst of a major crisis six years later.

It wasn't long after Martin arrived in Miami, Florida, to attend the University of Miami Law School that Hurricane Andrew churned to life in the Atlantic

Ocean and slammed into the area as a Category 5 hurricane. For 17 days, Martin lived without electricity in the Miami heat, reading law books at night, an oil lamp by his side illuminating the pages. He vowed then to never be without basic emergency preparations.

“Preparedness, in reality, ought to be seen as an obligation of good citizenship, not a symptom of mental illness.”

— *Paul Martin*

In the more than two decades since Andrew, Martin has honed his preparedness and resiliency efforts. He has been part of a volunteer fire department and received an emergency medical technician license. He's spoken to several NAMIC member companies about preparedness and led active shooter trainings. He's also given presentations about the role of insurers before and after disasters at conferences on resilience and disaster mitigation. He's published two books – one on preparing small businesses for disaster and the other on creating a culture of resiliency in the United States — and hosts “The Situation” — a vlog focused on current disasters and other emergencies and what people should be preparing for and why — on his YouTube channel.

In 2017, Martin and his family moved into their home in Austin, Texas — lovingly named Fort Kendel by Martin to honor his

wife's involvement in the home's layout and design. It is built to the Insurance Institute for Business & Home Safety's Gold Standards for wind and hail. Martin admits that Kendel — his wife, not the house — was a little hesitant in the



Disaster supply kit necessities can vary by region and individual, but Paul Martin, NAMIC's regional vice president for the Southwest and a preparedness advocate,

says he often directs people to the Federal Emergency Management Agency's “Are You Ready?” check lists.

What items does FEMA recommend be included in a basic disaster supplies kit?

- Three-day supply of nonperishable food
- Three-day supply of water — one gallon per person, per day
- Portable, battery-powered radio or television and extra batteries
- Flashlight and extra batteries
- First aid kit and manual
- Sanitation and hygiene items – moist towelettes and toilet paper
- Matches with a waterproof container
- Whistle
- Extra clothes
- Kitchen accessories, including cooking utensils and a can opener
- Photocopies of credit cards and ID cards
- Cash and coins
- Special-needs items such as prescription medications, glasses, contact lenses and solution, and hearing aid batteries
- Items for infants
- Other items to meet unique needs

beginning about the added expense to build to the standards they did. However, her skepticism quickly dissipated.

“Three months after we moved in, we felt the strong winds and heavy rains from Hurricane Harvey,” Martin recalls. “Kendel realized building to IBHS standards gave her a great deal of comfort. It’s one of the few times in my marriage when it’s been determined I was right about something.”

While Fort Kendel isn’t likely to survive a direct nuclear attack, Martin is confident that it’s well prepared for severe weather, extended power outages, wildfires, and societal disruptions. “We could endure most of those without much inconvenience,” he says. In addition to the IBHS standards, the family has food stored away, solar cooking devices and propane stoves, a generator, and even a rainwater collection system that provides the family with its water needs year-round. Martin also has a ham radio and a license to operate it.

Several of these amenities have come in handy. During Hurricane Harvey, Martin welcomed firefighters from the department across the street into his home when the station lost power. Martin wanted them to be able to charge

anything they needed in order to stay online. Even more recently, during a boil-water ordinance, the Martins assisted a

While the firefighters and furry friends were very appreciative, there are other people out there who might put Martin in the stereotypical “prepper” category. He is well aware of the stigma that sometimes comes with a passion for preparation. He admits that there are people who do take it to extremes, which is why he intentionally steers his preparedness messages away from anything resembling the “Doomsday” ones that helped develop that stigma.

“Most of my efforts center around encouraging people to learn to become their own first responders in the event of an emergency,” he says. “That’s not to say you have to spend a lot of money or get tons of training. Have some food set aside and a way to purify water, buy some extra batteries, and take a good first aid class.”

No one should be surprised to learn that Martin likens preparedness to insurance. “We buy insurance because it is the responsible thing to do. And no one ever complains if their houses don’t catch fire,”

he says. “Being prepared is similar. We should be ready for various emergencies with the hope that we never have to rely on our preparations.”

How do you ensure the supply kit is ready and in good condition?



- Keep canned foods in a cool, dry place
- Store boxed food in tightly closed plastic or metal containers to protect it from pests and extend its shelf life
- Throw away any canned goods that become swollen, dented, or corroded
- Use food before it goes bad, and don’t forget to replace it
- Place new items at the back of the storage area, moving older items to the front
- Change stored food and water supplies every six months
 - Write on all containers the date they are placed in storage
- Rethink needs every year and update the kits as those needs change
- Keep items in airtight plastics bags and put the entire disaster supplies kit in one or two easy-to-carry containers

Source: FEMA

nearby pet boarding facility. “They needed lots of water for their furry guests,” Martin says. “We took them a lot of water, and because we purify our rainwater, we told them to come to our house to refill as needed.”

Failure

The preparedness movement thus far has failed, according to Paul Martin, NAMIC’s regional vice president for the Southwest, as well as the Federal Emergency Management Agency’s Higher Education Program.

Martin explains his reasoning behind this failure in his 2015 book titled “Pivot Points.”

“... it’s not because people aren’t interested in preparing. It’s because we have failed to create a culture of preparedness in America, in which citizens appreciate the benefits of preparedness, even when the bad things don’t happen on the assumed time table,” he writes. “‘It won’t happen to me/here/anytime soon’ has become our de facto national

preparedness plan ... The willingness to prepare has fallen into a state of disrepair, harbored only by those old enough to remember harder times and those currently making the effort to prepare for the possibility those hard times can happen again.”

FEMA’s Higher Education Program report’s findings also say the country’s lack of a culture of preparedness is the reason the preparedness movement has failed. Kate Browne, the report’s lead author, says the focus must be from the ground up rather than from the top down.

“The key difficulty with past approaches is that communities across the country lost trust in the government; therefore, the government is not the best entity to reach out to communities with a message of preparedness,” writes Jim McKay in a March 2019 GT Emergency Management article. “The problems with those approaches are that they don’t understand and articulate individual community needs, values, and senses of identities, and they generalize the message.”



It's What You Do

WEATHERING STORMS HAS BECOME COMMONPLACE FOR HALIFAX MUTUAL AND ITS POLICYHOLDERS. THE GOOD NEWS IS THE INSURER HAS USED THESE EXPERIENCES TO ENSURE IT IS READY TO SERVE POLICYHOLDERS WHEN THE STORMS COME IN.

 LINDSAY ROBISON

Located at least an hour from any portion of the North Carolina coast and more than 160 miles from Wrightsville Beach — the place where Hurricane Florence made landfall last August — Enfield, North Carolina, missed the destruction the Category 1 hurricane brought to its state. Unfortunately, that didn't keep Enfield-based **Halifax Mutual Insurance Company** from experiencing its worst aggregated loss in history. Nearly 20 percent of the single-state writer's policies had some degree of claim-worthy damage that amounted to more than \$17 million in losses.

Fortunately — and unfortunately — Halifax Mutual was prepared for the storm. This is not the company's first go-round with a hurricane, or disasters in general. Florence was the seventh hurricane that has impacted the company's policyholders since **Lori Clay**, Halifax Mutual's president and CEO, has been on the payroll. And because of North Carolina's climate, Halifax Mutual policyholders are also at risk of winter storms, wildfires, and severe convective storms, which can bring hail, rain, and high winds.

When Hurricane Irene came ashore in 2011, its winds reached all the way to Enfield, causing power outages and downed trees and all the damage they bring with them. "All the people who were local got in to the office," Clay remembers, "but because of the downed trees blocking the roads to the office, it took something like an act of Congress to get here."

Because of its history with disasters, Halifax Mutual is ready to handle these experiences, from financial and disaster-recovery standpoints. Clay says because of its reinsurance program, the



company incurred a small fraction of the \$17 million in claims that have come in post-Florence. The company also has a business continuity/disaster recovery plan that includes a generator to ensure the power stays on, laptops for all employees to allow them to work remotely, a contract with a software vendor that offers secure cloud access to the company's data, and an employee base that is cross-trained and dedicated to helping policyholders during their times of need.

"We try hard not to wait until a storm passes to have policies and procedures in place and to start implementing them," Clay says. As soon as it looks like a hurricane might impact North Carolina, Halifax Mutual's claims manager is on the phone getting the usual independent claims adjusters lined up so they're ready to go as soon as they are allowed into affected areas.

"When a [disaster does happen], we're here fourteen to fifteen hours a day, seven days a week for weeks straight," Clay says. "The majority of our employees have been here for twenty years. When something happens, I know they are going to be here. It is a group effort. After Hurricane Irene, we remodeled the office and had a full kitchen installed. We're here for breakfast, lunch, and dinner.

"We put ourselves in our insureds' shoes," Clay says. "How would we want to be treated? We would want to know our insurance company was working around the clock to process our claims and help us as quickly and efficiently as possible. It's just what you do." 





Your
specialist
knowledge

+

Our
technical
expertise

=

Realizing
your business potential



Value your clients. Know their business inside out. Understand their needs, and build your relationship with them. We bet that approach works for you, because it certainly works for us at Swiss Re. We've seen what happens when our people talk to your people, when our technical expertise meets your specialized knowledge, and when your local relationships combine with our global capacity. Add these together and the outcome is swift, efficient service yielding competitive propositions tailored to your individual needs... and fresh opportunities to explore together. So if you're looking for added value from your reinsurance partner, just do the math. **We're smarter together.**

swissre.com



Protecting the Promise

INSURERS AREN'T IMMUNE TO CATASTROPHES. BECAUSE THEY HAVE PROMISED TO PROTECT POLICYHOLDERS, DISASTER RECOVERY AND BUSINESS CONTINUITY PLANS ARE VITAL TO SUCCESS.

 LINDSAY ROBISON

Halifax Mutual Insurance Company is a worthy case study about preparing for and responding to disasters — its story is on page 13. While some of its employees' homes have sustained weather-related damage, the headquarters has been able to escape a situation that would keep the company from being able to operate.

Numerous other organizations haven't been so lucky, and it comes at a cost. Downtime costs businesses as much as \$5,600 per minute, according to research and advisory firm Gartner. It also damages their reputations. For many small businesses, the outcome is even worse. According to the Federal Emergency Management Agency, 40 percent of small businesses that suffer from a disaster never recover.

While no company wants to be part of that statistic, it's even more important for insurance companies to be able to recover from any kind of disaster, simply because of their collective mission to serve their policyholders.

"We call it protecting the promise," says Scott Teel, senior director of organizational development for

Agility Recovery. "There is an inherent recognition of risk as far as the insurance industry is concerned. And there is an urgency their customers are going to have for them to be able provide the service they have promised."

Richard Long, senior advisory consultant for MHA Consulting, agrees. "It has become inexcusable to say you aren't prepared," he says. And because of the nature of the business, people believe even more strongly that insurers should be ready for anything.

These are the reasons why disaster recovery and business continuity plans — or what Long has begun calling resiliency plans — are crucial. "A lot of times, organizations focus on disaster recovery first because we're all so tied to technology. Without technology, organizations can't function, right?" Long says. "[Technology] should be a priority, but there are a lot of aspects of a business that are not technology driven, and that's the business continuity side of this.

"What happens if your building isn't available? If your people aren't available?" Long continues. "We focus a lot on

people. It doesn't matter if your systems and applications are up and running if you don't have the people to do the work."

Putting Processes to Paper

Developing a resiliency plan can be overwhelming, simply because there are so many scenarios that could happen and it's nearly impossible to be prepared for them all. "The unknown factor makes planning challenging," says **Duffy Pingree**, president and CEO of **Bear River Mutual Insurance Company**. "You can spend a lot of time trying to run through what you think might happen. So, you end up being better prepared than you might have been, but you aren't going to have thought of everything."

