[IN]SURANCE

Winter 2019

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THE MANY FACETS OF ERM

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...AND MORE

Chuck Chamness is president and CEO of NAMIC. You can contact him at cchamness@namic.org.

Filling the Empty Seats

NAMIC IS UPPING THE ANTE ON THE NAMIC MUTUAL INSURANCE FOUNDATION SCHOLARSHIP PROGRAM CONTRIBUTION GOAL TO HELP FILL THE INSURANCE TALENT GAP.

CHUCK CHAMNESS

It's been a couple of months since the 124th Annual Convention, but for those of you who attended the closing session, you'll remember the block of empty seats in the middle of the room; you might even recall the reason they weren't occupied. For those of you who didn't attend, I promise I won't hold that against you ... for too long anyway. But allow me to explain.

The empty seats weren't broken or the result of poor attendance. They were cordoned off deliberately to represent the challenge — dare I say, the risk — we face called the talent gap.

With so many impending retirements, we need a new crop of professionals who will take this industry to the next level. And every member of the industry, no matter the size of company or line of business, must work together to fill those empty seats.

Fortunately, there is an abundance of potential talent out there. Gen Z, the oldest of which are just now entering the workforce, is the most populous generation, even larger than the millennials we've talked so much about. Unfortunately, the competition for talent is fierce. Equally unfortunate is the reality that the cost of the education needed to enter the workforce is only getting more expensive. A recent U.S. News and World Report article said that since 2008, tuition prices have risen by more than 60 percent. And because my wife, Bridget, and I just finished putting four kids through college, we can attest to that increase.

So here are the facts of the situation: mutuals need to replace a retiring workforce; an abundance of young talent needs jobs but may not be aware of mutuals; and students interested in insurance need help with tuition. When you add those together, they equal a challenge but also a great opportunity.

What better way to raise awareness about the industry's career opportunities than by providing scholarships to help ease students' financial burden?

That's exactly what NAMIC is doing. The association is celebrating its upcoming 125th anniversary by paying it forward through the expansion of an industry scholarship initiative. Yes, we've had a scholarship program since 2012, previously under the umbrella of the Merit Society. But two years ago, we established the NAMIC Mutual Insurance Foundation as a 501(c)(3) entity and brought the scholarship into the foundation. Those actions allow companies and individuals to make tax deductible contributions.

As I announced at convention, we've set a goal of raising $125,000 to award to deserving students in 2020. That's more than double what we've raised in the past, and we're already well on our way.

To those who have contributed, thank you for your donation. If you haven't contributed, I urge you to consider giving to this great cause — Bridget and I are contributing some of the money we're not having to pay for our own kids' tuition bills. Large or small, each donation will help students on the path to a bright future in the insurance industry. You can find out more about the foundation and the scholarship and make your donations at NAMICMutualFoundation.org.

If you know students who are pursuing insurance, risk management, or actuarial science degrees, encourage them to apply. The online application portal will be open from January 31 until March 31.

With a little luck, a lot of hard work, and the commitment of this great membership, when we convene in Boston for the 125th Annual Convention, we'll be celebrating not only 125 years of service to the mutual insurance industry, but a successful scholarship campaign and those who will benefit from it. [IN]

ERM – Everyone's Responsibility to Maintain

ENTERPRISE RISK MANAGEMENT MIGHT SEEM LIKE AN EXECUTIVE FUNCTION, BUT EXPERTS SAY EVERY PERSON AND EVERY DEPARTMENT HAS A ROLE.

Lindsay Robison

"Not my job." Have you ever found yourself muttering that phrase?

Come on, admit it. We all have ... in any number of aspects of our lives, even if it's only voiced in our minds or disguised under coughs.

When it comes to risk management, enterprise risk management in particular, the first instinct may be to defer. A question about ERM or a request to perform an ERM-related task leads some insurance industry professionals to use that phrase while pointing toward management's or the regulatory/compliance team's offices.

And who can blame them? Especially when ERM experts such as Yvette Connor, principal of risk advisory and strategic risk practice leader for Grant Thornton LLP, make statements like this one: "Most insurance companies are performing some form of enterprise risk management for regulatory reasons, and in many cases, if a company is large enough, it's filing an Own Risk and Solvency Assessment report with their lead state regulator. "

Even a basic definition of the practice could make people point the finger of responsibility in that general direction. Consider the following: "ERM is the process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's capital and earnings."

But managing an enterprise's risks isn't just a regulatory issue, nor is it the responsibility of only one or two groups. For ERM to work correctly, the emphasis should be on the "enterprise" portion of the phrase, meaning every department and every person has a role.

"Enterprise risk management is best viewed as the responsibility of all — from the frontlines and frontline managers to the risk analysis team on up," says Howard Kunreuther, author, James G. Dinan Professor Emeritus of Decision Sciences and Public Policy, and co-director of the Center for Risk Management and Decision Processes at the Wharton School of the University of Pennsylvania. "We've found that ERM works best when you have everyone

A Positive Spin on ORSA

Enterprise risk management is about more than governance and regulation. Yet, both are heavy influencers, because as Yvette Connor, principal of risk advisory and strategic risk practice leader for Grant Thornton LLP, says, regulatory reasons are why most insurers perform risk management.

Even though that often leads to the need to file an Own Risk and Solvency Assessment, "not all insurance companies qualify for ORSA reporting, but it has influenced the industry," Connor says. "Regulators want to know how you're managing your business and your risk and what you think that risk is worth."

While there may be collective sighs inside insurance companies' headquarters at the mention of such regulatory reporting, Connor sees it in a positive light. "For the first time, insurers have the ability to tell their risk stories in ways that fit their culture," she explains. "They get to [explain] in their own words how they identify risk and manage risk.

"In this instance you're not given a checklist," Connor continues. "Regulators have said, 'We're not going to tell you everything you need to do. You tell us what you're doing.' And you get to describe it in your voice." IN

Distinguishing Enterprise Risk Management

Traditional Risk Management	Enterprise Risk Management
Insurable	Non-Insurable (Mostly)
One-Dimensional Assessment (severity)	Multi-Dimensional Assessment
Manages Risk One By One	Analyzes Material Risks and How They Relate
Occurs in One Department/Siloed	Spans the Entire Organization/Holistic
Reactive and Sporadic	Proactive and Continuous
Disjointed Activities	Embedded in Culture and Mindset
Standardized	More Nuances, which Requires Soft Skills
Risk Averse	Risk Taking

Source: Carol Williams, a former Florida Office of Insurance Regulation financial specialist and current founder and consultant with ERM Insights by Carol.

involved rather than thinking about it as a hierarchical process."

For **SFM Mutual Insurance Company**, the transition to a company-wide system began in the early 2000s — right around the time enterprise began finding its place in front of the term "risk management."

"I do think SFM has been forward-thinking as far as realizing risk doesn't just lie in claims and underwriting, that traditional [insurance company] risk management perspective," says **Amanda Aponte**, vice president and chief risk officer for SFM Mutual. "Risk is enterprise wide, and that means we can encounter everything from regulatory risks to weather risks."

That thinking leads Aponte's team to meet with all departments at SFM to discuss their risks. "What we're trying to do as a company is take the mystery out of ERM and make it more than just an executive function," Aponte explains.

"We're providing more frontline education so that every employee has a handle on how [his or her] role may expose us to risk," she continues. "Having employees understand that helps us stay viable, maintains our reputation, and keeps our business moving forward."

Checking the List

Grant Thornton's Yvette Connor says ORSA's lack of a prescribed reporting checklist can be an insurer advantage, but Wharton School professors Howard Kunreuther and Michael Useem suggest companies make checklists to ensure they are master managers of their enterprise risks.

- ✔ Don't pretend it can't happen to you
- ✔ Involve personnel at all levels
- ✔ Recognize behavioral biases and simplified rules that misdirect company decisions
- ✔ Identify and appraise the risks you face
- ✔ Define your risk appetite and risk tolerance
- ✔ Take steps now to invest in protective measures
- ✔ Learn from your own adverse events and those of others
- ✔ Strategize for recovery
- ✔ Protect against extreme events through risk transfer
- ✔ Attract and prepare the next generation of company leaders

Source: "Mastering Catastrophic Risk: How Companies are Coping With Disruption"

Being Deliberate

Some people believe their intuition is their superpower. And while there are times when a person's intuition might guide them in the right direction, experts caution against using intuition as part of a company's enterprise risk management plan.

"Management decisions in preparing for and reacting to low-probability-but-high-consequence events often reflect behavioral biases and simplified decision rules that characterize intuitive thinking, including an availability bias, hindsight bias, underestimation of risk, overconfidence, minimum risk thresholds, myopia, and a status quo bias," Wharton School professors Howard Kunreuther and Michael Useem write in their co-authored book "Mastering Catastrophic Risk: How Companies are Coping With Disruption."

"Deliberative thinking, by contrast" the text continues, "gives greater attention to systematic analysis and complex protocols, both essential for company readiness for disruptions."

While there has been progress in companies' transitions from intuitive to deliberative thinking when managing enterprise risks, it's a work in progress ... for everyone, according to Useem.

"I suffer from intuitive thinking as much as anybody, even though I teach deliberative thinking in the MBA classroom," Useem admits. "We must force ourselves to retrain, rethink, and realign our thoughts and processes to become more strategic and deliberative."

Tending to Your Most Important Assets

ENCOURAGING EMPLOYEES TO BE HEALTHIER ISN'T NEW, BUT LOOKING AT IT FROM A MUCH BROADER VIEW IS. AND IT JUST MIGHT MAKE YOUR BOTTOM LINE HEALTHIER, TOO.

Lindsay Robison

When **Merchants Mutual Insurance Company's** headquarters underwent a renovation in 2016, the ultimate goal centered on accommodating a growing staff. The regional mutual had run out of meeting space and needed a spot for larger gatherings. Yet, the building makeover featured several additional signs of the insurers' efforts to adapt to the needs of its budding workforce.

A walking track encircles the larger, more open meeting area. Treadmills designed to accommodate electronic devices and/or other reading materials have been placed around it as well. Exercise videos and yoga mats have found their way into the headquarters, and everywhere you look, there is signage encouraging employees to be and stay active. There is even a blood pressure kiosk available to employees. Each feature is indicative of how important employees are to Merchants Mutual.

Scenes like these in offices across the country shouldn't be surprising. Workplace wellness initiatives have been around since the 1970s. More than half of American employers currently offer some kind of wellness program, according to the Centers for Disease Control and Prevention's most recent Workplace Health in America study.

Merchants Mutual began focusing on employee wellness more than a decade ago. Back then, it was very informal and garnered a relatively low participation rate. But as health insurance costs continued to rise, the company increased its efforts to help employees – and their families – stay healthy.

"We started the more formal program four years ago, and every year it's continued to grow," **Kelly Julius**, Merchants Mutual's vice president of human resources, says. "But we take it slow. When we start something new, we introduce it and let employees get used to it before modifying any goals."

Therefore, the formal wellness program that began with options such as an employee assistance program and health insurance premium discounts for good biometric testing results has grown far beyond the basics and is now part of the company culture.

> *"A lot of companies don't know what they don't know. And then they tend not to really understand how important the overall health of their workforce is to their overall productivity objectives."*
>
> — *Tyler Amell*
> *Chief Medical Officer and Relationship Officer*
> *CoreHealth Technologies*

As Merchants Mutual's focus on employee health continues to evolve, so have workplace wellness programs in general. The concentration is no longer just on physical health, as experts and employers alike have begun taking a holistic view of health. This means an ever-increasing number of initiatives now include financial, physiological, behavioral, social, and spiritual health options. This expanded approach has even triggered a call to change how to refer to these programs.

"I've been calling for a name change, if you will, because wellness as a term has gotten a bad rap," says Tyler Amell, chief medical officer and relationship officer at CoreHealth Technologies. "At the end of the day, there have been many promises about a very strong valuation of return on investment, which didn't really materialize, at least not in the way it was promoted.

"Well-being is a preferred term because it is all-encompassing," he continues. "It's very much focused on physical and psychological health because behavioral health issues are significant drivers of work disability. Anxiety and depression are major issues in the United States. Antidepressants are a significant employer cost. Plus, financial health impacts psychological and physical health rather dramatically."

Integrated wellness is another moniker often used to describe this holistic style. "With an integrated approach to wellness, all factors that influence health, wellness, and disease are taken into consideration, including the impact that stress, lack of sleep, and technology overload has on our well-being," according to an article by Purdue University Global. "This holistic approach creates, educates, and actively supports a community that embodies health and wellness and integrates them into daily life."

When it comes right down to it, no matter the term used to describe these programs, they are – or should be – part of a larger absence and disability management strategy. Because while most company leaders will tell you that their employees are their biggest assets, those same people are also some of the riskiest assets.

The American workforce collectively misses more than half a billion workdays a year, which amounts to $40 billion in annual losses, according to the Employer Assistance and Resource Network and the Bureau of Labor Statistics, respectively. And when productivity loss by employees who are at work but not performing at their highest levels because of personal-life distractions is considered, employers lose more than $225 billion each year, according to the CDC.

Therefore, an overall healthier workforce can amount to healthier enterprises. But most American businesses admit that they aren't doing as well as they should when managing absences. A recent Absence and Disability Readiness Index released by The Standard reports that approximately 60 percent of the 501 employers surveyed received a grade of C or below in their absences and disability management efforts.

Key Findings From the Workplace Health in America 2017 Survey

39 percent of workplaces with 10 to 24 employees have a health promotion program

60 percent of workplaces with 50 to 99 employees have a health promotion program

92 percent of workplaces with 500 or more employees have a health promotion program

69 percent of workplaces with a health promotion program have had it in place for at least three years

20 percent of workplaces offer stress management programs

14 percent of workplaces offer excessive alcohol and drug misuse programs

17 percent of workplaces offer a comprehensive workplace health promotion program

Having a designated staff person, budget, and experience offering health promotion programs significantly increase the odds of having a comprehensive program

Source: Centers for Disease Control and Prevention

Amell says there is still work to be done to get to a place where employers look at well-being as something worthy of the strategic and financial efforts. "Strategy is absolutely crucial," he says. "What we've seen in the past are what I term 'random acts of wellness.' Organizations that want to be successful must have a strategy and C-level support, which is where the return on investment conversation plays out.

"Once a strategy is developed, then you can see that there can be measurable and attainable goals," he continues. "That's when we move away from random acts that aren't necessarily managed or measured. Then you have a much higher likelihood of success when you incorporate a well-being strategy into an absence and disability management and prevention strategy."

Developing an all-encompassing strategy can, no doubt, be overwhelming and will vary from company to company. But when a company decides to embrace a wellness, well-being, absence management, or otherwise named strategy, Francois Millard, senior vice president and chief actuarial officer for the Vitality Group, says companies must first ask a critical, yet simple question: why?

"Why are you interested? Why is it important to your company?" he says. "That helps define the top solutions companies are looking for and what type of organizational support and investment will be needed."

Companies also need to know what their health and wellness track records look like. That can come from health insurance claims data as well as workers' compensation claims data. Yet, "the problem with only looking at claims data is you're only looking at people who access the health care system in one form or another," says Tom Parry, president of the Integrated Benefits Institute.

Parry advises employers to look beyond the claims data and use employee surveys and health risk assessments to develop a more comprehensive strategic program. One such assessment goes beyond asking employees what their doctors have diagnosed them with and inquires about the conditions they believe they have and which conditions they have

sought treatment for. "You're missing all that if you only look at claims data," he says. "So, I think employee surveys and assessments can become very important for insights into the workforce. Along with health claims, disability claims, absence claims, they give a good perspective on what's going on in your workforce."

Employers can then tailor the kinds of well-being benefits they offer to the needs of their employees. And if that means a well-being or absence management program doesn't look like a traditional one, that's perfectly acceptable, as long as it fits the company culture.

"Some of the best programs are the ones that have financial wellness and mental health wellness," says Terri Rhodes, CEO for the Disability Management Employer Coalition. "Some other good programs are offering things like elder care resources. Or bringing in an absence management professional who can help employees find resources they need [to take care of] certain life events. Just making employees knowledgeable about [these resources], in my experience, is very appreciated."

No matter what a program strategy looks like, Parry says "it's very important work, expanding the view of what affects people and their abilities to come to work and be successful.

"It's all really important stuff," he continues, "but be prepared for someone to ask the question, 'Why are we spending so much money?' You have to have a quantitative answer. You can't just say, 'It's the right thing to do.' Even if it is the right thing to do, that's not going to fly in the long term. You have to have numbers to back it up."

Make It Known

"There is such tremendous pressure on attracting and retaining that right workforce today, and these [well-being/absence management] programs are part of the strategy. But it amazes me ... I was at a dinner a few months ago, sitting around a table with some tech company people. They were talking about the plethora of programs they had for their employees, all the things that are said to attract and retain that workforce. What they need to be careful of — they can throw all kinds of programs at their employees, but if they don't know how to access them or how to use them, that program isn't going to do anything."

— Tom Parry
President
Integrated Benefits Institute

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PERSONAL CYBERPLUS™

The Talent Train Keeps A-Rollin'

WITH RETIREMENTS ABOUND, THE INSURANCE INDUSTRY IS USING A VARIETY OF INNOVATIVE TACTICS TO ATTRACT ITS FUTURE WORKFORCE.

Lauren Anderson

As it turns out, 2020 is not the end of the line. It's the year many predicted the looming talent gap crisis to derail the insurance industry's long history of stability, with estimates suggesting nearly 400,000 job openings because of retirement. However, with just weeks remaining until that ominous threat is supposed to hit like a freight train, insurers aren't panicking. They're chugging along full steam ahead toward a bright future — a light at the end of the tunnel, if you will.

But before we can punch our tickets to future growth and success, let's backtrack for a moment. It's been a long haul for insurers to make headway, conducting a variety of solutions to keep their companies running on track in the face of massive employee turnover.

Vermont Mutual Insurance Company recognized the need to change its recruitment strategy after an analysis of the company's demographics revealed 30 percent of its workforce would reach retirement age 10 years down the line.

Then there's **New York Central Mutual Fire Insurance Company**. Two years ago, the leadership team at the rural Edmeston, New York-based company extended employees an early retirement package in anticipation of the organization's changing needs. Nearly 100 people took NYCM up on the offer, clearing the way for new tech-savvy employees to come on board. However, there will be another large wave of workers celebrating their 65th birthdays in the next five to 10 years.

New Bells and Whistles

The pinnacle of this industry-wide turnover approaches insurers simultaneously with the unprecedented change brought on by technological advancements. As the current workforce shifts toward retirement, the talent gap is further demarcated by the significant need for skilled workers within technology-based fields. In fact, the skills gap is one consideration that prompted NYCM to offer its retirement package.

"As technology is playing a greater role with bringing about efficiencies when it comes to more monotonous mundane tasks, people are being asked to assume new roles and develop new skills within those existing roles," says **Cheryl Robinson**, chief operating officer and executive vice president of NYCM. "We were hearing the challenges that some of our longer-tenured employees were having regarding adaptation and learning new skills."

Most who accepted NYCM's early retirement left positions in operational areas such as claims and underwriting. Now, those recently vacated jobs are being reallocated to employees in emerging roles in applications development, customer experience, and branding.

Vermont Mutual is similarly in the midst of modernizing its legacy systems. As operational processes become more efficient, employees are empowered to come forward with their own ideas for improvement.

"It's everybody's responsibility," says **Dan Bridge**, president, CEO, and chairman of Vermont Mutual. "If you see something can be done better, then let's try to get it done better.

"It was a newly hired individual who looked at [an underwriting process] and said, 'Hey, there's a better way to do this,'" Bridge continues. "It may have only saved a few minutes a policy, but those improvements start to add up."

Location, Location, Location

The task of recruiting and replacing employees is daunting for any insurer, but it's even more harrowing for NYCM and Vermont Mutual, considering the companies' office locations.

"It's like this train coming at us," Bridge says. "Over the next five to ten years, we've got a lot of anticipated vacancies in a tough place to recruit."

Geographical concerns are not unique to Vermont's insurance industry. Statewide efforts are underway to attract new talent to the area. In 2018, Governor Phil Scott launched a program that pays employees $10,000 to move to the state and work remotely. The Vermont Futures Project is a separate effort to develop prosperity for Vermonters through various initiatives to grow its workforce.

"There are people who are looking for what Vermont has to offer," Bridge says. "Certainly, it's a beautiful place to live and raise a family, but it's a small state as well. So, finding the right person is a challenge."

Vermont Mutual is one of four property/casualty insurance companies located in the state capital, which adds its own unique challenges. With only 600,000 people in the entire state, the company has had to expand its reach.

Commuting to the office has also become a way of life for many at NYCM. In fact, the company is pulling talent from cities in a 40-mile radius. "[Recruiting to the company's rural location] was one of those things that honestly when we offered the retirement package was one of our fears," Robinson says. "Can we attract new talent, newer-generation employees into the workforce? I can't really tell you one reason why or how we were able to do it."

NYCM has hired 130 new employees the last three years. To Robinson's surprise, the company received applications from more than 1,300 job seekers in 2019 alone. That's nearly as many applications as the entire population of Edmeston.

"I think the area we come from, many could see it as a disadvantage when it comes to recruiting, but it's really one of our competitive advantages" Robinson says, referring to Edmeston's small-town character. "We've opted to stay true to who we are and focus on a few key elements in our recruitment strategy."

Recruitment Express

About five years ago, the leadership team at NYCM established a collaborative and consistent recruitment process that allowed employees to assess technical skills as well as the cultural fit. This means dedicated recruiters team up with each divisions' hiring managers from beginning to end.

"Previously, there was little consistency, and recruitment was done by many different people in the division, which didn't create a cohesive or proactive recruitment plan to provide adequate time for role transitions," Robinson says.

Vermont Mutual, on the other hand, has adopted what Bridge calls the "plus one" approach in some departments.

"We've migrated to a company that's always recruiting, whether there's a vacancy or not," Bridge explains. "We're trying to stay on top of it, and if we find talent, we won't hesitate to hire them in advance of a vacancy because we know we're going to have the turnover."

The company has also found success in retaining retirees who work part time from home. It allows Vermont Mutual to bridge the training gap that's created when a 30-year employee is replaced by someone with little to no experience.

"[The retirees] love what they're doing," Bridge says. "It keeps them engaged and we get part-time but highly productive help when we need it."

Making the Grade

At the core of both companies' recruitment strategies, however, is an intentional focus on culture and organizational purpose. It's what led both companies to be named among the Best Places to Work in their respective states.

"We recruit employees inspired by the company's purpose, empower them to make a difference, and value them for their contribution," Robinson says.