Because Bear River Mutual is located in Murray, Utah, it isn't at high risk of natural disasters. Pingree says planning can become an out-of-sight-out-of-mind situation, so "we've made it a calendar item to remind us to review and update it every year."

Just because there is nearly an unlimited potential of disaster scenarios doesn't mean a plan has to be exhaustive. Long says no one expects it to be. "The main

objective is to have a good understanding ... not only a good understanding, but a documented understanding of the critical processes that will keep the company running," he says. "It doesn't have to be a fifty-page document. It could be a three-page document with maybe the five most critical processes."

Once companies have figured out those critical processes, it becomes easier to understand what is needed to support those processes. Then, the rest of the plan can begin to fall in line.

When it comes to critical processes, Teel says the first one Agility Recovery encourages clients to tackle is power. "Your business comes to a screeching halt without power," Teel explains. "Even if you have mobile phones and can redirect calls to them, you can't charge them without power."

The second most critical process is communications. "We've seen this during most of the major regional events that have occurred the past decade or so," Teel continues. "Even if you have mobile devices and believe you can manage the business from your house, it might not be the case, especially if you have local carriers and they are down. [Companies] want to make sure they have redundancies in place that grant them access to the cloud applications and data they need to help their customers."

Testing ... Testing

After critical processes have been identified and written down, companies can't forget to test their resiliency plans. As a regional marketing manager for **Grinnell Mutual**, **Steven Boggess** works with 36 mutuals across Iowa, Nebraska, Oklahoma, and South Dakota. One of his duties is to help his client companies develop their resiliency plans. He stresses the importance of testing those plans and recalls one client's situation that is case in point.

The mutual had a detailed written plan. It even included an agreement with a bank that would allow employees to temporarily occupy space in the bank's basement should the mutual's headquarters be unusable. Luckily, the organization was one of those that did test its plan.

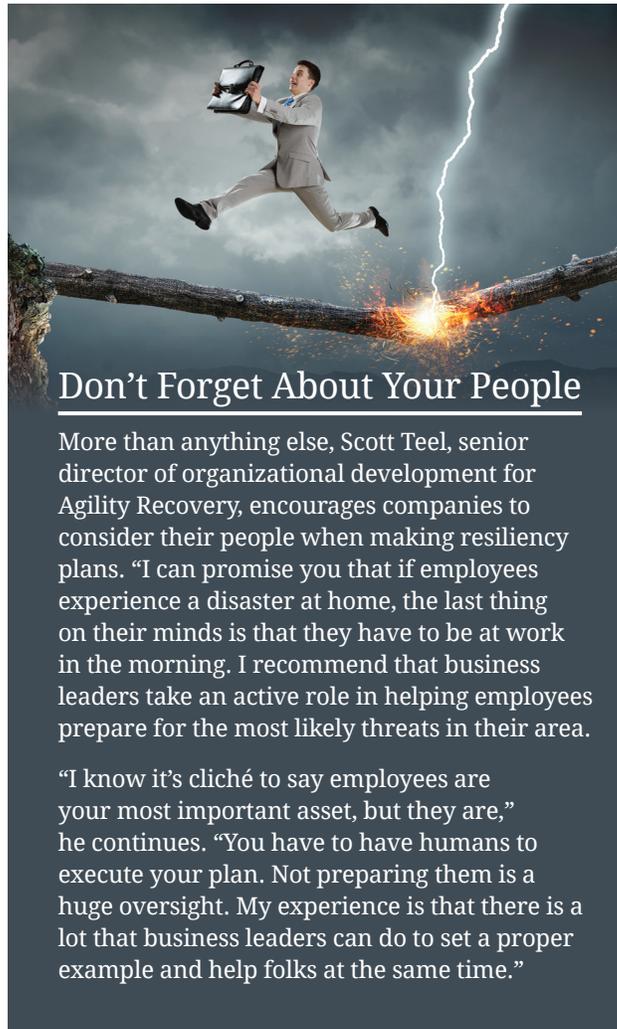
exercises throughout the year with a longer exercise once a year. He says MHA Consulting has had clients conduct surprise testing exercises. "It may take several years of testing to get to this point," he says, "but one company had someone sitting outside the building one morning to tell employees the building was unavailable and they needed to execute their work-from-home strategy.

"People got back in their cars, went home, fired everything up, and worked from there," he continues. "Exercises such as these can be really insightful because they help you find the gaps."

Teel says Agility Recovery has had instances where such gaps became evident. "We run into scenarios where we've shown up to a client's site with a generator, diesel fuel, satellite dishes, routers, tables, and chairs," he says. "We have them ready to be up and running within twenty-four hours, and guess what? Someone didn't remember the login credentials for their data backup. So now all of their applications are basically held hostage in the cloud."

Teel also recommends that companies add their vendors to their resiliency plans. While companies can't control how their vendors plan for disasters, they need to be considered. "How are you going

to replace them should they go down?" he asks. "This is a great way to introduce redundancy into your business. These are the kinds of things people need to be concerned about today, particularly around connectivity and the fact that we rely on electronic communications to handle almost every aspect of our businesses." 



Don't Forget About Your People

More than anything else, Scott Teel, senior director of organizational development for Agility Recovery, encourages companies to consider their people when making resiliency plans. "I can promise you that if employees experience a disaster at home, the last thing on their minds is that they have to be at work in the morning. I recommend that business leaders take an active role in helping employees prepare for the most likely threats in their area.

"I know it's cliché to say employees are your most important asset, but they are," he continues. "You have to have humans to execute your plan. Not preparing them is a huge oversight. My experience is that there is a lot that business leaders can do to set a proper example and help folks at the same time."

"They found out their cell phones didn't work in the basement," Boggess says. "They were going to have to install a landline to transfer calls. They couldn't get the Wi-Fi to work in the basement either. Had they not tested their plan before a disaster, they'd be in the middle of one finding out that nothing worked. They would have been scrambling. You need to do this when time is not of the essence."

Testing should be as realistic as possible. "People need to be uncomfortable in these exercises," Long says. He recommends conducting frequent short



With deep knowledge and strategic acumen, Bricker's counsel to the insurance industry is second to none.

Up to the challenge.
Let us work on yours.



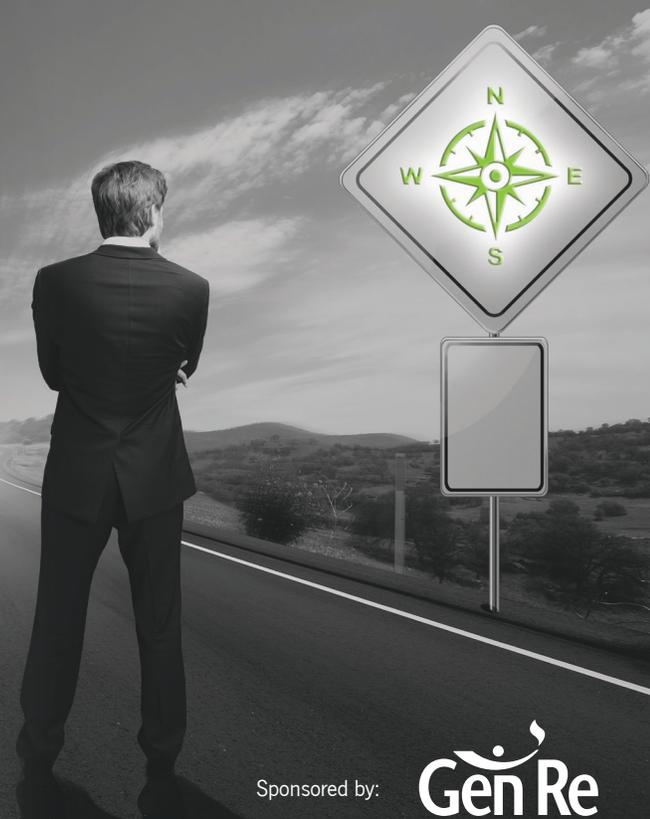
Bricker & Eckler
www.bricker.com
[@brickerlaw](https://twitter.com/brickerlaw)

NAVIGATE YOUR WAY TO SUCCESS

KNOW YOUR STRENGTHS & WEAKNESSES

We're collecting facts and figures on what industry leaders like you are doing to encourage and recruit excellence within your board of directors.

By entering your data into our newly expanded and redesigned Governance Practices & Board Compensation Survey, you'll have access to key performance indicators for your company in comparison to others in the industry. Your input will also provide insights for other members on how to effectively navigate and shape company policies for future success.



Sponsored by:



www.namic.org/products/benchmarking

Q&A With FEMA's Natalie Enclade



PROPERTY/CASUALTY INSURERS ARE ALL TOO WELL ACQUAINTED WITH THE POWER OF NATURE AND THE DEVASTATING OUTCOME OF NATURAL DISASTERS. AS AN INDUSTRY, INSURERS PROMOTE RESILIENT BUILDING AND PRE-DISASTER MITIGATION FROM A POLICY PERSPECTIVE, BUT THEY ALSO ENCOURAGE POLICYHOLDERS TO PREPARE FOR MOTHER NATURE FROM A PERSONAL PERSPECTIVE. WHETHER HAIL, WIND, FIRE, OR WATER, THE PERILS ARE MANY AND THEIR OCCURRENCES OFTEN COME WITH LITTLE NOTICE. THAT'S WHY INSURERS SUPPORT THE EFFORTS OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY TO HELP SPREAD THE WORD ABOUT THE IMPORTANCE OF PREPARATION.

IN MAGAZINE SPOKE WITH NATALIE ENCLADE, THE DIRECTOR OF INDIVIDUAL AND COMMUNITY PREPAREDNESS AT FEMA, ABOUT THE AGENCY'S CONTINUOUS EFFORT TO PROMOTE PREPAREDNESS.

Q: *How did this focus on preparedness come about as part of the official role of FEMA?*

A: As you can probably imagine, FEMA employees respond to all sorts of disasters across the nation. It doesn't matter where we are or what hazard has impacted a community, everywhere we go, we see that preparedness and mitigation could have protected more people and property. That is why preparedness is such a big focus of our work. There are simple things people can do to make their families safer. It is our job to show them how to get started.

A big part of the agency's current strategic plan is to focus on building and developing a culture of preparedness across the country. We aim to unify all levels of community and government into an integrated approach to emergency management. The most effective form of emergency management is one in which every member of the community understands his or her important and indispensable role. FEMA has been around for 40 years — we know that strong preparedness and mitigation are the keys to reducing loss of life and property in a disaster.

Q: *How has the initiative changed since it began under the Bush administration in 2003?*

A: FEMA learns how to better develop preparedness initiatives from each disaster event, including Hurricane Katrina in 2005, Superstorm Sandy in 2012, and the hurricane and wildfire seasons of 2017.

We have come to recognize that people closest to those impacted are almost always the first to respond to an emergency, regardless of training and experience. As a result, FEMA supports initiatives such as You Are the Help Until Help Arrives and Community Emergency Response Teams, which train volunteers to provide immediate assistance to victims and support emergency responders.

One of the largest shifts in FEMA's preparedness mindset, however, relates to financial preparedness. Forty percent of Americans cannot cover an emergency expense of \$400. Emergency expenses can include a broken water heater, a medical bill, an insurance deductible after a storm. We are working to increase the number of households that have emergency savings so that Americans are ready for any hazard, large or small.

Q: *What has been the impact of the national preparedness movement? How effective has the effort been?*

A: Our annual household survey suggests 92 percent of U.S. adults have taken at least one of six actions to prepare for a possible disaster. That is more than each of the previous four years — an increase of 15 percentage points between 2013 and 2017. Even better, the survey suggests that 46 percent of respondents had taken three or more preparedness actions, which we believe is key to building a culture of preparedness.