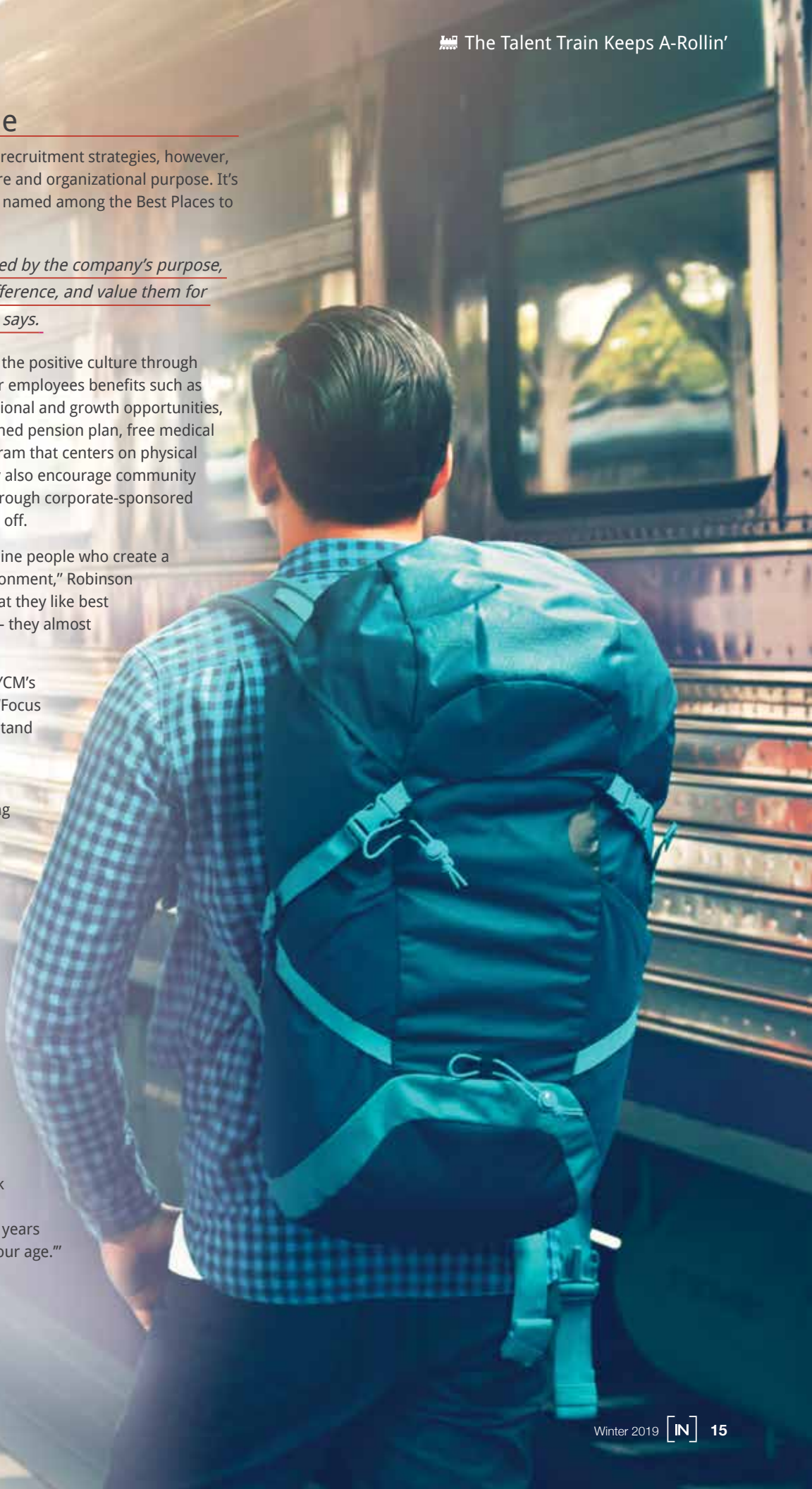
NYCM wants employees to feel the positive culture through their experiences. So, they offer employees benefits such as flexible work schedules, educational and growth opportunities, family-oriented benefits, a defined pension plan, free medical insurance, and a wellness program that centers on physical and emotional well-being. They also encourage community involvement and giving back through corporate-sponsored events or use of volunteer time off.

"We have such caring and genuine people who create a positive and helpful work environment," Robinson says. "If you ask employees what they like best — or what they will miss most – they almost always say, 'the people.'"

Word-of-mouth has become NYCM's most powerful recruiting tool. "Focus on who you are and what you stand for and the people will come," Robinson says.

As one of the 10 longest-running mutual property/casualty insurers in the United States, Vermont Mutual's reputation as a great place to work has never been stronger. Bridge says creating a positive work culture is about controlling the controllables.

"We can't control the fact that we're in central Vermont," Bridge says. "What is controllable is the kind of work experience you have when you come here. We have spent considerable time improving our culture and work environment. As we like to say, 'We're one hundred ninety-two years old, but we're trying not to act our age.'"



Getting Young Talent On Board

The industry as a whole needs to control the negative stereotypes often associated with careers in insurance.

"I think the overall challenge for the insurance industry continues to be an identity crisis [in] that people don't recognize the variety of opportunities within insurance organizations," Bridge says.

Vermont Mutual typically has five interns each summer, with most of them receiving offers upon graduation. Bridge recalls asking an intern group what made them choose a career in insurance and what their friends thought about it.

One raised his hand and told Bridge, "My roommate said, 'Dude, that's gonna suck! You're going to cold call for life insurance leads for hours a day.'" Vermont Mutual doesn't sell life insurance, but Bridge says the intern's response was telling of the reputational challenges the industry has among younger generations.

"When we get to tell the Vermont Mutual story, it becomes pretty compelling in terms of our success and our growth," Bridge says. "As we start to tell that story, the culture and environment we have here start to resonate with people as, 'Yeah, this is something I'd like.'"

Vermont Mutual and NYCM share their stories with local college and university students, even high school students as they formulate an idea of what they want to study.

"We are ever mindful of what the next generations' needs will be, but we will always stay rooted in our purpose," Robinson says.

Recruiting for highly technical skills and emerging roles has become an exercise in creativity. To fill a newly created experience designer position, for example, NYCM appealed to graduates of anthropology, philosophy, and other non-insurance-related majors, whose skills align with those of someone who would be successful in that position. Essentially, young professionals from any major can jump on board and find a place in the insurance industry.

"There's no one solution," Bridge says. "So, it's pulling a bunch of different levers to make sure that happens."

Prepared, Not Scared

"ACTIVE SHOOTER" IS A SCARY PHRASE. BUT IN TODAY'S WORLD, WHERE SUCH INCIDENTS ARE UNFORTUNATE REALITIES, IT IS IMPORTANT TO MAKE SURE STAFF MEMBERS ARE PREPARED.

Michaela Harris

> "We talk about the distinct difference between paranoia and preparedness. And what's important for people to know is that there is a difference between the two. We're not trying to get people paranoid or scared, we're trying to get them prepared."
>
> — *John Perrine*
> *Sergeant*
> *Indiana State Police*

Columbine. The byword for mass shootings. No doubt when you hear the name, you automatically think of fear and tragedy, of that worst-case scenario you never hope to find yourself in. And while the events of that day changed the way establishments across the United States approach security, it also brought to light the unfortunate reality that an active shooter event can happen any time, any place.

In 2018 alone, the aftermath of 27 active shooter incidents left 85 people dead and another 128 wounded, according to the Federal Bureau of Investigation. These events occurred in a variety of places, including business environments both open and closed to public access, educational institutions, health care facilities, government properties, houses of worship, and open-space locations.

"What we're seeing is such sporadic locations of these types of incidents," says Indiana State Police Sergeant John Perrine. "It's not just schools or certain places anymore, [active shooter events] seem to be happening everywhere, and I think people are starting to understand that we can't live in a world where we can pretend this can't happen where we are."

Historical data collected by the FBI has demonstrated a generally upward trend in these types of events; yet, with all variables considered, active shooter encounters are rare. So, while it is unlikely for most people to find themselves caught in an active shooter situation, it's not a reason to sit around and do nothing. Knowledge and preparation can mean the difference between life and death.

Prepare, Prevent, Respond

Like the word Columbine, the term active shooter typically incites unease and fear, but Perrine considers it differently. "[Companies] were [initially] a lot more reluctant because they didn't want to startle their employees or staff to this idea, this fear," he says. "They thought maybe it would bring fear. And what we're learning is it does the exact opposite, it brings preparation."

Preparation starts with communication. Prevention is taking the necessary steps to prohibit an active shooter event from happening in the first place.

Talk about the real possibility of an active shooter situation and how to prevent it. Prevention will look different for each individual company but starting small and taking little steps to create a safer, more secure work environment is a good place to begin. Employers should be aware

of indications of workplace violence and create an environment in which employees feel encouraged and safe to speak up when concerning issues arise.

Ensure that evacuation routes are clearly visible throughout the facility and consider posting removable floor plans for emergency responders near entrances and exits. When possible, institute access controls such as keys, fobs, or security system passcodes. Plan ahead by assembling crisis kits for each area or department that include radios, floor plans, a staff roster with emergency contact numbers, first aid kits, and flashlights.

Integrating the needs of employees with disabilities as well as those with unique job duties is an important part of the planning process. Implement a buddy system for individuals with disabilities to ensure they have assistance evacuating or concealing themselves. Develop procedures specifically tailored to employees working in areas of increased exposure.

Many local agencies offer free emergency response training programs, so, take advantage of those available resources to reinforce or build a comprehensive risk management plan that works best for your facilities and workforce. Local law enforcement is an excellent asset when it comes to identifying areas of concern and designing mock trainings. Inviting local officials in to host these types of exercises is a great way to assess preparedness. As the workforce grows and facilities change, regularly assess plans to determine if adaptations need to be made and/or if additional training is needed.

After preparation and prevention comes response. It's important for people to think about how they would react if they find themselves face to face with any type of violence and to know their options well before an event occurs.

"If the first time you ever think about how you'd respond to a violent encounter is when it's happening, your chance of survival decreases. Even if all you've ever done is thought about it, your chance of survival significantly increases," says Perrine. "So, you've got to know your options. And that allows you to make a decision much quicker without experiencing that stress [in the moment]."

> It would be easy to operate under the notion that these incidents happen to other people, but insurers know the importance of assessing risk and planning for the unexpected. The industry's most precious asset is its workforce. Implementing a comprehensive risk management plan that includes active shooter training is the best way to mitigate these types of risks and protect employees.

According to the FBI, the active aspect of the active shooter definition inherently implies that both law enforcement personnel and citizens have the potential to affect the outcome of the event based upon their responses to the situation. Considering most active shooter incidents are over in 10 to 15 minutes, individuals must be able to quickly determine the best course of action in order to save their lives and possibly the lives of others. Surviving the gap between the moment the event starts and law enforcement's arrival on scene is the most crucial, and given the unpredictable nature of active shooters, everyone should be familiar with three main actions — run, hide, fight — that can be taken as events unfold.

Run, Hide, Fight

If there is an accessible route to safely escape, the best option is to remove yourself from danger by running and evacuating the premises. Have multiple escape routes and plans in mind beforehand. Take into consideration all the areas in the building you frequent as well as different directions a shooter could come from. Prevent others from entering an area where the active shooter may be, and when possible, help others escape. Leave belongings behind and evacuate regardless of whether others agree to follow. If traditional escape routes are blocked, think creatively and consider other options such as windows, if on ground level. When encountering law enforcement, always keep hands visible and follow their instructions. Call 911 once out of harm's way.

If safely evacuating is not an option, find a place to hide where the active shooter is less likely to find you. Identify multiple hiding places around the facility in advance. The ideal hiding place will be out of the shooter's view and will provide protection if shots are fired in your direction. When possible, deny access by locking doors and/or creating a blockade with heavy furniture or objects. Avoid hiding in places that will trap you or restrict your options for movement. While hiding, remain quiet and silence any noise sources such as cell phones, radios, and televisions.

If neither running nor hiding is feasible, it is imperative to remain calm. If possible, dial 911 even if you cannot speak and leave the line open to allow the dispatcher to listen. As a last resort and only if your life is in imminent danger, attempt to disrupt and/or incapacitate the active shooter. Yell, distract, and act as aggressively as possible. Counter violence with violence by throwing items and improvising weapons. Be confident and commit to your actions.

Perrine says that when he conducts active shooter trainings with companies, he isn't necessarily looking for a certain level of preparedness. Some companies may be in the beginning phases of planning while others may just use the training to fine-tune plans already set in place. The important thing is that they are thinking about and preparing for the worst-case scenario. IN

Avoiding Unwelcome Surprises

MUTUALS WANT POLICYHOLDERS TO BE ACTIVE, JUST NOT UNDER NEFARIOUS TERMS. FORTUNATELY, THERE ARE WAYS TO KEEP POLICYHOLDER ACTIVISM AT BAY.

Catherine Imus

It's the annual meeting of XYZ Mutual, a midsize mutual insurance company based in the Midwest. There are only a few policyholders in attendance, and everything appears to be moving along as one might expect. Roll is called, previous minutes are approved, and the meeting is proceeding through the regular business items on the agenda.

Suddenly, a policyholder stands up and nominates someone from the floor to serve on the board of directors. It might be a bit unusual, but it does happen, and with no procedures in place to address this situation, the person is elected to the board. What this mutual soon learns, however, is that the individual just voted in has a rather distinct agenda, and it is primarily motivated by self-interest. Now what?

What is Policyholder Activism

In this fictional situation, XYZ Mutual is experiencing policyholder activism at its worst. Policyholder activism involves action by a policyholder to influence a company's governance or board of directors in otherwise nontraditional or unanticipated ways that challenge the reasonable expectations of management, the board, or other policyholders.

Kevin Kinross, a partner with **Taft Stettinius & Hollister**, says the term "policyholder activism" is misleading.

"When I mention policyholder activism, I'm talking about an individual, a group of individuals, or a third party that might be propping up or funding an individual or group of individuals to come in and try to force some kind of structural change in the organization, some sort of overhaul to the governance of the organization, or some change to the board of the organization for their own benefit and not necessarily for the membership or the organization as a whole," Kinross explains.

Because all members of a mutual may directly participate in the organization's governance, they have the right to attend annual meetings and vote in the elections of directors or other matters that need to be approved by policyholders. These are all very normal and expected activities. But when it comes to attempts to influence governance in a predetermined direction or predetermined outcome, or to challenge the structure of the organization itself — its existence as a mutual entity — that's when the waters can get muddied.

The fundamental question, according to Kinross, comes down to whether the individual or group is seeking to be active for an appropriate business reason or for an a priori or pre-determined result. But that can be a difficult motivation to accurately assess.

Complicating Matters

"The hard part when we talk about policyholder activism, especially in the mutual context, is that mutuals exist to act for the interest of their members," Kinross explains. "There is that fine line between restricting the rights of members and putting procedures in place to protect the interests of the membership as a whole."

It isn't unheard of for a policyholder of a midsize or small mutual to nominate someone from the floor for the board of directors during an annual meeting. However, it can be a very different matter when a policyholder does something less common such as make a series of requests for information — perhaps including a request for a member list so they can communicate directly with policyholders. In such cases an issue of "proper purpose" must arise. Simply making the request is not the issue, it's the reason behind the request that is important and relevant, and potentially problematic.

"Even in the more common situation, it could be that someone buys a policy today knowing that the annual meeting is in three months so they can come in and try to propose or force an

eventual demutualization," Kinross says. "They don't believe in mutuality, they're just trying to figure out if they demutualize, they may just get a big fat check out of this, because it will then be a stock company."

How Mutuals Can Be Better Prepared

So, what can companies do? Kinross says the first step is for companies to realize that this can happen — in fact, is happening — and that they could find themselves targeted by an outsider. After that, there are some practical steps a company can take that will make sure a plan and guidelines designed to help better govern the organization are in place. Companies executives and directors should perform a careful review of governing documents, such as bylaws, proxy practices, and other governance processes, to make sure they lay out the specific details related to annual meetings, board nominations, proxies, and release of the membership list or other corporate records. The key is to make sure the right guidelines are in place to protect the membership as a whole.

"The idea is to eliminate or minimize surprise as a means of making change. Again, not saying that policyholders cannot or should not be allowed to be active, but that we're just trying to eliminate a surprise or disruptive approach," Kinross says. "I believe that mutuals are failing to talk about it and raise it with their boards and are doing so at their own peril. It could look worse if you try to make reasonable changes retroactively or only after a policyholder becomes active.

"Then it looks like you're doing things to take rights away from members, even though that is not the case," Kinross continues. "Addressing these issues now minimizes the chance of anyone suggesting you are doing anything other than prescribing rules for the membership and how the organization is responsibly governed."

For example, companies should consider requiring that the addition of an issue to the annual meeting agenda or any board nomination must be submitted to the board a certain number of days before an annual meeting.

Another example might be to require a standard vetting process to ensure all board nominees have the appropriate skills and expertise to serve. It might also be wise to require a specific number of members to sign off on an issue or nomination in advance of the meeting. Yet another recommendation is that companies establish a process for direct communication with members, such as requiring that all communication be submitted to the board, with the company then facilitating the mailing to policyholders. That protects a member's ability to communicate with other members while also preserving the privacy of the membership and their potentially sensitive information.

Kinross says policyholder activism is real, and any company could find itself on the receiving end of improper attention designed to change the very structure of the company. Therefore, mutuals need to be aware of the risk and be prepared to manage it.

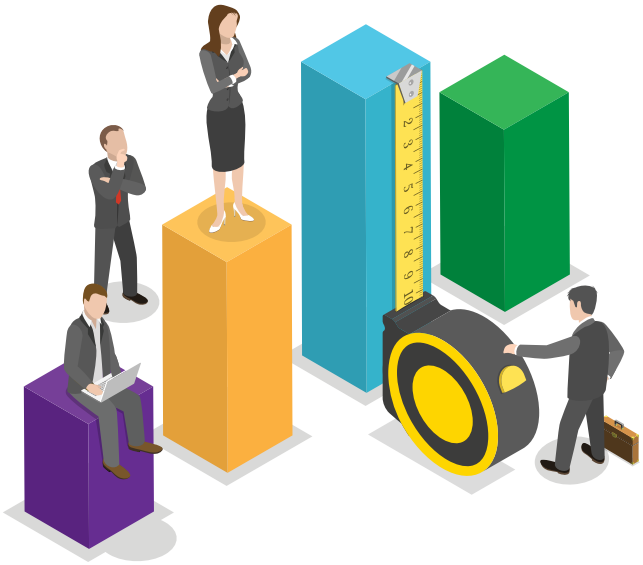
"It's one of those things that ten years ago if someone said they didn't want to talk about it, I get it, it's a very slim chance," he says. "Today, I would say it needs to be on your agenda where you're at least asking whether you think this is a risk to your organization."

NAMIC Governance Resources

NAMIC continues to address longstanding and emerging issues in mutual insurance corporate governance, including those impacting policyholder relations. **Gregg Dykstra**, NAMIC's chief operating officer, points to NAMIC.org's Corporate Governance Resource Center for related issues such as annual meetings and proxy practices. "There also are discussion forums that exist for CEOs and legal staff to pose questions and share responses that arise in the context of governance," Dykstra says. He also notes that the association provides corporate governance education through in-person events, online learning, and onsite customized governance programs for member company boards.

More recently, NAMIC provided guidance to members on the Model Corporate Governance Annual Disclosure Act and Regulation, and the topic of policyholder activism was specifically addressed in two General Counsel Connect meetings occurring in 2018. The General Counsel Connect program at NAMIC is a forum for corporate counsel from NAMIC member companies with respect to education and networking in these areas.

The Return of The Mutual Factor



THE SECOND EDITION OF THE NAMIC-PRODUCED MARKET ANALYSIS AND INSURANCE CONSUMER SURVEY SHOWS HOW MUTUAL INSURERS SET THEMSELVES APART FROM THE CROWD.

CATHERINE IMUS

The Mutual Factor sequel is out and, once again, it does not disappoint. The second iteration in the series of annual reports developed by NAMIC and designed to provide a detailed analysis of market performance offers further evidence to demonstrate the financial strength of mutual insurance companies.

The 2019 report, titled "The Mutual Factor: How Performance, Structure, and Focus Set Mutual Insurance Companies Apart," was released in late September during NAMIC's 124th Annual Convention and is the continuation of a research initiative first undertaken in 2018. Last year, the association partnered with Robert Hartwig, Ph.D., from the University of South Carolina to examine the state of the mutual industry. The first report served as the benchmark for comparison between mutual insurers, stock companies, and other insurer categories.

Not surprisingly, the initial study found plenty of evidence to support the overall financial strength and stability of the mutual sector. Still, as the first of its kind, the 2018 report had some limitations.

"When we initiated this research project last year, we did so with the full knowledge and expectation that there was room to grow in terms of the metrics being evaluated. We also knew we needed to start somewhere to establish the benchmark for comparison," says **Neil Alldredge**, NAMIC's senior vice president of corporate affairs and leader of the NAMIC project team. "So, with the help of our new partner, **Aon**, the 2019 Mutual Factor picks up where the original version started and adds to its scope by including significantly more data points for measuring performance."

Chris Delhey, Aon's senior managing director and mutual practice group leader, agreed that there are some similarities to the original report, but he also pointed out a key difference.

"Most of the findings were fairly similar year over year, in that it shows that the industry as a whole has performed very well given the increased catastrophe activity in 2017 and 2018," Delhey says. "One difference we observed in 2018 was although the combined ratio was lower across the segments in 2018, every segment saw a decrease in their capital growth; with stock companies even experiencing a three percent decline in capital year over year."

While the 2018 version considered 16 performance metrics, the 2019 analysis incorporated nearly 30 metrics. In addition to looking at key distinctions in operating performance metrics among mutuals, stock insurers, and the entire insurance industry throughout 2018, the report also measured performance over a five-year period. That helped provide additional context and show what kind of trends the industry is experiencing.

"What we found was that when it comes to operating performance and agency ratings, mutuals remain consistently strong," Alldredge says. "The latest study also validates that the mutual structure, which stresses the alignment of company and policyholder interests, serves both parties equally well."

Delhey says the Mutual Factor shows that the mutual segment is currently thriving in terms of growth and performance and is more than holding its own in comparison to other insurance competitors.

"Over the recent past, the industry as a whole has seen some fairly fierce competition and there is no reason to

The next update to the Mutual Factor analysis is expected next September, just in time for NAMIC's 125th Annual Convention in Boston.

expect that to change," Dehney says. "The report shows that mutual companies, whose structure dates back to the very roots of insurance, are more than capable of competing and succeeding in the modern insurance marketplace."

Alldredge notes that the 2019 partnership with Aon provided the opportunity for expansion, particularly the inclusion of the agency ratings component, in part because of Aon's ability to track how property/casualty insurance companies are rated under AM Best's updated Best's Credit Rating Methodology framework released two years ago. The analysis of how mutuals fared in agency ratings was based upon review of 628 U.S. property/casualty companies, of which 53 percent are represented as stock companies, 45 percent as mutuals, and 2 percent as other. The study included all rating components throughout the BCRM and found that mutual insurers' ratings compare favorably with the ratings of stock companies.

"The AM Best rating information shows that mutual companies are highly rated, with eighty-five percent rated 'A-' or better," Delhey says, noting why inclusion of this information is important to the overall picture of the mutual sector. "These ratings are supported by higher capitalization and more stable operating results when compared to their stock counterparts."

Specifically, the Mutual Factor analysis found that mutual companies are well capitalized with median Best's Capital Adequacy Ratio at the VaR99.6 of 59 percent, 10 points higher than stock companies at 49 percent. Ninety percent of mutual companies also have the "Strongest" or "Very Strong" balance-sheet strength, compared to 78 percent for stock companies.

The 2019 Mutual Factor also incorporated a survey of commercial insurance purchasers, building upon the 2018 survey of auto and home insurance consumers. The survey of 553 commercial property/casualty insurance buyers found that 95 percent of respondents were aware of mutual insurers and 65 percent viewed them favorably. Of those who considered themselves more familiar with mutual insurance companies, that favorability number rose to 87 percent.

Highlights From the 2019 Mutual Factor Report:

Mutual insurers were slightly less leveraged than their stock counterparts in 2018, with $1.23 in policyholder surplus backing up each dollar in net premiums written compared to $1.20 for stock insurers.

5X

In 2018, the dividend ratio, a gauge of the proportion of premium returned to policyholders, was five times larger for mutuals than for stock companies.

+1.8%

Capital and surplus in the mutual segment grew by 1.8 percent in 2018, an improvement in comparison to stock companies, which saw surplus growth decline by more than 3 percent due to higher underwriting costs.

Fueling Fire Prediction

AS MORE PEOPLE MOVE INTO WILDFIRE-PRONE AREAS, IT'S NEVER BEEN MORE IMPORTANT TO PREDICT WHERE FLAMES MIGHT SPARK. ADVANCES IN TECHNOLOGY ARE FINALLY GIVING US THAT CAPABILITY.

Lisa Floreancig

There are three times as many Americans than only a century ago, and this population increase directly influences where we live. There are those who decide to fight the noise, congestion, and pollution that urban/suburban areas bring. There are others who decide it is worth the risk to live on the coastline, potentially battling hurricanes six months a year. Then there are still others who are either pushed out into the country's wildland because of lack of housing and developable land or who are fed up with, well, the rat race.

While it might seem a bucolic landscape, wildlands meeting urbanity results in one very serious, sometimes catastrophic challenge — one that far outweighs the benefits. As Americans continue to pack up and move to the hinterland, their potential future could be a 21st-century take on a beloved children's tale ... "I'll huff and I'll puff and I'll burn your house down."

Modern-day wagon trains traveling to the wildlands isn't a trend that's going away anytime soon. In fact, it's not a trend at all. The American Academy of Actuaries found that almost half of all new U.S. homes are in the wildland urban interface, or WUI — the zone where structures and other human developments meet and mingle with undeveloped wildland or vegetative fuels, the key ingredients for wildfires.

CoreLogic's 2019 Wildfire Report likens the relationship of wildfires and human infestation of the WUI to that of hurricanes and seasiders. Just as hurricanes often build in strength as they move over the open ocean, wildfires build in intensity as they roll through the wildlands and enter the WUI.

The report, released in September, pinpoints 15 states with the highest risk for wildfire damage to property — more than 775,000 homes with a reconstruction cost of more than $220 billion have the potential to go up in flames. "Wildfire is a unique peril because the level of damage is often binary — a home is either left untouched by the fire or a total loss occurs," the report says. "... Unlike flooding or hail, it can and often does result in a one hundred percent loss of the structure."