We are also excited that more people report stocking emergency supplies. From 2012 to 2017, the percentage of respondents who reported stocking emergency supplies increased from 52 percent to 79 percent. This is the most common preparedness action reported.

Despite these gains, there is still work to be done. Only 46 percent of respondents report having developed household emergency plans — an important step in preparedness. The survey also found that 17 percent of Americans have no intention to prepare. Our programs, activities, and messages are built off this research and are designed to do something about that.

Q: *Insurance is an important topic, particularly related to flooding. What is the main goal of FEMA's focus on insurance?*

A: Recent events have made it clear how important flood insurance is for survivors. Two parts of an individual's or a community's resilience are taking the actions necessary to reduce risk and insuring against those risks that can't be reduced.

The National Flood Insurance Program is an important piece of this resiliency puzzle. We help identify flood risks, we help communities and individuals do what's possible to reduce their flood risks, and we help property owners insure for their flood risks that can't be reduced. This will lead to more resilient communities and a more resilient nation. More insured survivors and more mitigation will mean less suffering when disasters, especially the catastrophic ones, occur.

Q: *Insurers have a vested interest in seeing people prepare ahead of time. What can the insurance industry be doing more of to support national preparedness?*

A: Flooding is one of the largest uninsured risks in the nation. Where it rains, it can flood, and flood damage can be expensive. Ninety-eight percent of counties across the

country have had a flooding event, and just one inch of water in a home can cause up to \$25,000 in damage. But many people aren't aware that flood damage is not typically covered by many standard homeowners or commercial insurance policies. This is why it is important for insurers to remind residents about their flood risks and emphasize the importance of having sufficient flood insurance coverage as the best way for households and businesses to be financially protected from losses caused by floods.

Buying flood insurance is one of most important steps a person can take to protect the life he or she has built. Flood insurance is a responsible choice that someone can make. Much like car insurance or homeowners insurance, it's something to protect from the unexpected.

Now is the time to prepare. Flood insurance policies take 30 days to go into effect, so if purchased at the last minute, any flood damage sustained from that flood will probably not be covered.

The insurance industry can help support national preparedness by ensuring that people understand their insurance coverage and that most homeowners and renters insurance policies do not cover flood damage. Residents should be encouraged to purchase a separate flood insurance policy to be sure they are covered for flood damage. [IN](#)

AVOID THE STEAMROLLER

Insurance is like a steamroller - while it may be heavy and slow moving, it sure can flatten whatever is in its path. While this means you don't have to be the fastest, it does mean that if you don't make a move to jump on the steamroller... You could be flattened by your competition. Avoid the mess, make some moves and make it out victorious.



Roofs for the Ages

THE IBHS IS WORKING IN PARTNERSHIP WITH INSURERS TO STUDY THE ENVIRONMENT'S EFFECT ON ONE OF THE MOST VULNERABLY EXPOSED AND EXPENSIVE PORTIONS OF BUILDINGS.

 LINDSAY ROBISON

In our current world, it often seems as if simulation rules the day. Technological advances such as artificial intelligence, modeling, and virtual reality are all perfect examples. Yet, there are times when, like Marvin Gaye sang, there “ain’t nothing like the real thing.”

While the song may not have been the inspiration for the Insurance Institute for Business & Home Safety’s Roof Aging Project, being able to use natural aging and elements to study the performance of roof materials over time were. Because roofs are some of the most expensive and most vulnerable parts of commercial and residential buildings, it was a priority for IBHS to test them.

Sure, IBHS staff could use the research organization’s testing facility in Chester County, South Carolina — the same place where staffers artificially simulate high-wind and fire events. In fact, they have. However, simulations at the facility come with a few challenges, according to Tanya Brown-Giammanco, managing director of research for IBHS.

“When we started going through our research, we noticed we can test a lot of things with new products, but it doesn’t give us the full picture,” she says. “The differences in product performance we and our member claims adjusters see in the field and what we see in the lab with brand new products can be

pretty big. There isn’t a great understanding of the connection between artificial weathering methods and real-world ones.

“Let’s say you want to test what ten thousand hours of sun exposure will do to a roof. We can use an artificial machine using UV lights to simulate sun exposure, but we still need ten thousand hours,” she explains. “The only way to accelerate that is to increase the temperature. If we increase the temperature, we will start melting the products we’re testing.

“You have to sacrifice one parameter to force another,” she continues, “and that may cause unintended consequences.”

Therefore in 2013, IBHS put out a call to its member insurance companies, asking if any of them would be interested in sponsoring roof farms at their headquarters to help the institute study roofs’ natural aging. Four IBHS member insurers responded to the call. While three of the four call the Midwestern states home, Brown-Giammanco says there is a

“good spattering of companies from different climate areas of the United States.”

“We have a location in Alabama that is within a few miles of the coast,” she says. “They are highly concerned about tropical

Roof Aging Study Q&A

While the A’s are yet to be determined, there are several Q’s the Insurance Institute for Business & Home Safety’s researchers are asking during the Roof Aging Study. Here are just a few:

- *Are there certain products or classes of products that weather and age better than others?*
- *Could we begin to build vulnerability curves by age?*
- *How likely are we to see failures at each of the testing intervals?*

storms and hurricanes, so that particular site has additional instrumentation to focus on the wind aspect of the farm.”

Somewhat ironically, however, the IBHS research team would rather not see extreme events occur where the farms are located. Should one of those events impact a roof farm, the team would be forced to change the experimentation parameters to include the effects of the disaster in addition to the original purpose.

In the five years since the program launched, none of the farms has experienced extreme events, even though there have been a couple close calls. Tornadoes have touched down near the sites in Madison, Wisconsin, and Amelia, Ohio. The cyclones were far enough away that the IBHS structures sustained no damage. Even though the roof farm at the institute’s facility experienced a small hail storm, it didn’t produce enough to change the experiment’s parameters. “Now that we have a farm in Kansas City, I tend to think it’s only a matter of time, though,” Brown-Giammanco says. As of press time, IBHS researchers were preparing to conduct the study’s first official data pull. Back when the study began, the team worked with several stakeholders to determine that a 20-year study with testing in five-year intervals would be the best time frames. So, while IN magazine cannot report the first five years’ findings,

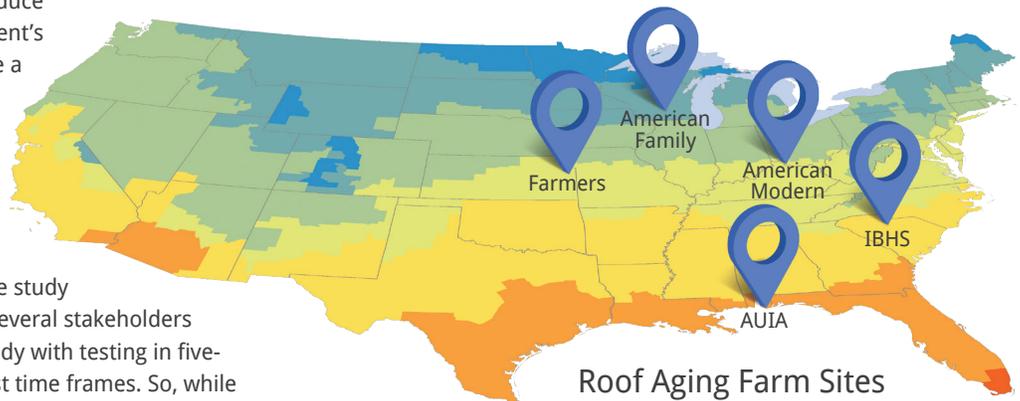
Tanya Brown-Giammanco just might mention the Roof Aging Study when she speaks at the 2019 NAMIC Management Conference later this month. Don’t miss her session called “What the Hail is Going On?” There’s still limited time to register for the event.



Brown-Giammanco says she won’t be surprised if the five-year results for wind aspects of the study are better than the baseline test results. Five years of sun exposure will likely have helped bake and seal shingles. She does, however, expect those results to flip at the 10-year mark.

No matter the results, Brown-Giammanco believes the reports from these roof studies can be used in a variety of ways. IBHS’s insurance industry members can use the information in their underwriting, risk management, risk modeling, and claims operations. Manufacturers can

use the information as well. “They can understand how their products are performing over time,” she says. “If they end up tweaking their processes to better handle natural aging, then that is a win for us and for our member insurance companies.”



Images courtesy of the Insurance Institute for Business & Home Safety.

For the Long Term

Twenty years isn’t anything to scoff at; it’s a relatively long time for a research project. In reality, however, the 20-year Roof Aging Study is going to go well beyond the original two decades. “It’s a twenty-year duration for every single [farm],” Tanya Brown-Giammanco, Ph.D., managing director of research for the Insurance Institute for Business & Home Safety, says. “We’ve built the roof farms in phases, with the newest one being built in the spring last year. So if nothings changes, we still have nineteen years to go.”

Yet, that isn’t really the truth. IBHS plans to repair any damage and/or wear and tear on the farms and continue testing.



“We’re on a constantly cycling project,” Brown-Giammanco says. “Our production manager and I have been here since the research facility opened, but he is closer to retirement. He will not see the end of

this project. I might not either. It will be interesting to see who is still around by the time it finally ends.”

Once Every 100 Years

or So, We Like to
Toot Our Own Horn

Celebrating a century
of client advocacy

holborn.com

Shattering the Ceiling

WOMEN ARE STILL FIGHTING FOR MORE POSITIONS AT THE EXECUTIVE LEVEL. THERE ARE ORGANIZATIONS WORKING TO INCREASE THE ODDS OF CLOSING THE GENDER GAP.

 Lauren Anderson

Society Insurance hit a milestone in March 2019 when two women were elected to its board of directors. This election created a female-majority board for the company for the first time in its century-long history.



Rick Parks, president and CEO of Society Insurance, says the company didn't set out to get a female majority on the board. When the company hired an executive recruiter to help fill the two vacant board seats, the task was gender agnostic. The only requirement was to identify those who best fit the desired qualifications.

"We didn't have a ceremonial glass-ceiling breaking or anything like that," Parks says. "It was really just appreciating that it happened by natural selection and not because we were necessarily out to do it."

"Nobody expects you to particularly commit yourself to deciding proactively that you want to have a majority of either gender," Park says. "But I think people have an expectation that there would be some reasonable balance at some point in time."

In reality, Society Insurance's glass ceiling shattered in the early years of the company's existence. From 1918 until 1952, Wisconsin Brotherhood of Threshermen Insurance Company — Society Insurance's predecessor — was run by Grace Lewis, daughter of one of the company's founders. It was an astounding feat during an era when business opportunities for women ranged from nonexistent to insignificant. Lewis didn't even have the right to vote when she took the reins of the company. Her first hire was also a woman. Ethel Malone served the company for 60 years before retiring in 1986.

Society Insurance is still offering tremendous leadership opportunities for women. That's because the insurer's boardroom isn't the only majority-female entity. The C-suite is as well. In fact, Parks is the only male represented in the company's senior-executive level.

"I work for women. That's all I do," Parks says

Now look around your own office. Are there more women than men? Chances are the answer is yes, which is consistent with most insurance companies across the United States. However, most insurers' boardrooms and executive offices don't resemble Society Insurance's.

A proportionate level of female representation at the executive level remains an ongoing challenge. Yet, the challenge is becoming more widely recognized, and there are steps underway to improve gender balance.

Take the Million Women Mentors organization, for example. This group is focused on propelling women's advancement to help increase workforce diversity in several industries, insurance included.