It became clear to the insurance industry after Hurricane Andrew that predicting the future would become more difficult as new and different risks emerged. While today's catastrophe models do well predicting hurricanes, conductive storms, tornados, and hail, wildfire models are lacking up-to-date data. Data typically derived by the property owner or on-the-ground inspection by an insurer is often wrong.

"You need real data to make these models work. And the models have to be learning models; they have to be self-correcting models. But you can't do that without the data," says J. Timothy Ball, Ph.D., president of Fireball International Services Corp., a company that focuses on geospatial software, airborne mapping, sensor integration, and real-time data processing. "Modeling is complicated and technically difficult. The old models [would] probably be okay if they had the right data; they just never got the data."

So, as loss costs continue to rise, the tried and often-unsuccessful wildfire risk modeling continues to show its weaknesses. Case in point: Wildfire models were wholly lacking a few years ago, as the majority of structures destroyed by California's wildfires weren't considered high risk on the state's Fire Hazard Zone Map. But recently, a better understanding is emerging about the necessary equation for protecting lives and property: stronger preparedness + data-driven modeling = better outcomes.

"In order to predict [a wildfire], you need a couple of things," explains Atilla Toth, founder and CEO of Zesty.ai, a property risk analytics platform powered by artificial intelligence. "[First], you need to have a lot of data because you need to understand what historical losses were. Second, you need to know the individual risk characteristics that influence the loss. Once you know all of that, you can build the right model to get to a prediction."

Toth's company uses data gathering and machine-learning to produce higher-quality information about the risks to property from catastrophes such as floods and wildfires. While AI alone may not be able to prevent these disasters, it can help in preparing for them, which ultimately leads to better outcomes. In a May podcast with Chisel AI, a technology provider for the global insurance industry, Toth relayed that his company has amassed approximately 115 billion data points on buildings and their surroundings in North America without ever setting foot on the premises.

"We take a lot of high-resolution imagery before a fire event. Then we take a lot of high-resolution imagery in the exact location post-fire. With the computer, we go back to extract from the image certain characteristics such as vegetation density, roof material, and distance to wildfire areas," Toth explains. "Based on this, we build a probabilistic model where the computer tells us the likelihood of 123 Main Street falling within the perimeter [of a wildfire] and what the expected damage rate of an individual property would be."

Today, with the changing climate and human actions — 70 percent to 80 percent of wildfires are the direct result of humans — it's not so much an increase in fire frequency as it is an increase in fire severity.

"There might have been a big loss in a quarter, and you know your numbers as an insurance company might not look that great for that quarter, but you know there's really no risk of you going under," says Michael Young, vice president of product management for modeler RMS. "But in 2017, one of the first companies [went] broke because of wildfire risk."

The increase in wildfire severity caught the attention of RMS about the same time computing technology allowed modelers to do their jobs at a much more granular level. With the company's new software platform, insurers can better match risk to underwriting and rate making practices.

"What we've embedded into our model are the heat, the ember, and the smoke, plus another phenomenon called urban conflagration, where the fire feeds upon itself and becomes so intense that it starts to spread from one area to another," Young says. "This actually occurred in 2017 in the Coffey Park [California] neighborhood."

Interestingly, wildfire analysis company RedZone Analytics' models predicted with more than 90 percent accuracy which homes in Coffey Park would burn in that devastating wildfire that destroyed more than 1,200 homes. But the numbers could be better, says Ellie Graeden, Ph.D., the firm's co-founder. She says there is a lack of good, quantitative data on how certain types of homes catch fire and burn, but the company is working to fill that gap by examining wind, fuel availability, and topography of the land on which a fire is burning.

"What we saw was [modeling companies] had traditionally been providing the same type risk scores that were single-point-location scores," Graeden says. "But we had been hearing progressively that more [insurers] were really hungry for a more rigorous risk-based approach, especially after the 2017 wildfire season when everybody lost their shirts."

Graeden and her team took all the outputs and predictors found in previous cat models to build a geostatistical model of correlated wildfire risk across the entire U.S. landscape to learn which areas are most likely to burn, and, when they burn, which areas are most likely to burn together. This created an understanding of where the risks are and how insurers could structure their strategies and portfolios to mitigate those risks.

"The first thing [an insurer] needs to do is have a strategy centered on not having too much value that can be lost in a single event," explains Clark Woodward, co-founder of RedZone. "If you're only looking at the individual structure, you're admitting that you may lose all of those structures in a single day if you underestimate the intensity of a wildfire. When carriers have been focused on that individual structure and making all of their decisions based on the characteristics of that structure or a score, the question becomes, 'What happens if they're wrong?'"

Woodward warns against carriers assuming that the perimeter is going to have a lower risk for future fires after one has already occurred. "You can end up with adverse selection where you are writing lots of policies inside the perimeter; your pricing is lower; but you are making the assumption that the risk is lower when in fact it's really not," he says. "This has bit many carriers over the years.

"There needs to be some sort of baseline understanding for the risk," Woodward continues. "If you write everything you want after a fire, that fuel load is going to be back in five years, but you're going to be stuck holding all of those properties, and your fire risk just went through the roof."

It wasn't too long ago when the insurance industry was asking itself could there ever be wildfire claims totaling $10 billion, then insurers were hit with the extraordinary wildfire seasons of 2017 and 2018. Now the question becomes could the industry be facing a $100 billion event. "When you produce a lot of fuel, then you get a drought, which creates a very dry condition that only exacerbates the conditions for wildfires," RMS's Young says. "You can have a changing exposure, you can have a changing hazard, but vulnerability is one of the few things that we can change. That's the built environment." IN

Q&A With U.S. Senator Maria Cantwell

UNITED STATES SENATOR MARIA CANTWELL, D-WASHINGTON, SPONSORED THE WILDFIRE MANAGEMENT TECHNOLOGY ADVANCEMENT ACT, SIGNED BY PRESIDENT DONALD TRUMP IN MARCH. THE LEGISLATION PROVIDES FUNDING TO PROTECT WILDLAND FIREFIGHTERS BY REQUIRING AGENCIES TO OUTFIT CREWS WITH GPS LOCATORS AND DEPLOY DRONES TO SCOUT AND MAP FIRES. CANTWELL ANSWERED A FEW QUESTIONS FOR IN MAGAZINE ABOUT THE LEGISLATION.

Q: ***What was the impetus for your introduction of this legislation?***

A: I've traveled across the state of Washington talking to wildland firefighters, forest managers, and many others about wildfire and the impacts it's having on our communities. We know too often firefighters have to respond to massive wildland fires, oftentimes in very remote locations, without all the information they need. The fire chief in Spokane, Washington, once told me that information is critically important to them as they make decisions about where to deploy people, where to pull people back, and where to jump immediately on a fire. We must recognize that our climate is changing and that we

need new tools — and to carry out new responsibilities — as it relates to managing our public lands. As wildfires across the West continue to get more extreme, we want wildland firefighters to have every resource they can. We want our response to be the same as any other disaster we'd be preparing for, whether it's a hurricane in the South or a storm off our East Coast.

Q: ***What do you hope will be accomplished as the result of this new law?***

A: As we see fire seasons extending and having more catastrophic effects, we need to give communities and firefighters every tool possible. It is so important firefighters and local, state, and federal forest management agencies have the best possible technology to locate the fire and their firefighters, to keep them safe, and to ensure their efforts are effective in protecting communities around the country.

Q: ***How long did it take you to get this legislation through Congress and to the president's desk for signature?***

A: In January 2018, I introduced this legislation along with my colleague from Colorado, Senator Cory Gardner. Senator Gardner and I represent states that have been greatly impacted by wildfires, so we wanted to work together to bring technology to the table to better protect firefighting personnel and our communities. The bill was passed as part of the public lands package this February and was signed into law shortly thereafter.

Q: ***Were you surprised by the reaction to the bill you received on Capitol Hill?***

A: Our legislation received overwhelming bipartisan support in the Senate, and the House acted quickly to send it on to the president's desk. Colleagues on both sides of the aisle know that wildland fire funding is so important and that we need to keep working on this problem. N

A Fresh Take on the Fundamentals

WHEN NANCY NEWMISTER TOOK OVER AT FREDERICK MUTUAL, SHE MADE IT HER GOAL TO INNOVATE COMPANY PROCESSES WITHOUT LOSING SIGHT OF ITS FOUNDING PRINCIPLES.

JULIE A. VINCENT

Frederick Mutual Insurance Company has hit a big milestone — its 175th anniversary. This makes the company the third oldest insurer in Maryland and the ninth oldest in the nation. It could be easy to rest on the longevity of the company, but these days longevity and staying the course aren't enough.

That's where **Nancy Newmister**, Frederick Mutual's president and CEO, comes in. Depite the company's longstanding history, she believes that "in some ways, we are among the youngest."

Describing Frederick Mutual this way may sound odd, but Newmister says it is because of the way the company is branding and positioning itself for the future — all while adhering to the company's founding principles.

Founding Fundamentals

"While so much has changed in the insurance industry, it's the fundamental values and strategy that our founders put in place that have served this company and our policyholders extremely well for the last one hundred seventy-five years," she says. "Bringing these same values forward will serve this company for the next one hundred severnty-five. We have applied our four founding principles to rebrand the company. They are easy to say, but there is so much underneath each one."

Frederick Mutual's four founding principles are to be faithful in the execution of claims; to carry out a business philosophy of low conservative growth; to limit underwriting to wise quality properties; and to invest surplus funds wisely.

"I'm honored to have been brought here, to use my larger-company experience to help position this wonderful one hundred-seventy-five-year-old company for the next one hundred seventy-five. It's an amazing opportunity."

— Nancy Newmister
President & CEO
Frederick Mutual Insurance Company

Frederick Mutual has more than $44 million in assets. Through independent agents, the company offers comprehensive insurance coverage and products for small businesses in Delaware, Maryland, North Carolina, Pennsylvania, South Carloina, Virginia, and Washington, D.C. It also offers homeowners insurance in Maryland and Pennsylvania. Newmister credits the company's longevity to strong financials, derived from safeguarding the interests of its policyholders and to its dedicated team of insurance professionals that is helping usher in sustainable profitable growth, new innovative products, and coverage enhancements.

Transparent Expectations

Newmister has been in the insurance industry in some capacity since she was 19. From 1985 until 2002, she worked her way up the underwriting ranks at Harleysville Insurance Company, climbing from assistant underwriter to assistant vice president and, finally, market segment leader. From 2002 to 2012, she served as vice president and chief underwriting officer and then regional vice president at Montgomery Insurance. And before coming to Frederick Mutual, she worked as senior vice president and chief underwriting officer at Berkley Mid-Atlantic Group. She joined Frederick Mutual May 2, 2016.

Newmister's first phone call with the company took place in December 2015. After several interviews and a board meeting, she was offered the job in late March 2016. She describes the hiring process as a luxury because of the company's transparency. She came in knowing a lot about Frederick Mutual and the expectations the company had for her. More importantly, after having some "major fixes" in a few of her previous positions, she knew she needed

to understand verifiable details prior to taking the role. She knew there would be challenges, but at this stage of her career, it was exactly what she wanted … and her eyes were wide open.

"I was brought here for a transition, to use my experience with larger insurance companies to see new opportunities for the company and help shape the then-imminent anniversary," she says. "Frankly, I saw a real opportunity to fix some things. The company, which is "A-" rated by AM Best, had recently received a negative outlook, mainly centered on operational performance. It was time to focus on best practices and retaining and contracting with more accountable agents."

The board of directors had made several C-suite-level changes — except for the chief financial officer position — prior to Newmister's arrival. She and the now-retired CFO, whose work ethic she describes as incredible, were able to form a great working relationship, which she says was made stronger because of their shared Christian faith. Together, they got to the details she needed to run the company, and she was able to fill every role left open by the board's changes.

Diving Into Data

Newmister refers to herself as a "data junkie," so she knew she needed to take a deep dive into all areas of the company to be able to find the heart of it all. So, she asked people to pull data from everywhere. There would be changes, and she knew that was going to put her in a difficult situation at best. Employees didn't know her. They didn't know if she was there to sell the company. They didn't know just what was ahead for them. But Newmister knew the employees were fiercely loyal to Frederick Mutual, so she hoped they were willing to support new leadership for the betterment of the company.

"From experience, I knew I was going to dig deep and ask our employees to do the same," she explains. "It was important they not be afraid of what we might find. I encouraged everyone to look at challenges from different perspectives and not be afraid of a changing culture.

"We found problems and kept finding them. But the key was to fix them as quickly as they were known," she continues. "It's a team effort, so I made sure to get to know all the employees and really pay attention to any negativity or anyone who seemed overwhelmed while trying to get the culture change moving along at a faster pace."

The Innovation Journey

Newmister and Frederick Mutual employees continue the journey to modernize and innovate products and services for the company's independent agents and policyholders. The company is now fully digitized because ease of doing business with Frederick Mutual is always top of mind. Trying to attract the right policyholders is also a must.

"It's vital for us to have a loyal customer base and, of course, the first line for our customers is our independent agents. We must all share the same core values and level of trust. That simply makes it easier to do business together," Newmister says. "But I don't believe the answer for success is simply how many customers we have. It's more about having the right customers.

"Contrary to some companies, I believe the answer is to focus on what it is going to take for your company to prosper and then target that customer base," she continues. "It's not 'How do I get customers?' It's 'What customers do I want to underwrite?' Then they will come to us.

"As an insurance company leader, it's imperative to know and communicate what you are trying to do as a company," Newmister continues. "You build everything around that as opposed to trying to build your company around what you think people want. I know I will get some disagreement here, but that's what I believe."

Newmister understands insurance companies are trying to figure out what the next generation wants and how they want it. Yet, she does not wake up every morning trying to figure out what her children's generation wants from an insurance company.

"They don't know what they want," she laughs. "They just want to do it on their phones."

Speaking of children, Newmister and her husband have two, a 29-year-old son and a 27-year-old daughter. Both she and her husband have busy jobs, his being in information technology. He was able to work from home in the consulting world while the kids were in high school. This allowed the couple to invest in her career while knowing the children were in good hands.

"I admit I have made significant sacrifices, and I've missed a few things as our kids grew up," she says. "We made physical moves to accommodate my career path. My husband carried a lot of the weight for years, but our children are so fortunate to have had incredible time with their father. And each move was an interesting opportunity for all of us."

Newmister is looking forward to grandkids and admits she is "on a faith journey." She believes God directs our paths.

"All I can say is, 'Life is.'" IN

Q&A With Penn State's Gary Langsdale

AS INSURERS, IT'S YOUR JOB TO HELP OTHER PEOPLE MANAGE THEIR RISKS – AND TO MAKE SURE YOU MANAGE YOUR OWN IN A WAY THAT ALLOWS YOUR COMPANY TO CONTINUOUSLY HELP ITS POLICYHOLDERS. BUT INSURERS DON'T HOLD A MONOPOLY ON RISK MANAGEMENT. IN FACT, EVERYONE MUST MANAGE RISKS. INSTITUTIONS OF HIGHER EDUCATION MIGHT HAVE SOME OF THE MOST DIVERSE RISKS AROUND. IN MAGAZINE SPOKE WITH GARY LANGSDALE, ASSISTANT VICE PRESIDENT AND UNIVERSITY RISK OFFICER AT PENNSYLVANIA STATE UNIVERSITY ABOUT WHAT IT IS THE LIKE TO MANAGE RISKS ACROSS 24 CAMPUSES.

Q: *You began your career as a claims adjuster at Liberty Mutual. What was it like moving into a strictly risk management role?*

A: That was fairly smooth because my first risk management role was working for a natural gas utility, handling claims in its risk management office. When I went to work for [another organization], its risk department had much less of a claims focus. But my claims background did such a good job of teaching me to read insurance policies; my career at an insurance company taught me a lot about the sales and administrative aspects, so it wasn't a terrible shock to go to the corporate risk management world.

There were, of course, unique challenges such as working with a board of directors and management at the risk management level compared to my role in insurance claims operations. That caused me to cautiously work my way through, but it wasn't a problem.

Q: *What are the most pressing issues on the university-related risk management radar?*

A: Right now, there are two main issues: concussions in sports and sexual molestation, which really started out here at Penn State with Jerry Sandusky. There have been others since then and with the "MeToo" movement, there have been other universities that have come forward. So, it is an industry-wide hot topic. It is a particularly difficult challenge for the insurance piece of it. Insurers are very reluctant to extend coverage for molestation claims as well as for concussions.

Q: *How did your department handle the Sandusky scandal. Did it change the way you manage that kind of risk?*

A: From a risk management perspective, it was a wakeup call. I won't say it was a "black swan" that no one could predict. It was what I call a "predictable surprise." When we look back on it, we should have paid more attention to the youth on campus. We've determined that the university currently has 100,000 students enrolled, but last year, we served 200,000 youth participating in various programs, everything from sports camps and academic camps to childcare centers. We also operate all of Pennsylvania's 4-H programming. So, we serve a lot of youth, and we are doing a tremendous amount of risk management in that area.

The university retained Louis Freeh [to perform an internal investigation] after the Sandusky issue broke. There were 10 chapters in his report. The first nine laid out the facts and drew conclusions; the last one offered recommendations to improve the management of risk at Penn State. We've implemented every one of those recommendations.

The annual conference for the association for higher ed risk managers [was in September]; while there, I had people coming up to me, nine years later, asking for a copy of our policy for minors on campus.

Q: *How do you make a risk management plan for everything that does, or could, occur on campus?*

A: Frankly, it's pretty elementary. It's a lot of common sense. As a department, we can't manage all of the risks that can occur on campus. So, we try to get people to think about their own risks.

I am not the risk manager for alcohol on campus. But the dean of students, the counseling centers – the people who deal with that – we get them to think about it. We have a lot of people who will call and say. "We're having this event. Is that all right with risk management?" My technique is to ask them to describe the details and what they are trying to accomplish. In some cases, once they start talking, they talk themselves out of it or maybe say, "We shouldn't do this this way" or "Maybe we should add this or that." While they are talking, they are describing what they should be doing differently. To me, that is a big success, when they are talking about risks and they are making changes on the fly based on common sense.

Q: ***Beyond the current hot topics, are there any other risks that seem to rise to the top of the list regarding managing risks on campus?***

A: Entrepreneurship. Like a lot of other universities today, we encourage students and faculty to be entrepreneurial, to think of the next big thing. Our job is to help them manage the risks so that they are safely being entrepreneurial.

And then there are student activities. We are focused on making sure our students have great experiences and have out-of-class opportunities that are just plain fun. We work very closely with the student activities to make sure our students have great opportunities to have fun, within a tolerance of risk, of course.

Q: ***We talk so much about technology - insurtechs, legacy systems, cyber threats, and the like. Has technology had a big impact on how Penn State manages risk?***

A: The university's technology has certainly evolved, and the risks the university faces as a result of that technology have changed. We're working to make sure we understand what those risks are and that the university is financially protected as the technology evolves. And if it hiccups or burps, we are there with a backstop.

Not only do we have information about our students, alumni, faculty, and staff, we also operate a medical center. It has its own risks from a cyber perspective.

Q: ***What do you consider to be the biggest evolution in risk management during your 16 years at Penn State?***

A: We implemented an enterprise risk management program in 2006, which got a lot of legs in 2012 after the Freeh report was released. There was a lot of emphasis on that, and so our risk management program evolved. People really do care about the risks, and they always have. People are on campus 24/7, going to football games, hockey games, concerts, ballet performances. We want the university to be successful, and that includes everybody from the students to the faculty and staff. We all want to see the university on the front page of the sports section of the paper rather than the business section.

Bridging the Coverage Gap

IN THE SHARING ECONOMY, DISTINGUISHING BETWEEN PERSONAL AND COMMERCIAL LINES CAN BE CONFUSING FOR AN INDEPENDENT CONTRACTOR, BUT INSURERS CAN MAKE SURE THEY'RE PROPERLY COVERED IN EVERY SITUATION.

LAUREN ANDERSON

In a world where instant gratification has become the standard, it's not surprising that the sharing economy has become the new normal. It's a great option for gig economists who share rides through organizations such as Uber and Lyft as well as those who share their homes through Airbnb and Vrbo. However, each time someone opens a door to their car or home, they're also — oftentimes unknowingly — welcoming risk.

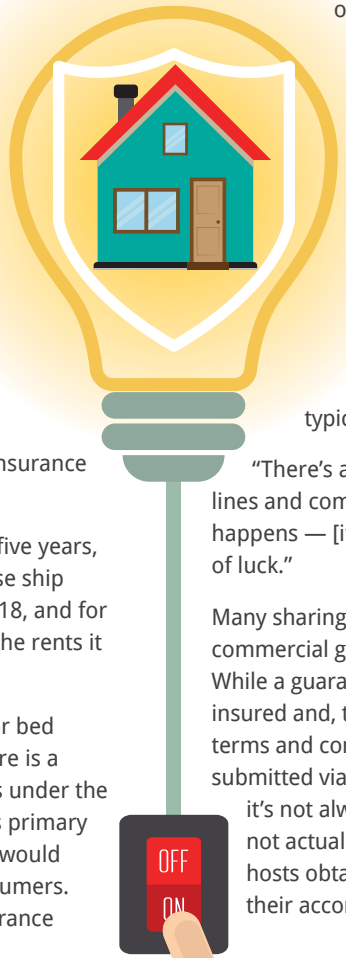
According to the Harvard Business Review, the sharing economy draws more than 22.4 million consumers and $57.6 billion in spending each year, and these numbers are predicted to continue to rise. In fact, PwC estimates that the on-demand economy will reach a whopping $335 billion by 2025.

However, as this economy propels forward, the insurance market has struggled to keep pace.

Take my friend Steve as an example. For the last five years, he's made a living and travels the world as a cruise ship entertainer. Steve purchased his first home in 2018, and for the six months each year he's performing at sea, he rents it out through Airbnb to make some extra money.

His home isn't licensed or regulated like a hotel or bed and breakfast. And for many hosts like Steve, there is a misunderstanding of the risk involved. Steve was under the impression that because the home he rents is his primary residence that his homeowners insurance policy would cover him, which is a common myth among consumers. In fact, he didn't find out the truth about his insurance coverage until I interviewed him for this article.

Steve is not alone. A 2018 survey by the Society of Insurance Research found relatively few consumers are familiar with key innovations in on-demand or usage-based insurance, and even fewer have had actual experience with such innovations. So, there's a huge opportunity for insurers to educate consumers about the benefits of on-demand insurance products.



"I think the industry in general needs to do a better job of communicating the inherent risks involved with ridesharing and homesharing," says Patrice Nolan, senior vice president of research services at Competiscan. "I don't think a lot of consumers understand risk in general or what insurance does for them. There are people out there who will just rent their homes and not even get insurance."

The Gap in Coverage Options

What most consumers don't understand is once they have guests in their homes who pay to stay there, the home becomes a business and homeowners and renters insurance policies typically aren't designed to cover commercial use.

"There's a lot of confusion and crossover between personal lines and commercial lines," Nolan says. "So, if something bad happens — [if guests] destroy the property — [the host] is out of luck."

Many sharing apps provide a host guarantee program or commercial general liability insurance, but neither is enough. While a guarantee program is nice, the host is not the named insured and, therefore, has no policy rights; the complete terms and conditions of coverages are unknown; claims are submitted via the platform instead of directly to an insurer; and it's not always primary insurance and, in some cases, it's not actually insurance at all. Even Airbnb itself recommends hosts obtain appropriate insurance for their accommodations.

Where to Turn

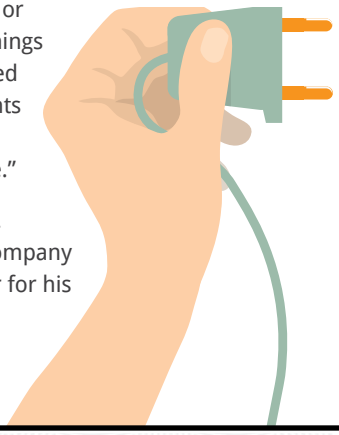
Some insurers are creating on-demand products to help bridge the gap between personal lines and commercial lines. These products allow the everyday gig economist to simply

"swipe right" when they need coverage — think turn-it-on-turn-it-off or pay-per-use features.

Slice is one such company reinventing the insurance model to take advantage of this gap in coverage. The app offers homesharing coverage at an average of $7 per night, whereas traditional commercial policies could be cost prohibitive for most gig economists. Slice has also partnered with **Nationwide** to develop on-demand auto insurance for rideshare drivers.

While large carriers are normally the ones working with these usage-based companies, it doesn't mean there aren't opportunities for smaller carriers.