"We'd like to see more women in upper levels of management in all insurance companies because we are underutilized," says **Catherine Lamson**, senior vice president and chief

"I have come to believe that one of the reasons why we've developed a majority-woman board is because a lot of highly qualified women have simply not been asked to join other corporate boards"

—Rick Parks
President & CEO
Society Insurance

For some companies to achieve gender parity in their boardrooms and in their executive offices

administrative officer at **The MEMIC Group** and head of Million Women Mentors in Maine. "We're working to build awareness for insurance careers and let people know insurance is a sexy business. It's full of opportunities and we need to ensure that we don't keep it a secret."

In her 17 years with MEMIC, Lamson has been the only woman represented at the senior-management level. She identifies three opportunity gaps in the industry's gender diversity issue: not enough women stepping forward for promotions to senior roles, gender-blind evaluation for advancement, and long tenures in senior-level positions.

One way the Million Women Mentors movement advocates pay parity is by promoting careers in science, technology, engineering, and math — more commonly known as STEM careers. As many as 80 percent of jobs today require tech skills; plus, STEM jobs pay women close to parity — about 92 cents on the dollar. Coincidentally, the insurance industry is rich with STEM career opportunities.

"Science, technology, engineering, and math touch almost every department in our company," Lamson says. "We have software engineers in our technology department who are building mobile applications and if I

look at other departments, we have data analytics specialists, actuaries, accountants, CPAs, and many other STEM positions, which make insurance a great career for opportunity and advancement."

One of the grassroots ways the Million Women Mentors' Women in Insurance initiative is encouraging women to expand their skill sets and networks is through, you guessed it, mentoring. Establishing mentor-mentee relationships fosters support for women in the insurance industry and increases the likelihood of upward mobility as well as other benefits.

Getting your organization to have those conversations and to create those mentoring relationships will improve retention and performance. It just makes sense," Lamson says. "People feel like they're part of the process and part of the plan. Bringing value to the table and being heard create momentum toward parity, and that's what mentorship is all about."

With more women in senior leadership roles, insurers have greater diversity of thought and perspective, both of

which are critical to providing excellent customer service and outstanding employee engagement. [IN](#)

Advantages of Mentoring

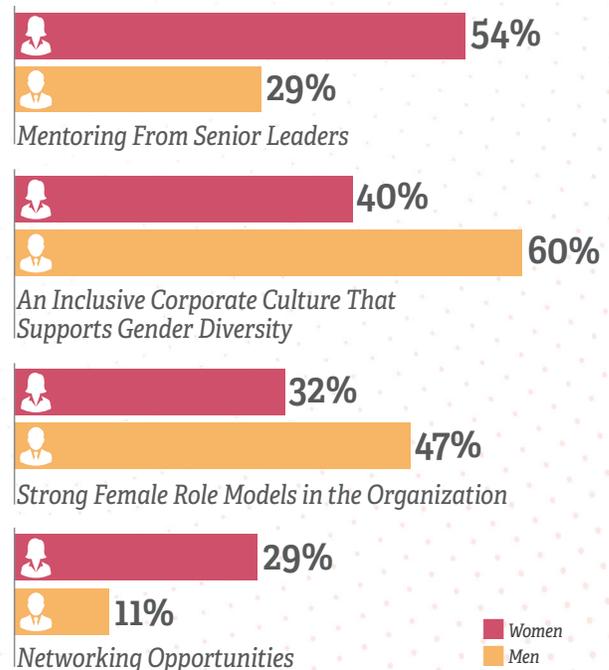
- *Compensation and number of promotions are higher among mentored individuals than non-mentored ones.*
- *Mentored individuals are more satisfied with their careers, more likely to believe they would advance in their careers, and more likely to be committed to their careers than non-mentored counterparts.*
- *Mentored individuals had greater intentions to stay with their current organizations than non-mentored individuals.*

Source: *Journal of Applied Psychology*



der balance on their boards of
ces, it needs to be intentional.

The Top Enablers for Advancing Women Into Leadership



Source: McKinsey & Company, *Women in the Workplace*, 2016.



WANT TO BUILD BETTER COMPENSATION PLANS?

NAMIC HAS THE TOOLS YOU NEED

With unemployment rates reaching record lows, mutual insurance companies need reliable data to know if their compensation strategies stand on a strong foundation in today's tight labor market.

Gain industry-specific insights to craft effective pay packages that will attract top talent with two benchmarking tools from NAMIC.

EP NAMIC® EXECUTIVE PAY PRACTICES STUDY

- Discover how leading mutual insurance companies are compensating their executives
- Dive into best practices for executive incentives and bonuses
- View data on retirement benefits, perquisites, paid time off, and more

Sponsored by:

Insurance Talent
JACOBSON

PC NAMIC® PROPERTY/CASUALTY COMPENSATION SURVEY

- Benchmark compensation levels of more than 1,500 positions, from entry-level jobs to executive positions
- Compare pay rates between mutual and public insurance companies
- Rate your compensation plan against your peers' and the industry's top performers' plans

Sponsored by:


THE CARLISLE GROUP
An Executive Search & Recruitment Firm

Join these benchmarking initiatives and build a workforce that will serve your policyholders and grow your bottom line.
www.namic.org/products/benchmarking

The Boss/Leader Conundrum

COMPANIES *NEED* BOSSES TO MANAGE THEIR ORGANIZATIONS; HOWEVER, THEY *WANT* LEADERS. EXPERTS HAVE ADVICE ON HOW COMPANIES CAN GET WHAT THEY WANT.

 Michael Giusti

“Boss” and “leader” are often used interchangeably for people who manage others. Yet, these same words can come with extremely different connotations. While everyone seems to love a leader, a boss can sometimes be the equivalent of a four-letter word.

The reasons are fairly straightforward. A boss is someone who has authority by virtue of position and title, and as a result, dictates what others must do. The style of a boss can vary greatly from collaborative to authoritarian and everything in between. Meanwhile, a leader inspires, helps form a vision of what the organization’s future could look like, and rallies others to fulfill that vision. A leader is someone who people voluntarily follow — and are eager to do so.

The truth is that not all bosses are leaders, and conversely, not all leaders are bosses. The trick for forward-thinking organizations is to help those who manage others develop the skills that transform their companies into incubators for leaders.

Getting Past the Clichés

It can be easy to assume that leadership is a natural talent. After

all, that is what the “Leaders are born not made” cliché tells us, right? Plus, there is the common assumption that once a person reaches a certain level of seniority, his or her development as a leader has peaked. The old adage “You can’t teach an old dog new tricks” comes to mind here, doesn’t it?

However, leadership experts warn against getting too caught up in these platitudes because neither one is totally accurate. But each has the potential to be costly.

Peter Hirst, senior associate dean for executive education at the Massachusetts Institute of Technology Sloan School of Business, points to neuroplasticity as proof. This neuroscience concept is proving that rather than being hardwired in childhood, the human brain can continue to learn and change quite dramatically throughout life.

If you were in the business of writing computer code, you wouldn’t think twice about training your team in the latest computer skills, Hirst says. It’s no different when it comes to leadership. In fact, he advises that, “organizations need to consciously and proactively develop leadership skills.”



Defining Roles



Bosses are often people who are focused on telling people what to do. They are sitting in the ivory tower. Everyone else is toiling away while the boss is doing something else. A leader gets involved. Leaders lead by example.

— **Shakira M. Brown**
Managing Principal & CEO
SMB Strategic Media



Leaders help create a vision of a future state that encourages and compels others to buy in and come on the journey.

— **Peter Hirst**
Senior Associate Dean for Executive Education
Massachusetts Institute of Technology
Sloan School of Business

Making Bosses Leaders

To ensure that managers become leaders rather than the four-letter-word kind of bosses, organizations need to invest in and encourage their executives to participate in leadership training that will enrich their careers, according to a spokesperson for the Harvard Business School Executive Education Program.

A good first step when investing in this type of learning is to identify the company's capabilities. An organization could partner with an established university program such as the ones offered at Harvard or MIT to develop an "in-house" university that trains and nurtures leaders.

Another option is to send leaders off site to formal training programs. The Harvard program encourages organizations to allow executives to take a step away from the office and their day-to-day responsibilities. That way they can avoid distractions and focus on reaching professional and personal goals.

MIT's emphasis is on helping people understand who they are as leaders and equipping them with practical tools they can use when they return to the office. "We really look for things [managers] can put into practice right away," Hirst says.

MIT's staff evaluates each leaders' strengths and shortcomings and then helps them hone their skills through activities designed around their particular challenges. According to Hirst, "the highest impact typically happens when [participants] develop their skills as leaders while they sharpen their vision for the future of their organizations."

Yet another option for cultivating a leadership culture is to bring training consultants into the building to speak with managers.

This is especially helpful for midsize and smaller companies that might not have the budget or resources for the other options.

When Shakira Brown, managing principal and CEO of SMB Strategic Media, is hired as a consultant, some of the most powerful work she does is in the realm of "soft skills" such as empathy, listening, and teamwork.

While these options all sound great, they can be pricey. Brown points out, however, that failing to develop internal talent is expensive as well. There is the cost of lost opportunities as well as the hard costs involved in turnover. Some human resources experts estimate the cost of turnover can add up to a significant portion of that person's annual salary in lost productivity and recruitment costs.

There may be another opportunity to help incubate leaders. It's a suggestion Hirst says he often gives to organizations because it comes with minimal cost to a company while strongly encouraging professional growth and satisfaction. This opportunity is volunteerism.

Hirst says that if companies encourage staff members to volunteer their time to area nonprofits or other worthwhile programs, it can benefit everyone in several ways.

Volunteering is good practice from a corporate responsibility perspective. It gives managers chances to get out of the office and hone their soft skills. From a succession planning standpoint, it can give younger team members and employees who are not in managerial positions opportunities to gain experience and practice leadership skills. Plus, it just makes the community better as a whole.

"All this comes back to benefit the organization," Hirst says. 



Houston, We Have A Problem

Identifying when a boss is of the four-letter connotation is not always an easy task. What subordinates think is obvious may be invisible to those in the highest levels of management. However, fixing the problem must start at the top.

Beyond simply sitting back and

waiting for complaints to roll in, top-level executives can successfully root out problems with performance reviews or employee engagement surveys. Exit interviews with employees who are moving on from the company can also be beneficial.

Following the career paths of people within different areas of the company might provide insights as well.

Don't neglect leaders in the junior ranks. Focusing the leadership conversation and resources merely on the top management neglects your succession pipeline, and it overlooks a treasure trove of potential talent.

A hotspot of high turnover could point to a problematic boss. But the opposite can also be true. If no one from an area is moving up, it might be an indicator of a manager who isn't nurturing his or her team or leading them toward success. 



Facing Your Colleagues

ELECTRONIC COMMUNICATION MAY BE QUICK AND EASY, BUT SCIENCE SHOWS FACE-TO-FACE CONVERSATIONS CAN BE GOOD FOR OUR BRAINS AND OUR WORK RELATIONSHIPS.

 LINDSAY ROBISON



Would you rather send an email to a colleague or get out from behind your desk to go talk to him or her?

If you picked the former, you're not alone. Honestly, you're in the majority. A 2017 survey says 86 percent of professionals choose email as the favorite mode of communication.

No one can really blame anyone else for liking emails. They can be sent from virtually anywhere ... pun intended. They are quick. They can be efficient. And they're just plain easy, especially if the subject is a tough one.

But if you're a leader who prefers email to face-to-face conversations — regardless of the topic — you might want to re-evaluate your preference.

Why? It has nothing to do with getting closer to the 10,000-step-per-day goal, but it does have something to do with overall personal wellness — and business wellness, too.

Communicating face to face has significant impacts on our brains. Studies have shown that in-person social interaction can help with depression. And, believe it or not, it helps synchronize people's brains. According to some 2012 research featured in the *Journal of Neuroscience*, research subjects experienced similar left inferior frontal cortex brain activity while engaging in a face-to-face conversation.