"It's not something you would do without a lot of thought and effort," Nolan advises, "but from the perspective of smaller mutuals or regionals there are definitely things they can be doing to get involved by offering special endorsements that can be added on to homeowners or auto insurance."

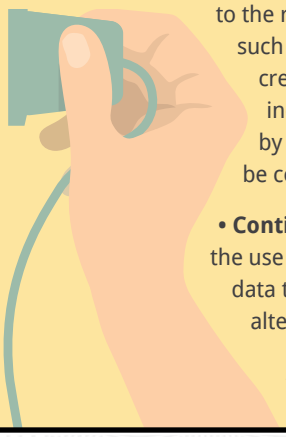


That was the solution for Steve. Luckily, he was able to find a company that offered an affordable rider for his homeowners policy.

Many insurers are still on the sidelines, though, when it comes to providing on-demand coverages. "It's not going away, but it's certainly not going to go mainstream in the next couple years," Nolan says. "The technology is available, and I think as insurers get more data and analytics around [the sharing economy], you'll start seeing more carriers enter the marketplace."

Types of On-Demand Insurance:

- **Microinsurance** refers to coverage of smaller risks via rapid underwriting including on-demand products like travel or event insurance, renters insurance broken out for specific high-value items, or pay-per-mile auto coverage
- **Gig insurance (or sharing economy)** refers to the rise of freelance or "gig" opportunities such as Uber and Airbnb. Insurers are creating products to allow these independent contractors to be covered by swiping right when they need to be covered.
- **Continuous underwriting** is the use of constantly updated policyholder data to quickly determine consumer risk and alter prices and policy terms accordingly.



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Q&A With Embroker's Jeff Samuels

NO MATTER WHAT SIDE A PERSON CHOOSES REGARDING THE CANNABIS LEGALIZATION DEBATE, NO ONE CAN DENY THAT THE INDUSTRY IS BOOMING, TO THE EXPECTED TUNE OF $77 BILLION BY 2022. DESPITE THE ESTIMATED IMPACT, FEW, IF ANY, NAMIC MEMBERS HAVE CHOSEN TO ADD CANNABIS TO THEIR BOOKS OF BUSINESS. YET, THERE ARE FIRMS THAT HAVE TAKEN THE LEAP, BUSINESS INSURANCE BROKERAGE EMBROKER AMONG THEM. JEFF SAMUELS, EMBROKER'S BUSINESS DEVELOPMENT AND SALES AND CANNABIS PRACTICE LEADER, TOOK SOME TIME TO ANSWER IN MAGAZINE'S QUESTIONS.

Q: *How long has Embroker been working with cannabis industry-related clients?*

A: Probably the last two years. I've been with the company since January, and they had a few clients prior to me joining. But 2019 is really the year that we've ramped up in the space. I started focusing on cannabis and hemp about five years ago with a smaller brokerage. Because of the knowledge and expertise I've gained during those years, I thought it was a great opportunity to leverage and team up with Embroker.

Q: *What sparked your interest in the cannabis space?*

A: I've always worked at or with startup companies. I like working with companies that are first to market and that are — to use a cliché — disrupting. I began working with a few technology companies that were ancillary to the cannabis business, that weren't directly involved in the plant-touching operations. I'm based in New York, and this was right around the time when the state had passed its Compassionate Care Act. The news sparked my interest, and I realized that cannabis was obviously an area that needed help from an insurance standpoint.

Q: *What about Embroker? What made the company decide to take on cannabis?*

A: The Embroker business model has been to provide technology insurance services and a more seamless experience for high growth, usually venture-backed startup companies. Just by the nature of its target audience being innovative new business, cannabis fit the mold. Plus, Embroker is based in San Francisco and so much of the cannabis industry has been birthed in California; it made sense.

Q: *Considering the legal issues surrounding cannabis, what has it been like trying to match your clients with carriers?*

A: I realized pretty quickly that the admitted direct markets weren't going to touch any of these companies right out of the gate.

That was a challenge for me. I had to go through the motions and make sure I was checking all of my markets to see who was or wasn't willing to push the boundaries. I got a lot of declines early on.

Another challenge was to figure out how to take a business that to so many people is extremely risky, to make it look less risky and be something that could be underwritten successfully. Starting with the ancillary businesses was really a good way to get carriers comfortable with it.

Q: *Starting with the ancillary businesses has been helpful, but what about the plant-touching side?*

A: The plant-touching businesses are definitely more challenging to underwrite. There are parallels to agriculture as well as pharmaceuticals, so it's been about finding markets that have previously underwritten those and being able to draw those parallels. That has taken some time, but it has been helpful. As of late, we're seeing some really strong wholesale markets that are geared specifically toward cannabis.

So, I think that's where we are today. There's a slew of specialty wholesalers that focus just on cannabis and hemp and there are bigger legacy wholesalers that are starting to write it. And now, very slowly, we're starting to see some of the admitted markets interested in underwriting it. It's certainly been a slow rollout in that regard.

Q: *When it comes to these businesses being insured, are there extra hoops you have to jump through to find your clients coverage?*

A: We do have to provide more detail than most submissions. Any good broker knows that when you send a submission out to market, you have to give the full story. And you obviously want to paint your client in the best possible light.

If you look at some of these cannabis insurance applications, they're 17 to 20 pages long, especially on the plant-touching side. They are extremely detailed, which helps underwriters pull out all the different pieces they need.

Q: ***As you've mentioned, the mainstream carriers are not as involved in cannabis as wholesale insurers. What do you think it will take for the mainstream carriers to see cannabis as an insurable risk?***

A: I think it's safe banking. There is the SAFE Banking Act, which essentially allows cannabis companies to bank. There's also been a lot of news on the CLAIM Act. I think with those two things, once there is progress on either of them, there will be no reason why the mainstream carriers wouldn't write it. They'd be missing out on a tremendous amount of premiums and a multi-billion-dollar opportunity. I think that's really the silver bullet … the SAFE Banking Act.

Q: ***Will mainstream insurers entering the market put the niche insurers in a tough spot?***

A: I want to give the Admirals and James Riverses credit because they're writing business where not a lot of companies want to, and with that comes restrictions because they still have to cover their own skin. But they are doing a pretty good job with what they have, and obviously as more actuarial data becomes available, they — and others — will do an even better job of underwriting it.

Q: ***What do you see coming down the pipeline for the cannabis industry when it comes to insurance?***

A: I mentioned it earlier, but the CLAIMS Act is certainly a positive thing. I think the conversations around hemp and CBD have certainly pushed carriers forward. I think the majority of people interpret hemp and CBD as now being federally regulated, and they have so many overlaps and parallels with cannabis. I think hemp is really pushing the equation forward. That is a big positive, and not just as far as insurance, but for the cannabis market in general and what it will look like in the future. N

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

Community Involvement

Acuity Insurance, Sheboygan, Wisconsin, donated $2.5 million to Aurora Health Care. This is the largest single charitable contribution the company has ever made. It will support the construction of the Acuity neonatal intensive care unit, the Acuity pediatric unit, and the Acuity birthing center in Aurora's new hospital. During the past several years, the insurer has donated nearly $4.6 million to health care initiatives. The company also conducted its annual Acuity Health Challenge, which raised more than $15,000 to help advance behavioral health and wellness initiatives in the community. More than 650 people took part in the event.

Grinnell Mutual, Grinnell, Iowa, will distribute a total of $7,000 to five fairgrounds across its writing area as part of the 2019 Fairgrounds Facelift grant program. The company named 15 finalists in late August and asked fans of its Facebook page to vote for their favorite. The top vote getter will receive a $3,000 grant while the other four will receive $1,000 each

Hires & Promotions

Wayne Insurance Group, Wooster, Ohio, selected **Timothy Suppes** to be its president and CEO. This appointment will become effective January 1, 2020. Suppes is currently serving the organization as vice president of underwriting and operations. He joined Wayne Insurance Group in 2000 after stints in the Westfield Group's and Western Reserve Group's information technology departments. Suppes earned a bachelor's degree in business administration from Malone College.

Frederick Mutual Insurance Company, Frederick, Maryland, hired **Paul Stenbjorn** as vice president of information technology. He is responsible for managing technology projects, systems, vendors, and staff. He has more than 20 years of technology management experience in government, nonprofit, and private-sector settings. He attended Ohio University and Virginia Commonwealth University. He has earned the Microsoft Certified Professional designation.

Awards & Recognitions

Sam Watts, director of operations for Indianapolis, Indiana-based **NAMIC Insurance Agency**, was named Emerging Leader of the Year for 2019 by the Independent Insurance Agents and Brokers of America. The group presented Watts with the award at its convention in November. This is the second Big I award Watts received in 2019. He was also honored as the Director of the Year.

Grinnell Mutual, Grinnell, Iowa, made the Best 50 Internship Programs list compiled by career research firm Vault. Vault surveyed more than 13,000 interns from more than 400 companies nationwide.

Acuity Insurance, Sheboygan, Wisconsin, received the Economic Driver Award from the Wisconsin Development Association. This award honors organizations for their commitment to long-term investment in its economic impact to their local communities as well as the state.

Wisconsin Reinsurance Corporation, Madison, Wisconsin, was named to the Best Places to Work in Insurance list. WRC employees gave the company high marks for its benefits and company culture. WRC's exact rank on the list was not known at press time.

Holborn Corporation, New York, New York, hired **Paul Houska** as senior vice president of its Kansas City branch office. Prior to joining Holborn, he served in marketing, underwriting, and management roles with Gen Re. He was with the organization for more than 30 years. He earned a degree in finance from the University of Missouri. He holds the Chartered Property Casualty Underwriter and Associate in Reinsurance designations.

Pinnacle Actuarial Resources, Inc., Chicago, Illinois, appointed **Matt Berglind** as director of marketing communications. He joined the company with nearly 20 years of marketing and communications experience in a variety of industries. He earned a bachelor's degree in liberal arts from Saint Xavier University, a master's degree in communications from Northwestern University, and an MBA from the University of Illinois at Chicago.

Encova Insurance, Columbus, Ohio, announced that **TJ Obrokta** will succeed **Dave Kaufman** upon Kaufman's retirement at the end of December. Obrokta was one of BrickStreet Insurance's founding officers, first serving as general counsel, senior vice president, and secretary. He became BrickStreet's chief operating officer in 2012 and president in 2015. When BrickStreet and Motorists Insurance joined in 2017, Obrokta was named president and chief operating officer. He earned a bachelor's degree in economics from Columbia University and a law degree from the West Virginia University College of Law.

The MEMIC Group, Portland, Maine, hired **Kim Wilson** as senior production underwriter for the Georgia market and is based in Atlanta, Georgia. She has more than 15 years of experience in the insurance industry in casualty claims as well as personal lines and commercial lines underwriting. She earned a bachelor's degree in business administration from the University of Mississippi. She also earned the Associate in General Insurance, Associate in Personal Insurance, and Chartered Property Casualty Underwriter designations. She is working to earn the Associate in Commercial Insurance designation. MEMIC appointed **Benjamin Roberts** to senior production underwriter for its Vermont market. Roberts joined MEMIC after a stint with Acadia Insurance. He earned a bachelor's degree in business administration with concentrations in management and marketing and a minor in statistics. He holds the Associate in Commercial Underwriting, Associate in Commercial Underwriting Management, and Chartered Property Casualty Underwriter designations.

New Products

Arbella Insurance Group, Quincy, Massachusetts, launched Arbella Edge for individual and small and midsize chain restaurants. The product replaced the existing Dining Advantage endorsement and offers combined property and general liability coverages. Arbella Edge is available to restaurants operating in Connecticut, Massachusetts, New Hampshire, and Rhode Island. In addition to Arbella Edge, the company broadened the coverage offered in its Restaurants Spotlight endorsement.

Farmers Mutual Hail Insurance Company of Iowa, West Des Moines, Iowa, rolled out its newest agency support tool, FMH Bridge, in August. It is designed to help identify growth opportunities for FMH agents. The insurer worked with FindBob, a technology startup working to provide greater ease of agency growth and perpetuation. FMH launched the tool in Iowa and Kansas and will eventually make it available to policyholders in all 41 states in which FMH writes business.

Miscellaneous

Motorists Insurance Group, Columbus, Ohio, and BrickStreet Mutual Insurance Company, Charleston, West Virginia, which affiliated in 2017, announced in July that the entities are now **Encova Insurance**. The all-encompassing new brand is meant to give agents and policyholders a one-stop-shop for insurance products.

Integrity Insurance, Appleton, Wisconsin, announced in August a partnership with Ask Kodiak, an insurtech company that has developed a commercial insurance search engine to keep independent agents abreast of carrier appetite. Integrity now offers an agency portal, IntegrityAgent, that allows agents to more simply research specific classes, review eligibility information, and learn about Integrity's commercial products.

BriteCore, Springfield, Missouri, announced this past summer that it received $47.5 million of growth capital. The investment, which includes funds from Warburg Pincus, Radian, and WCF Mutual Insurance Company, brings BriteCore's total funding to more than $70 million and should allow the company to accelerate development of new products and expand its team.

Jewelers Mutual Insurance Company, Neenah, Wisconsin, announced in September that its policyholders approved the company's plan to convert to a mutual holding company. The conversion had already been approved by the Wisconsin insurance commissioner's office as well as the Jewelers Mutual board of directors. An issuance of a certificate of authority is expected at the beginning of 2020, at which point the conversion will become effective.

McMillian Warner Mutual Insurance Company, Marshfield, Wisconsin, unveiled its new brand and logo this past fall. The rebranding complemented a recent summer internship program that was instrumental in choosing the new logo and the company's launch of new products.

Retirements

Brown Township Mutual Insurance Association, Springville, Iowa, in July announced the retirement of **Dennis Lang**, the organization's assistant secretary/treasurer. He retired after 45 years of service to the insurance industry. Lang was also principal of Lang Agency, Inc.

Wayne Insurance Group, Wooster, Ohio, announced in August the retirement of **Tod Carmony**, its president and CEO. The retirement will be effective January 1, 2020. Carmony joined Wayne Insurance Group in 1978, serving in various positions before being appointed president in 1996. He will continue to serve as the organization's chairman of the board after his retirement.

Encova Insurance, Columbus, Ohio, announced this fall the retirement of CEO **Dave Kaufman**. His retirement will be effective December 31, 2019, but he began transitioning his responsibilities to his successor, **TJ Obrokta**, in October. Kaufman will remain on the board of directors after his retirement. IN

TOP 10

NAMIC PAC TOP 15 for Quarter Three 2019

TOP 15 PROPERTY CASUALTY CONFERENCE CONTRIBUTING COMPANIES	
Auto-Owners Insurance Company	$61,010
Western National Insurance Company	$29,118
Ohio Mutual Insurance Company	$22,452
Harford Mutual Insurance Company	$22,050
Mutual of Enumclaw Insurance Company	$21,033
Preferred Mutual Insurance Company	$20,782
Secura Insurance, A Mutual Company	$17,510
Pennsylvania Lumbermens Mutual Insurance Company	$17,000
Pioneer State Mutual Insurance Company	$16,150
Columbia Mutual Insurance Company	$13,392
Frankenmuth Mutual Insurance Company	$11,933
Lititz Mutual Insurance Company	$11,575
Norfolk & Dedham Mutual Fire Insurance Company	$11,333
Rockford Mutual Insurance Company	$9,013
West Bend Mutual Insurance Company	$9,000

TOP 15 FARM MUTUAL CONFERENCE CONTRIBUTING COMPANIES	
Fairmont Farmers Mutual Insurance Company	$11,300
Heartland Mutual Insurance Association	$6,800
Farmers Protective Mutual Insurance Company	$5,650
CFM Insurance, Inc.	$5,100
First Maxfield Mutual Insurance Association	$5,000
Germania Farm Mutual Insurance Association	$4,575
Mutual of Indiana Insurance Company	$4,350
Mound Prairie Mutual Insurance Company	$3,750
Friends Cove Mutual Insurance Company	$3,300
Western Iowa Mutual Insurance Company	$2,850
RVOS Insurance Group	$2,550
American Mutual Fire Insurance Company of Kentucky	$2,500
Municipal Mutual Insurance Company of West Virginia	$2,500
Frontier — Mt. Carroll Mutual Insurance Company	$2,300
Farmers Mutual Insurance Association of Hull	$2,175
NAMIC Staff Contribution	$27,738

The Local Impact

MEETING WITH LEGISLATORS ON THEIR HOME TURF CAN BE AS EFFECTIVE AS VISITING THEM IN THE NATION'S CAPITAL.

HOLLY PITT YOUNG

As you know, what happens in Washington, D.C., and the state capitols has real-world consequences for the mutual insurance industry.

That's why grassroots advocacy is such a powerful tool for influencing the public policy process, particularly when citizens with common interests band together. It puts a human face on the issues and lets elected officials know how the choices they make affect the lives of real people back home.

Since the mid-1980s, the Congressional Contact Program has provided the opportunity for NAMIC members to meet with their congressional representatives and staff on Capitol Hill to voice opinions about legislation and other issues affecting the property/casualty insurance industry.

There are many ways to make a difference politically, but there is no substitute for face-to-face meetings with your federal and state legislators.

Yet, not everyone can make it to Washington, D.C., and that's okay. It is equally important to meet with legislators in their district offices when back in their hometowns during recesses.

Here are some tips to effectively meet locally with your legislators.

Be Prompt and Professional

Once you've made an appointment, be sure to keep it. It's wise to confirm your appointment a day or two in advance. Arrive on time, preferably early. Dress professionally and make sure you're prepared to deliver your message persuasively.

Respect the Legislator's Schedule

Remember that your legislator's time is limited; make certain the meeting does not exceed the allotted time. Be sure to stick to your topic, keep your comments and questions brief, and allow time for your legislator to ask questions and provide feedback.

Be Flexible

When scheduling an appointment, provide as much advance notice and information as possible. Be ready to tell the scheduler the reason for the meeting and how much time it will take. And try to be flexible about dates and times.

Be Organized for the Meeting

Know your issue and the facts supporting your position. If several people will be attending, designate one spokesperson. When you arrive at the meeting, introduce all the attendees and allow the spokesperson to explain why you have requested the meeting. If you are asked a question and do not know the answer, let the legislator know you will find out and follow up immediately.

Refrain From Arguing

While you're entitled to disagree with your elected official, remember that you're not there to win an argument; you're there to build a positive relationship. Even if you're unable to persuade your legislator to your point of view, it's best to leave on friendly terms. The fact that you took the time to meet with your legislator personally may still have an impact on his or her position, even when it differs from yours.

Follow Up With a Personal Letter

Always send a thank you letter after the meeting. It demonstrates that you value your elected official's time and allows you to reiterate your position. [IN]

Provide Leave-Behind Information

Leave appropriate materials with the legislator. Leave-behind information will help the legislator remember your views and allow him or her to refer to them after the meeting. NAMIC's government affairs team has policy papers and talking points on the issues and is happy to answer any questions and ensure you have the most appropriate materials.

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TRIPping Toward Reauthorization

WITH THE TERRORISM RISK INSURANCE ACT SET TO EXPIRE AT THE END OF 2020, STAKEHOLDERS ARE WORKING TO EDUCATE LEGISLATORS ON ITS NEED FOR REAUTHORIZATION AND ANTICIPATING SUCCESS.

MATT BRADY

With 2020 being a presidential election year, the attention of the media, and Americans in general, will undoubtedly focus on the political horse race and its attendant scandals and surprises. At the same time, though, we still have a government that must run, and lawmakers will still have work to do. So while election years are often short on actual legislation, if long on symbolic measures; Congress will still need to move spending legislation to keep the lights on and reauthorize various federal departments and programs.

One of those programs known as the Terrorism Risk Insurance Program and enacted under the similarly named Terrorism Risk Insurance Act, is among the highest priorities for NAMIC, the insurance industry as a whole, and many other sectors of the broader economy. The program is currently set to expire at the end of 2020, but efforts to prod Congress into action more swiftly have already begun.

"Congress these days tends to govern crisis to crisis and only at the last minute. That said, we have been hard at work throughout 2019, laying a lot of groundwork and educating members of the House and Senate, particularly those who are new to Washington and may not know much or anything about the program," says **Jon Bergner**, assistant vice president of public policy and federal affairs for NAMIC. "We have made very clear to the leadership of both chambers and the relevant committees that this is a must-pass piece of legislation. To date there is no credible voice suggesting the program should or will lapse."

The Reason Behind TRIA

TRIA was born out of one of the darkest days in the nation's history. While the country reeled from the horrors of 9/11, insurers and policyholders found themselves facing an unexpected and potentially massive exposure to terrorism risk. The unthinkable happened, and suddenly the nation realized we wouldn't be ready if it happened again. Reinsurers followed by investors and

lenders froze at the thought of losing everything to the next attack, and so development dried up, taking thousands of jobs and the broader economy with it.

Congress passed TRIA in 2002, establishing the public-private partnership that fostered a terrorism insurance marketplace and supported much-needed economic growth. Insurers in the program are required to keep terrorism coverage affordable and available. In turn, should a terrorist attack occur, companies would be able to spread a percentage of losses beyond a deductible over the years following an event. The federal government would provide the upfront funding for that percentage of losses and companies would repay the Department of the Treasury with interest.

"The program essentially acts as a post-funded payment mechanism for the catastrophic tail coverage of terrorism risks," an April 2019 TRIA white paper written by Bergner explains. "This coverage is valuable, but not priced explicitly nor paid for upfront — it is paid for in the event it is used and in effect pricing is determined after any event. This structure is common for risks that are more difficult to quantify and where there is great uncertainty as to the range of possible outcomes ...."

The program was originally set to run for three years, but it was extended by Congress because the conditions that made the TRIA program necessary remained. Since 2002, the program has been reauthorized three times, with the most recent extension occurring in 2015.

Vital Education

While each extension has been a win for stakeholders, the time that elapses between them means advocates must effectively start over when it comes to educating lawmakers about TRIA.

"About ninety percent of Congress was not in office when this program was created and more than half were not even here during the last reauthorization debate, so the need for education is enormous," Bergner says. "But the good news is we learn from the past debates and are able to approach new members knowing what messages are effective, which helps improve the overall political landscape and prospects for reauthorization."

Traditionally, opposition to the TRIA program has come from those on the conservative side of the political spectrum, Bergner explains. "It is, after all, a federal government program, and to those not acquainted with the issue, it can appear to be interference in the operation of the free market."

But explaining how the program enables a private marketplace and has done so at virtually no cost to the taxpayers is usually effective, according to Bergner. "The notion that the federal government has a role to play in responding to an attack on our nation is also an effective reminder for TRIA skeptics and is a theme we have been hitting on throughout the year," he adds.

More of a challenge are those members of Congress who look to make changes to the program simply because they can. "TRIA skeptics have not and really cannot identify a problem with the way the current program is operating," Bergner says. "The commercial market for terrorism coverage is humming along with those who need it being able to find and afford it. What problem are we trying to fix? There is no answer other than, 'We always change the program when we reauthorize it.'"

In prior debates, those changes have been focused on transferring costs from the government to companies by increasing the individual company deductible or the program's trigger level. The Treasury secretary can certify an event as an act of terrorism if losses exceed $5 million, but the TRIA program doesn't kick in until industry aggregate losses have surpassed $200 million in one year.

"It's that last one that is the most troubling for NAMIC's smaller members that write in this space. Essentially, the trigger level operates to determine whether the TRIA program is 'on' or 'off' based on the total insured losses," Bergner explains. "The smaller companies may have more need at a lower level of loss for the federal government to step in with its initial share of the losses, so raising the trigger level hurts them the most."

Given the strong support for the program as well as its effectiveness and cost efficiency, Bergner believes the push for a reauthorization will be successful. "It will take longer than anyone wants," he says, "but I am confident the program will get reauthorized with minimal changes to the existing structure." IN

TRIA Beyond Insurance

The concern for reauthorization of the Terrorism Risk Insurance Act goes well beyond the insurance industry. A letter to members of Congress came from a coalition that included not only NAMIC and many of its members but also the Walt Disney Company, the National Hockey League, Major League Baseball, the American Public Power Association, and local chambers of commerce from across the country.

"Making changes to the TRIA mechanism to increase insurer retentions could affect the ability of many insurers, particularly smaller and mid-sized companies, to write risks or markets altogether, which ultimately impacts the ability of policyholders to secure adequate coverage," the coalition wrote in the letter. "Maintaining a workable federal terrorism insurance mechanism is vital for our nation's economic security, and without adequate coverage, our ability to mitigate further economic fallout in the event of an attack would be greatly impaired. There is no homeland security without economic security." IN

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