They did not have similar brain activity when having the same conversation with their backs to one another.

According to psychologist and UCLA professor emeritus Albert Mehrabian's decades-old research that still is widely cited, face-to-face communication does wonders for context. On average, 55 percent of what is said during a conversation is interpreted through facial expressions; 38 percent is interpreted through the way words are said; and only 7 percent is interpreted through the actual words.

So, when messages are coming through in a text-only manner, there's a lot of room for interpretation ... that is often incorrect

"Think about it on a level outside of email," says John Parrish-Sprowl, Ph.D., director of the Global Health Communication Center and professor of communications studies at IUPUI. "Think about the difference between reading a book and watching a movie [based on the book]. Even if the dialogue is exactly the same, it translates differently.

"The cues are taken from the text itself," he continues. "But when someone says the same thing, cues are taken from the paralinguistic and facial expression aspects as well. Plus, if what is said is unclear or triggers more conversation, people can engage in a more immediate response than texting or email allows."

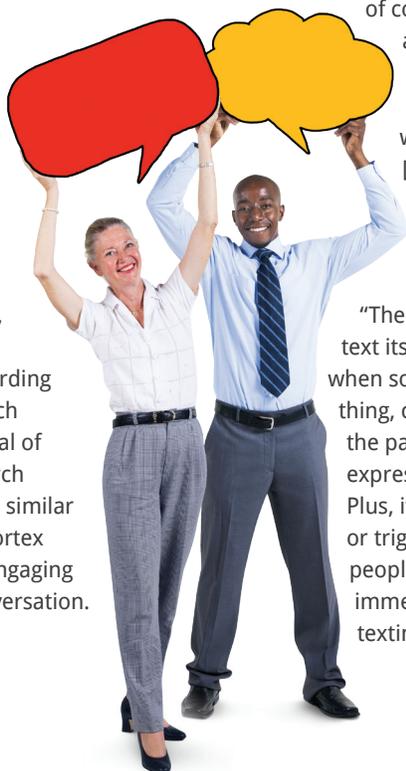
Therefore, it can take away some stress from employees who tend to read into or overthink an electronic message. Face-to-face communication is also where trust is built, according to Gregory Northcraft, Ph.D., a professor emeritus of business administration at the University of Illinois' Gies College of Business.

"Technology has made us much more efficient but much less effective," the professor of executive leadership with a doctorate in social psychology told the university's news bureau. "Something is being gained, but something is being lost. That something gained is time and the something lost is the quality of relationships. And quality of relationships matter."

Trust is a key strategy Tracy Butz, owner of Think Impact Solutions, focuses on when speaking about workplace communication. "Trust is so much easier to build when you're face to face," she says. "I look at trust as equaling dependability plus likability. If you want to increase dependability, you need to lead by example and be explicit with your requests and explanations. If you want to increase the likability component of trust, meeting face to face and getting to know team members on a personal basis have the biggest impact.

"The number one thing people really want from their supervisors is a four-letter word. And that is care," Butz continues. "They want their supervisors to care about them. Not only as a professional but as a human being. It's not tough stuff, we just need to focus on it."

And it's much better when it's not done from behind a desk. 





We create plans that focus on the people you really need to keep.

Creating the most efficient and effective mix of retention tools to instill the desired results.

That mix is your vision statement. Your vision of the best care for the best people that also provides a safety net for the company. We call it benefit engineering and it is all about combining people, tools and corporate goals into a benefit-engineered design that instills long-term commitment while getting the corporate ball up the field.

 **Bankers Benefits**

Email : info@bankersbenefits.com
 Call: (630) 820-2265
www.bankersbenefits.com

**Vetted.
 Experienced.
 Skilled Talent.**

We help you hire intelligently, efficiently and effectively.

Trusted leader with 40 years of success partnering with mutual insurance companies to build strong, agile, and competitive teams.



- Claims
- Actuarial
- Human Resources
- Product Management
- Underwriting
- Loss Control
- Analytics
- IT

Partner with us today.

Let us identify and assess talent that will power your business forward.

Tawana Carter, Chief Marketing Officer
 800.886.1562 Ext 107
www.ToddMitchell.com/NAMIC

Meeting Control

WITH TENS OF MILLIONS OF MEETINGS TAKING PLACE EACH DAY, THERE ARE ABUNDANT OPPORTUNITIES FOR PEOPLE TO SHOWCASE THEIR LEADERSHIP SKILLS.

 LINDSAY ROBISON

Ever had one of those days when all you did was run from meeting to meeting? The day flies by, but when it's over, you're exhausted and often left wondering if you accomplished anything.

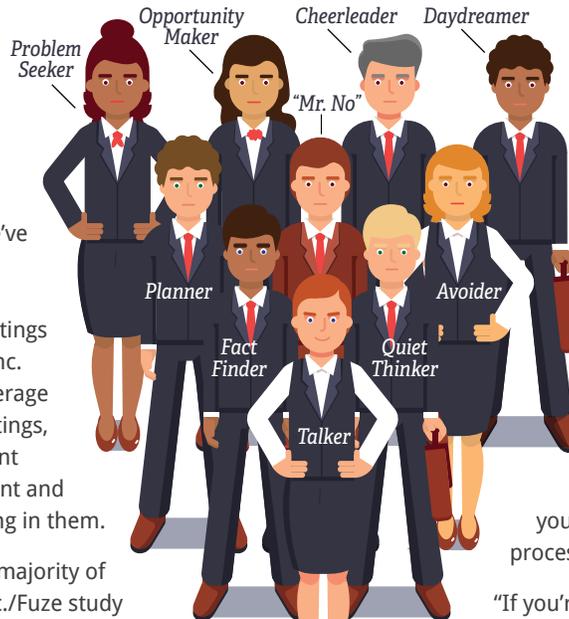
We all know the feeling because we've all been there — and the statistics are a bit astounding. The American workforce conducts 25 million meetings each day, according to a study by Inc. and Fuze. Fifteen percent of the average organization's time is spent in meetings, and middle- and upper-management personnel spend between 35 percent and 50 percent of their time participating in them.

Most people, however, believe the majority of meetings are unproductive. The Inc./Fuze study reports that executives classify nearly 70 percent of the meetings they are involved in as failures. Which is probably why many of us are left scratching our heads about what we accomplished at the end of a day full of meetings.

Yet, meetings have their purposes.

There are times when they spark great ideas. They also allow for collaboration and information sharing that might not occur anywhere else. For people who want to show their leadership potential, meetings can be the perfect times to shine. They can also be fantastic opportunities for people not striving for leadership positions to showcase their expertise in the positions they are in.

Catherine Morgan, president of Point A to Point B Transitions, likes to use a personal experience from when she was in the corporate side of the business world to highlight the positive impacts. During one particular meeting, she was the most junior person sitting around the table. "I sat there, unabashedly asking questions, pushing back, talking about strategy," she recalls. "Finally, one of the senior executives looked at me and asked, 'Who are you?' My boss looked over, smiled, and said, 'That's Catherine, she works for me.' He was so thrilled by my jumping into the conversation and making key points while key leaders were in the room."



She uses this story to encourage up-and-coming leaders as well as employees who are experts in their positions to not be afraid to take control of their own meetings, even when executives are in the room.

It can be enticing for a more-senior person to take over the conversation, and it can be tempting for the meeting leader to allow that to happen, especially when he or she is nervous and isn't in a senior position. "Sometimes it's appropriate to lob the ball to someone in a higher position,"

Morgan says. "More often, though, you benefit from showing your thought processes, your expertise, your leadership.

"If you're fielding a question that you cannot answer, ask for the input of someone who can," she continues. "But if you are qualified to answer it and it is your meeting, you should own it."

Some meeting attendees, Morgan says, will want to show their expertise as well. But she warns that allowing someone to do so will likely take the meeting off topic. "I find it helpful to create a 'parking lot,'" she advises. "Whether on a whiteboard or a piece of paper, write down the topic. Acknowledge the person who mentioned the it, let him or her know it's not on the current agenda, and suggest scheduling a separate meeting to discuss."

Another likely occurrence is for someone to continually challenge the meeting leader, particularly when the leader is not an executive. Tara Hooper, image consultant and founder of The Style Signature, learned a technique while attending a leadership training several years ago that she now recommends to those she consults with. This technique from The Brooks Group requires the meeting leader to have a little bit of knowledge about every person who will be in attendance and strategically assign seats based on their roles within the meeting.

Hooper suggests seating the challenger next to the meeting leader's biggest supporter. "When [the challenger] starts in," she says, "you can go to your supporter to help diffuse the situation and get back to the main message without too much disruption."

She believes it's a smart move to put the most senior-level attendees, or decision-making attendees, next to the supporters as a buffer from the challengers. She also suggests seating people who don't participate very often close to the senior-level attendees. It may encourage the nonparticipants to add to the conversation.

Some might find it odd to have assigned seating for meetings, especially internal ones. If someone questions the seating arrangement, Hooper has a recommendation on how to respond. "Tell them, 'It's really important to me to get my message out in a timely and effective way, and I believe this a great way for me to communicate effectively.'"

"Think about it," she continues, "if you're the only one in your organization who runs meetings this way, you're going to set yourself apart from the crowd. [Senior staff] will see that you took the time to really understand who was going to be in the room and how you should communicate your message to them."

Much of this comes down to not letting someone else hijack the meeting from its leader while also allowing attendees to provide input. "No one wants to be talked at," Hooper says. "We all want to be part of the conversation. The more people can learn the art of drawing people in and making them part of the presentation, the more successful they will be."

Morgan agrees. "Everyone likes to be heard," she says. "Encouraging people to share their ideas is a good way to make sure everyone contributes, and it makes the meeting leader look better."

"It's really not that difficult," she continues. "Respect people's time, put a reasonable time frame around what needs to be covered, schedule appropriate breaks, and let people be heard. It doesn't have to be painful." And it can do wonders for leadership development. 

NAMIC's Focus on Development

NAMIC is dedicated to helping members develop their leadership and professional development skills through the following initiatives.

[PLD] **Project Leadership** Project Leadership is the overarching commitment to leadership development. Educational sessions at NAMIC events that are part of the Project Leadership initiative are indicated as such.

Leadership Workshops

[LD] **Leadership Development Workshop** takes place each summer and is designed for new and emerging managers, supervisors, and team leaders. Two workshop tracks allow participants to gain insights into the essentials of leadership and working on high-performance teams.

On-Site Leadership Development Workshops bring the training to locations of member companies' choosing. Participating companies can pick from seven topics and bring as many as 25 employees to the training. More information can be found at NAMIC.org/edu/onsitelead.

[TEAM] **T.E.A.M. Certification** is an industry-recognized designation earned by completing either of the leadership workshop options and recognizes industry professionals' commitment to developing and using leadership skills.

The Professional Development Lounge at the NAMIC Annual Convention

The Professional Development Lounge will be back for its second year during the 124th Annual Convention in National Harbor, Maryland. The lounge will feature TED-style talks from professional and leadership development experts, professional image consulting, and professional portrait photo sessions. 

Dress for Success



Have you heard the phrase "encllothed cognition"? It's how two professors from the Kellogg School of Management at Northwestern University describe their research results from a 2012 study they conducted on the impact of clothes on people's psychological processes.

The study looked at performance scores of people who wore articles

of clothing associated with intelligence and attentiveness — lab coats, in this particular instance — while taking a test versus scores of people who did not. Results showed that the lab coat wearers performed better.

This is the reason why some colleges and universities encourage their students to forgo the comfortable clothes on exam days and opt for something that makes them feel intelligent or successful instead.

Tara Hooper, image consultant and founder of The Style Signature, says this can easily translate to the workplace. "I have seen the transformation in people's mindset and confidence," she says. "There's just something about being polished and pulled together that helps people perform to the best of their abilities." 



Thoughts on Development

LEADERSHIP DEVELOPMENT AND PROFESSIONAL DEVELOPMENT SHOULD BE IMPORTANT PARTS OF ANYONE'S CAREER, ESPECIALLY THOSE WHO STRIVE FOR CAREER ADVANCEMENT. WE ASKED SOME NAMIC MEMBER EXECUTIVES ABOUT THEIR THOUGHTS AND EXPERIENCES WITH THESE KINDS OF DEVELOPMENT.

Q: *What immediately comes to mind when you read or hear the phrases leadership development and professional development?*

A: The need to constantly be learning. I once heard the phrase, "If you quit learning, you die." Although I've long since forgotten where I heard it, I've always remembered that phrase. If you get complacent and quit learning how to excel beyond the current status quo, then you surely will die. Maybe not quickly, but you or your business will surely die. Learning constantly forces us to grow and reach to become superior to our current position and, thus, avoid complacency.

Justin Lear

CEO

Farmers Mutual Insurance Company

A: Lifelong processes that require education, mentorship, and experience. Although those components are not always neatly aligned.

Steve Sliver

CEO

Mutual Benefit Group

Q: *What is the best piece of leadership advice you've received? Who gave you that advice?*

A: "Don't shoot from the hip unless your gun is loaded." This came from a senior auditor back in my public accounting days who, ironically, I didn't like much.

Steve Sliver

CEO

Mutual Benefit Group

A: "Listen!" This was from my mother who often reminded me that God provided me two ears and one mouth and that I should use them proportionately. Looking back on my career, I can see that challenges were created more often when I used my mouth instead of my ears.

Gary Thompson

President & CEO

Columbia Insurance Group

Q: *What is the best piece of professional development advice you've received? Who gave you that advice?*

A: To consistently be looking for methods to improve my knowledge, performance, and abilities to be prepared to take on the next challenge or change. There will always be a challenge or change on the horizon. John Patton, a professor at Missouri State University, shared this concept with me and demonstrated it well.

Justin Lear

CEO

Farmers Mutual Insurance Company

A: As we were developing our MBG governance, we were also developing our leadership staff. When working one on one with me, our consultant helped me understand how critical it is to adjust your personal pace with the capabilities of the organization. Too fast, and it can't keep up; too slow, and it loses interest.

Steve Sliver

CEO

Mutual Benefit Group

A: I've received a lot of great advice from many people over the years. One was from our former CEO Bob Wagner who used to remind me, "Gary, they will only remember ten percent of what you say, but they will remember one hundred percent of what you do." Another great piece of advice I received was, "If you're not uncomfortable, you're not growing." Unfortunately, I can't recall who it is I should give the credit.

Gary Thompson
President & CEO
Columbia Insurance Group

Q: *How much has professional development impacted your career?*

A: Constantly learning is the ultimate goal of professional development for myself; however, I would be remiss to not mention the immense value of professional development in the area of idea generation. If we're learning and developing, our minds are quicker to glean ideas that can aid our companies. Our professional development does help us in our daily activities, but when a challenge is on our doorstep, when faced with adversity, that is when the impact of our professional development can really shine and make the difference between failure and success.

Justin Lear
CEO
Farmers Mutual Insurance Company

A: Hugely. I have been a lifelong student of leadership, particularly servant leadership ... and I am still learning every day. I often advise those who are early in their careers to follow the four Rs — read, raise your hand, resource yourself, and repeat.

Regularly read books and articles on leadership. Raise your hand is all about putting in to practice what you're learning, whether that's at work, in church, in your community, or at home. Resource yourself means take advantage of all the opportunities you can, whether seminars, podcasts, group projects, or one-on-one interactions. Finally, repeat all of this throughout your life.

Gary Thompson
President & CEO
Columbia Insurance Group

Q: *What leadership-related book should be on everyone's must-read list? Why?*

A: By now it sounds old and out of style, but one leadership book that I believe is a must is "Who Moved My Cheese?"; but to get to many of the more modern and trendy ideas, I believe one still must understand and embrace change. At least my path has employed those concepts frequently.

Honestly, I would add that beyond the leadership-related book, one must have a book on their must-read list related to a favorite recreational activity, and maybe even a copy on the corner of the desk to remind you. This could change from time to time, but mine is currently "Fly Fishing Southern Colorado." Along with that should also be an inspirational or spiritual book, mine is the Bible.

Justin Lear
CEO
Farmers Mutual Insurance Company

A: Jim Collins' book "Good to Great" is an extremely important work that has special implications for us in the mutual industry, where we are able lead through a longer timeline. "Built to Last" also should not be ignored.

Steve Sliver
CEO
Mutual Benefit Group

A: "Dare to Serve: How to Drive Superior Results by Serving Others" by Cheryl Bachelder. It's a very easy, practical read of a real-life case study on the restaurant chain Popeye's and the performance and growth it achieved after Bachelder was named CEO and began implementing the principles of servant leadership.

Gary Thompson
President & CEO
Columbia Insurance Group 

Turn ideas into reality

Partner with someone who knows how to help you grow.
We make risk solutions happen. Together.

Learn more at munichreus.ly/solutionsNS

Products and services provided by Munich Reinsurance America, Inc.

NOT IF, BUT HOW

Munich RE 



$$= f_j C_{ij}$$

$$(Z))^2$$

$$E(d_{ij})$$

$$E(C_{ij+1} | C_{ij}) = f_j C_{ij} \sqrt{\dots}$$

$$\text{Var}(Y) = E(\text{Var}(Y^2 | Z)) + E(E(Y^2 | Z))$$

$$\text{Var}(f_j) = \sigma_j^2 / \sum_i C_{ij} \quad F_{ij} = C_{ij} / \sum_i C_{ij}$$

You're the expert on your business. But we can help you leverage the wealth of **information** out there.

Every business has its own strategic goals, and our expertise will help you achieve yours.

When you want to incorporate data into your business strategy, we're your partner in determining which information will best serve your unique needs. Starting with your key objectives, we'll work with you to sort through the wealth of available intelligence and mine the data to reveal the most relevant insights. With more data accessible than ever before, there is greater risk of information overload and potential to miss valuable indicators.

Trust Pinnacle's expertise to guide you through the data evaluation process and help you **make better business decisions.**

Commitment Beyond Numbers



- Alternative Markets
- Enterprise Risk Management
- Legislative Costing
- Litigation Support
- Loss Reserving
- Predictive Analytics
- Pricing and Product Management
- Reinsurance

Eyes Still to the Sky

REGULATIONS MIGHT BE KEEPING MOST INSURERS FROM USING DRONES TO THEIR FULL POTENTIAL, BUT ONE COMPANY'S WAIVER COULD BE MOVING THE ENTIRE INDUSTRY FORWARD.

 JULIE A. VINCENT

In the insurance world, the use of drones has many benefits in claims, risk, loss control, and underwriting. First and foremost, their use in many situations can create a much safer working environment. Drone pilots can start photographing and assessing damage before it would be safe to send in people because there is no need to wait until conditions are safe. This can lead to much faster claim resolution while lessening human risk.

There can be definite cost savings in some scenarios because there would be no need for adjusters to use ladders or repeat inspections because of accessibility issues. Drone software allows for simplified data storage and editing and makes it possible to show images to policyholders to avoid any he-said-she-said discussions. And because drones don't require takeoff and landing strips like aircraft do, they can be used over properties that are otherwise inaccessible.

In a nutshell, the use of drones by insurance companies can lead to more accurate estimates, shorter response times, more timely delivery of benefits, and less risks to humans. So why, then, isn't every insurance company including the use of drones in its processes?

One word: regulation.

"The ability of insurers to use drones effectively and profitably is directly determined by what regulatory authorities allow and preclude," says **Tom Karol**, NAMIC's general counsel-federal. "At this time, the Federal Aviation Administration looks at drones the same way it does aircraft, meaning it wants to regulate their use from 'the blades of grass to the sky.' We are working with the FAA, Congress, the White House, and numerous state legislatures and agencies to make headway into the commercial use of drones, and we are seeing some movement in that regard."

Karol says the FAA offered proposed rules last February in an attempt to open more doors for commercial use of drones. Those rules involve new limits on how and when drones can fly, what payloads they can carry, and regulations specific to the size of the drone.

The balance, Karol says, is about being allowed to realize the benefits



of commercial drone use against the risks to public safety and national security as drones become more common in American skies. Additional rule changes may require minimum distances between drones as well as changes to existing limits on how high or how fast they can fly.

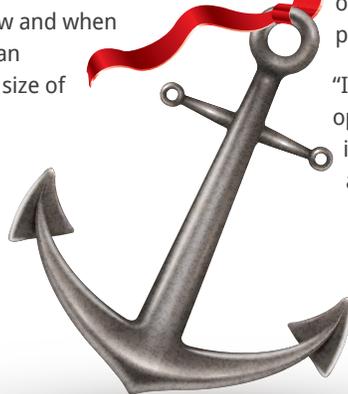
Among property/casualty insurance companies, **State Farm** has been testing safety and business applications of drones since 2015. Drone technology provides the company with the capability to quickly deploy over a catastrophic site and/or assess damage from the air, according to **Heather Paul**, State Farm's brand campaign specialist.

Current FAA regulations restrict pilots from flying drones beyond their visual line of sight and over groups of people. However, in November 2018, the FAA granted State Farm the first national waiver for operations over people and flights beyond visual line of sight for catastrophic damage assessments. Paul says the waiver makes State Farm the only insurance company in the United States to be given such permission.

The insurer collaborated with the Mid-Atlantic Aviation Partnership and Virginia Tech's world-renowned injury biomechanics group to assess a wide range of potential risks and strategies for reducing them, meticulously collecting data on a variety of parameters, including the aircraft's communication performance, navigational precision, and the risk of injury to humans. "The strength of that data made a compelling case to the FAA that the company could safely conduct sophisticated aerial damage-assessment operations," Paul says. "That capability gives State Farm additional tools to serve customers — and moves the whole drone industry forward."

In order to take advantage of the waiver it was granted, State Farm has a highly skilled group of claims specialists trained to operate drones. Paul says these pilots have received the remote pilot certification the FAA requires.

"Integrating new technology safely into society and business operations takes time," she says. "There's a learning curve and it's important to make safety the number one priority. There are numerous variables to consider and evaluate every time





you want to fly a drone. There are times when our drone pilots have to be flexible in terms of weather conditions, visibility, and the identification of appropriate areas for launch and recovery.”

While State Farm’s waiver might move the drone industry — and the insurance industry’s role in it — forward, not all insurers are seeing those benefits. **Brian Taylor**, president and CEO of **Municipal Mutual Insurance Company of West Virginia**, says his company was an early adopter of drones.

Municipal Mutual purchased its first drone in March 2015 and immediately put it to use in the claims department as a new tool for roof inspections.

“We have a very progressive board member who is a pilot. We met and thought that if we were able to keep all our claims adjusters off any roof above one story, we would improve the safety of our employees,” Taylor says. “[We] met prior to using drones for inspections and created a use-and-procedure policy. Our biggest challenge was policyholders thinking it was a toy; they continuously asked our claims staff to photograph other items while on insured properties.”

Despite the early adopter status, Taylor says “the government has grounded us” because of the current FAA rules and regulations. Municipal Mutual is working to get back in the sky, though. The company has one adjuster studying for the remote pilot certification, and it is Taylor’s intent for all three of its adjusters to obtain their certifications.

So how can smaller insurance companies reap the benefits of drone use?

Perhaps the easiest answer is to have someone else do the operating. Karol says there are competent third-party vendors that are registered and licensed with the FAA and know how make drone use beneficial to their clients.

He does warn insurers that these third-party vendors are likely to have long lists of clients, so they may not be available during and after large-scale disaster events. Karol cautions insurance companies to remember that when they employ a third-party drone operator, they are likely to retain the same kind of

liability as the operating company when it comes to actions and omissions. Therefore, it is important for insurance companies to gather detailed information about the drone operator, including information regarding insurance, procedures, registration, owner identification, and indemnification agreements.

Karol also advises insurers to think about the public relations component of drone operation. While some customers

appreciate drones’ benefits, others find them intrusive. The last thing an insurance company needs is a headline saying a customer finds the company’s drone use “creepy,” he says.

That said, Karol still sees drone use increasing and technological capabilities expanding far beyond what is available today. Infrared technology is currently used by first responders looking for survivors after a disaster occurs. Some of the new features coming to drones are spotlights and speakers, which can help rescuers find victims and communicate with them. Future enhancements to infrared capabilities could help insurers detect water collecting under roofs.

Drones can also be used to collect photos prior to an event taking place, helping insurance companies protect themselves against fraud. And insurers can use drones to collect information about a property that will help them formulate the best premium.

Even with the regulatory challenges that remain, there is certainty that drone use is here to stay and that it is changing how insurance companies mitigate risk, respond to customer needs, and pay claims.

FAA Regulatory Changes

- Requirements**
 - Registration numbers must be placed on a drone’s external surface.
 - Manufacturers must design smaller drones that, upon impact with a person, would not result in an injury as severe as the injury that would come from a one-pound object falling 11 feet or a 10-pound gym weight dropping 1.1 feet.
 - Larger drones must meet an injury standard of no more than the energy equivalent of a baseball going 45 miles per hour.
- Not a Requirement Any Longer**
 - Drones weighing 0.55 pounds or less no longer have to have a special waiver to fly over people.

“Most companies are looking at how they can leverage new technologies to adapt to the changing needs of customers,” State Farm’s Paul says.

“Drone technologies have the potential to provide efficient and effective tools to help customers recover from the unexpected.” 



GET IN THE GAME

LEARN HOW YOU MATCH UP WITH COMPANIES JUST LIKE YOU.
START BENCHMARKING TODAY!

Find comparison salary and benefit information from peers who have unique combinations of positions like an underwriting claims adjuster or a bookkeeping IT manager. Or maybe someone like you who wears multiple hats in the small company you manage. Reports are easy to download and read as PowerPoint or MS Office files.



www.namic.org/products/smcompbench

Sponsored by: GRINNELL^{RE.}



Signature reasons TO WORK WITH US

Opus specializes in partnering with insurance companies to help them achieve their investment goals.

We pride ourselves on our client education, enabling you to become a strong advocate for your portfolio. Whether investing for you is a process or a passion, Opus can help you better understand it.

We understand investments – and insurance, too. We deploy a long-term investment strategy tailored to the specific needs of your company, seeking stability and protection along with steady levels of income.

With Opus, you receive an experienced partner on investment accounting matters. One that keeps you – the client – front and center.

PARTNERSHIP



TRUST



COMMITMENT



Opus is a proud sponsor of the **NAMIC's 124th Annual Convention** from Sep 22 – 25, 2019 in National Harbor, Md.

www.opusinvestment.com

Community Involvement

The MEMIC Group, Portland, Maine, gave \$100 to each of its more than 450 employees to donate to a charity of his or her choice. More than 200 nonprofits across the country received donations from MEMIC employees. Top giving categories included animal welfare, medical research and support organizations, and community support and action organizations.

Arbella Insurance Group, Quincy, Massachusetts, announced that its **Arbella Insurance Foundation** donated more than \$2.4 million to support local disaster relief and more than 660 charitable organizations in 2018. Arbella employees also contributed more than 1,300 volunteer hours to 13 nonprofit organizations throughout New England.

Hires & Promotions

Motorists Insurance Group, Columbus, Ohio, hired **Randy Perez** as senior vice president of product management. He joined the company after spending three years with Horace Mann as vice president of pricing and product management. He has more than 20 years of experience in the personal lines industry. He earned a bachelor's degree in business administration from Wichita State University and a law degree from the University of Kansas School of Law.

Church Mutual Insurance Company, Merrill, Wisconsin, promoted four people to new leadership roles. **Janet Selnes** is now vice president of broker distribution. She has been in the insurance industry for more than 30 years, 15 of which have been with Church Mutual. She served as assistant vice president of broker distribution prior to the promotion. **Rick Schaber** is now vice president of direct sales. He has nearly 20 years of experience with Church Mutual and has held several leadership positions prior to this most recent promotion. **Dean Jarnow** began working with Church Mutual in January 2018 as an external consultant and is now a part of the company as assistant vice president of strategic resource management. He has more than 25 years of experience in product, project, and program management. **Dale Brom** is now assistant vice president of information

Milestones

Rockingham Insurance Company, Harrisonburg, Virginia, is celebrating its 150th anniversary in 2019. To commemorate this milestone, the company is incorporating an employee philanthropic program, which allows each employee to earmark \$150 to donate to his or her charity of choice. Rockingham is also giving away \$150 each month as part of the initiative. At the end of the year, one of the \$150 winners will win a travel voucher worth \$3,500. The company will also make a \$150 donation each month to Make-A-Wish Greater Virginia. At the end of the year, the company will grant a wish to a Make-A-Wish child.

Frederick Mutual Insurance Company, Frederick, Maryland, culminated its 175th anniversary by hosting an event to celebrate the company's rich history and longevity and present honors and appreciation to the company's donors and most dedicated insurance agencies. Frederick Mutual is the third oldest insurance company in Maryland and the ninth oldest in the United States.

technology. He has more than 30 years of IT experience in the insurance industry.

Farm Mutual Re, Cambridge, Ontario, named **Jean-Pierre Gagnon** its new president. He will work alongside CEO **Steve Smith** until his retirement in August 2019. Gagnon will then assume both the CEO and president roles. He has worked in the property/casualty industry since 1991. He most recently served as vice president of personal insurance for Travelers Canada. He earned a bachelor's degree in actuarial sciences from Laval University. He has also earned the Fellow of the Casualty Actuarial Society and Fellow of the Canadian Institute of Actuaries designations.

Integrity Insurance, Appleton, Wisconsin, promoted **Mischel Larson** to personal lines underwriting supervisor. In this role, she will be responsible for leading the personal lines underwriting team and will also serve on the company's management team. Larson has more than a decade of experience in the insurance industry. She served Integrity Mutual as personal lines underwriter prior to the promotion. She holds multiple insurance designations and is working toward completing the Chartered Property Casualty Underwriter designation.

SFM Mutual Insurance Company, Bloomington, Minnesota, promoted **David Kaiser** to chief operating officer and senior vice president. He joined the company as a senior programmer analyst in 1992, was promoted to vice president of information services in 2001, and was promoted to

chief information officer in 2005. He also co-founded the **SFM Foundation** and serves as its president. Kaiser earned a bachelor's degree in computer science from Metropolitan State University.

Awards & Recognitions

Acuity Insurance, Sheboygan, Wisconsin, was named to the Best Employers for Diversity 2019 list by Forbes. Forbes and Statista ranked the top 500 employers across all industries by surveying more than 50,000 employees working for large companies and organizations. Respondents answered questions about employer diversity policies as well as diversity among members of organizations' C-suites and boards of directors.

Michael Braun, senior vice president of information technology for Edina, Minnesota-based **Western National Insurance Group**, was named a finalist for the Twin Cities CIO of the Year ORBIE Awards. The awards, presented by Minnesota/St. Paul Business Journal and the Twin Cities Leadership Association, recognize chief information officers who have demonstrated excellence in technology leadership.



If you have company or employee achievements and recognitions you'd like to share, email details and photos/logos to publications@namic.org.

Board Activities

Amy Goughnour, manager of Finley, North Dakota-based **Steele Truill County Mutual Insurance Company**, joined the board of directors for **Grinnell Mutual**, Grinnell, Iowa, in December 2018. She took over the board position of the now-retired Stephen J. Smith of Marcus, Iowa-based Cherokee Mutual Insurance Company. Goughnour's term runs through the end of June 2019.

Shelter Mutual Insurance Company, Columbia, Missouri, elected **Patricia Coffey** to its board of directors. She is founder and CEO of Cedibus, LLC, an adjunct faculty member at Lake Forest Graduate School of Management, and the recently retired senior vice president and group chief information officer for Allstate Insurance. She has served on several other boards and has been honored for her work in the industry.

Tuscarora Wayne Insurance Company, Wyalusing, Pennsylvania, dedicated its boardroom to John J Griffin. Griffin served on the company's board of directors for

46 years, 32 of which he served as chairman. He retired as board chairman in early 2015 and passed away that July.

M&A Activity

Reamstown Mutual Insurance Company, Reamstown, Pennsylvania, is now affiliated with **Goodville Mutual Casualty Company**, New Holland, Pennsylvania. The affiliation became effective the beginning of 2019. Reamstown Mutual's board of directors and management determined that affiliation with a financially strong partner would allow them to continue to provide competitive coverages to their policyholders. Reamstown Mutual will continue to operate under its original brand.

Nationwide Insurance, Columbus, Ohio, acquired E-Risk Services, a privately held program manager specializing in management lines. The acquisition closed January 1, 2019. Nationwide says the E-Risk platform and products will enhance its excess and surplus lines offerings as well as its focus on growing in the management lines and program business spaces.

Miscellaneous

Acuity Insurance, Sheboygan, Wisconsin, reached \$1.54 billion in revenue in 2018, its all-time high. Acuity doubled its top-line revenue the past eight years and is ranked the 56th largest property/casualty insurance company in the nation.

Liberty Mutual, Boston, Massachusetts, introduced a new distribution model for the United States late in 2018. The new model is meant to improve broker access to the company's commercial and specialty insurance products.

CFM Insurance, Concordia, Missouri, joined Roost's Home Telematics Program earlier this year. As a member of the program, CFM will send kits of Roost's smart sensors to a select set of policyholders. CFM and Roost are also working together to launch a white-label mobile app to go along with those sensors. The program's mission is to use advanced analytics to gather information and gain insights of the effects of home telematics on loss mitigation and member engagement.

THE ENHANCED MUTUAL

One Decision. Millions of Dollars.

Q: How many times can you make *one decision* that generates millions of dollars for your mutual and your members?

“When you put it all together - - the increase in our surplus, the growth and loyalty of our membership, and the financial returns to our members - - there is no comparison.”

- - NAMIC Member Executive

- ✓ Enrich Your Mutual
- ✓ Empower Your Agents
- ✓ Enrich Your Members
- ✓ Every Year

To learn more, please visit www.blandsorkin.com or contact Richard Bland at 804.747.6667 or rbland@blandsorkin.com.



CLAIM

PAYMENT

VICTORY

Guaranteed cost savings with VPay
claim payments processing.

Conquer policyholder hassles, check costs and reconciliation complexity. Keep policyholders happy. And pay service providers how they want to get paid. You can have it all—for less—with VPay, including 25 – 45% more epayment adoption. Do claim payments processing better than today. Then do a victory dance. vpayusa.com



Connections for Success

HOLLY PITT YOUNG



When it comes to policymaking, federal and state legislators are always going to look first to their constituents — the people who put them in office and ultimately decide whether they stay there — over academics or industry experts. NAMIC is fortunate to have a membership that works on main streets across the country and is willing to take the message of their communities and the mutual property/casualty insurance industry to Washington, D.C., and state capitols across the country.

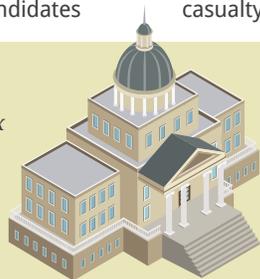
And as the voice of the mutual insurance industry, NAMIC is always happy to help connect member companies with their elected officials.

NAMIC does that through the NAMIC Political Action Committee and the Congressional Contact Program, which give member companies seats at the tables where the policy decisions affecting the business of insurance are made. These opportunities allow members to more effectively support candidates

and speak directly with those whose decisions will affect insurers' bottom lines.

NAMIC's team of federal and state advocates can build on the work done by NAMIC PAC and CCP participants, maximizing our combined effectiveness in policy debates on the issues impacting the mutual property/casualty insurance industry. Together, NAMIC members and the government affairs staff have achieved several inroads, some of which are mentioned below

While significant, this list is just a portion of what the association has achieved on the industry's behalf, and NAMIC expects to add several more significant accomplishments in the months ahead. Because just like NAMIC member companies are in business to do the best they can for their policyholders, NAMIC is in business to do the best it can for member companies and the property/casualty insurance industry.



- Secured inclusion of NAMIC's top tax reform priorities in the historic tax cuts package to the benefit of NAMIC members while slashing the corporate tax rate from 35 percent to 21 percent.
- Led efforts in New Jersey and New York to defend against bad-faith legislation that would establish a cause of action without the need to establish any pattern of practice.
- Secured multi-industry support for a National Council of Insurance Legislators national model bill on towing reform to curtail many abusive practices.
- Defeated multiple measures across the states to restrict underwriting freedom and assisted the Alaska insurance industry in passing legislation to reform the law on insurer use of credit-based insurance scoring on policy renewals.
- Secured the Disaster Recovery and Reform Act's passage into law.
- Assisted Georgia legislators in passing landmark distracted driving legislation that prohibits holding electronic devices while driving.
- Worked closely with state advocacy partners in California to defeat or amend 17 wildfire-related insurance bills that would have fundamentally altered insurance underwriting, coverage, and claims practices.
- Established NAMIC as the industry leader on automated vehicles and remain heavily involved in shaping AV legislation under consideration by Congress.
- Prevented the administration from signing the United States-European Union Covered Agreement "as is," and instead reiterated the U.S. commitment to the state-based system of insurance regulation. **[IN]**

TOP 10 PROPERTY CASUALTY CONFERENCE CONTRIBUTING COMPANIES

Auto-Owners Insurance Group	\$60,922
Harford Mutual Insurance Company	\$18,308
Pioneer State Mutual Insurance Company	\$16,150
Mutual of Enumclaw Insurance Company	\$14,918
Frankenmuth Mutual Insurance Company	\$11,933
Ohio Mutual Insurance Company	\$11,782
Lititz Mutual Insurance Company	\$10,825
Norfolk and Dedham Mutual Insurance Company	\$10,333
Western National Mutual Insurance Company	\$9,030
Columbia Mutual Insurance Company	\$7,637

TOP 10 FARM MUTUAL CONFERENCE CONTRIBUTING COMPANIES

Heartland Mutual Insurance Company	\$6,800
CFM Insurance, Inc.	\$5,000
First Maxfield Mutual Insurance Association	\$5,000
Germania Mutual Group	\$4,500
Farmers Protective Mutual Insurance Company	\$4,200
Western Iowa Mutual Insurance Association	\$2,500
Farm Mutual Insurance Company of Lincoln County	\$1,500
Augusta Mutual Insurance Company	\$1,500
Frontier-Mt. Carroll Mutual Insurance Company	\$1,200
Mutual of Wausau Insurance Group	\$1,150
NAMIC Staff Contribution	\$27,762



LETTERS TO THE EDITOR

Letters to the editor should be directed to:
IN magazine
3601 Vincennes Road
P.O. Box 68700
Indianapolis, IN 46268
Fax: (317) 879-8408

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

SUBSCRIPTIONS

For new subscriptions, renewals, gift subscriptions, or change-of-address notifications, please email subscriptions@namic.org or call (317) 875-5250.

ADVERTISING SALES

For advertising information, please email ads@namic.org or call (317) 875-5250.

NAMIC MISSION

The National Association of Mutual Insurance Companies strengthens members and the mutual insurance industry by leadership in advocacy, public policy, public affairs, and business support services.

NAMIC OFFICERS

Chairman

Henry R. Gibbel

President

Lititz Mutual Insurance Company
Lititz, Pennsylvania

Chairman-Elect

Randall K. Druvenga

President

First Maxfield Mutual
Insurance Association
Denver, Iowa

Vice Chairman

Robert M. Zak

President & CEO

Merchants Insurance Group
Buffalo, New York

Secretary | Treasurer

Steven C. Sliver, CPA

President & CEO

Mutual Benefit Group
Huntingdon, Pennsylvania

Immediate Past Chairman

Paul A. Ehlert, JD

President

Germania Insurance
Brenham, Texas

Charles M. Chamness

President & CEO

NAMIC

Indianapolis, Indiana

IN magazine Volume 106, Number 2



STAFF

Publisher

NAMIC

namic.org

Editor-in-Chief

Catherine Imus

cimus@namic.org

Managing Editor

Lindsay Robison

lrobison@namic.org

Graphic Design

Willow Marketing

Digital Design

**NAMIC Marketing and
Technology Digital Team**

STAFF CONTRIBUTORS

Lauren Anderson

Julie Harrison

Holly Pitt Young

OUTSIDE CONTRIBUTORS

Michael Giusti

Julie A. Vincent

CUSTOMER SERVICE

IN (ISSN: 1931-7727) is published four times per year by the **National Association of Mutual Insurance Companies (NAMIC)**, 3601 Vincennes Road, P.O. Box 68700, Indianapolis, IN 46268-0700, (317) 875-5250.

IN magazine strives to inform, entertain, and inspire its audience: mutual property/casualty insurers and those who work with them. IN's articles reveal and explore issues, challenges, trends, and personalities central to the purpose of mutual insurance and related business.

Published articles are intended for informational and educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the author or individuals quoted by the author and may not reflect the opinion or position of NAMIC.

IN magazine is not responsible for or otherwise liable for the content or representations made in any advertisement. We reserve the right to reject advertising that is deemed to not be truthful or in good taste or is inconsistent with the mission of NAMIC. All advertising is subject to the terms and conditions set forth in the advertising contract.

Correction of factual error(s) of previously printed editorial information will be published at the earliest available opportunity.

IN magazine welcomes submissions and often assigns articles to freelance writers. Basic criteria for such submissions and assignments include relevance to the mutual insurance industry, timeliness, and quality. Actual publication will depend on space availability. NAMIC reserves the right to edit any article for space, clarity, and style. For more information on writers' guidelines, please email publications@namic.org.

Comments from readers are also welcomed and should be submitted to lrobison@namic.org. Reader name, phone number, and email address should be provided to be considered for publication.

For permission to reproduce any articles from IN magazine or its predecessor, Property/Casualty Insurance magazine, or to order any back issues of IN magazine, email publications@namic.org.

Periodicals postage paid at Indianapolis, IN, and additional mailing offices. Employees of NAMIC member companies may automatically be subscribed to IN magazine, with the cost of subscription included in annual dues paid by member companies. Individual subscriptions are available to non-members at an annual cost of \$40. POSTMASTER: Send address changes to IN magazine, P.O. Box 68700, Indianapolis, IN 46268-0700. All rights reserved. Printed in the United States.



In February 2018, President Donald Trump signed the Bipartisan Budget Act of 2018. Part of the bill gives states incentive to invest in resiliency by allowing the federal cost share after a disaster to increase from 75 percent to as high as 85 percent, on a sliding scale based on a state's resiliency ratings. States will be rated on several factors, including adoption of the latest building codes and mitigation plans and investment in disaster relief/emergency management programs.

Eight months after the first bill, Trump signed the FAA Reauthorization Act/ Disaster Recovery Reform Act. The DRRRA authorizes the president to set aside 6 percent of the amount that was distributed through the Disaster Relief Fund after every major disaster. These funds would automatically be deposited into FEMA's Pre-Disaster Mitigation Program fund, which was renamed the National Public Infrastructure Pre-Disaster Mitigation fund by the new law.

This massively enhanced fund, which could be funded with up to \$1 billion per year, based on current disaster spending levels, would be used by communities across the country to proactively mitigate against the risks of flooding, wind, wildfires, and other catastrophes. By comparison, the nation's PDM program was funded with \$30 million in the 2015 fiscal year.

Taken together, these two enactments make significant funds available for strengthening states before and after disasters.

Looking Ahead

NAMIC is now working to ensure states use this money in ways that lead to measurable reductions in disaster losses. To do this, NAMIC is coordinating with FEMA to create the guidance for the submission of cost-effective, risk-reducing grant applications.



To lay the groundwork for this effort, NAMIC's regional vice presidents are working with state legislatures to adopt Resiliency Week, which

will ideally take place the first week of September. They will also host a series of regional disaster summits designed to highlight the changing landscape following the enactment of the DRRRA.

Virginia passed its Resiliency Week resolution in February 2019. Reilly says the state will observe the week by planning for natural disasters and developing long-range mitigation strategies to protect people and property from future hazardous events. The state has already begun investing expertise and resources in the mitigation of the impact of sea-level rise.

The Texas Legislature is now making disaster preparedness and mitigation a priority. According to Martin, more than 25 bills are being considered in the current session. They address everything from flood mitigation to improved access to supplemental nutritional assistance for low-income Texans after a disaster.

On the federal side of preparedness and pre-disaster mitigation, NAMIC and the BuildStrong Coalition are currently

working to create a legislative working group that would develop the next generation of policy goals that will build on previous successes. This includes expanding the reach of BuildStrong by incorporating seismic, wildfire, and flood criteria into the conversation surrounding building codes.

NAMIC also plans to explore new legislation to facilitate public-private partnerships and explicitly allow for FEMA pre-disaster mitigation money to fund state-based resilient construction tax incentives.

The Trump administration has made no secret of its plans for a potential infrastructure overhaul in 2019, and while there is speculation that infrastructure could be a rare area of agreement between the administration and congressional Democrats, the outlook for a comprehensive plan remains unclear. However, a must-pass highway reauthorization package to be developed by the House Transportation and Infrastructure and Senate Environmental and Public Works committees could ultimately serve as the vehicle for wholesale infrastructure investment and reform.

With FEMA expected to issue guidance defining a state's resiliency metrics in the first half of 2019 — pursuant to the new federal cost-share incentive law — NAMIC continues to engage with the agency. The goal is to further impress the importance of ensuring that the cost-share incentive guidance is tied to the adoption and enforcement of the latest building codes, leading to a measurable reduction in disaster losses. [IN](#)

Resiliency Week 2019

NAMIC is encouraging states to undertake a review of their current resiliency programs and begin improving those measures. The association's resolution would establish the first week of September as Resiliency Week.



Supporters of Resiliency Week

- American Institute of Architects
- American Property Casualty Insurance Association
- American Society of Civil Engineers
- BuildStrong Coalition
- Congressional Fire Services Institute
- EPDM Roofing Association
- Federal Alliance for Safe Homes
- Independent Insurance Agents & Brokers of America
- Insurance Institute for Business & Home Safety
- International Code Council
- Pew Charitable Trusts
- Portland Cement Association
- Professional Insurance Agents
- VA Ready Mixed Concrete Association [IN](#)



UNCOVER MORE

LISTENING TO INSURANCE UNCOVERED IS NOW EASIER THAN EVER



Hear the latest insurance news and an inside perspective from thought leaders in the property/casualty insurance industry.

Download new podcast episodes every two weeks on these platforms or at namic.org/insuranceuncovered.

