the Demotech Difference

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Contents

Fall 2022/Vol.8, No.4

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Cover Features

In This Issue

Departments

More

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Cover photo credit: Jan Coffey

Seasoned, Innovative, and Everything In-Between

By Barbara Albert

Learn your craft well. Take care of your own business. Success (popularity) is fleeting for most, but longevity lies in a quality craft with integrity. Oh, and don't take yourself too seriously.

Oleta Adams

The quote is a little tongue-in-cheek, but introduces this magazine's strong focus on people and companies with longevity, along with a variety of right-now topics.

Legacy of longevity has been a feature since our onset as a magazine, because we value the characteristics of companies that started anywhere from 50 to 150 years ago, and are still successful today. We believe that even though business has changed dramatically in that time, some constants allow for the kind of adaptability to change while holding on to a solid core of culture and integrity.

The New York Insurance Association celebrates 140 years as an association that serves the state's insurance industry, with a number of companies serving as members of the association the entire time. Tower Hill Insurance started in 1972 as Mobile Home Insurance Associates in Florida, and 50 years later is not only still majority owned by the same family, but now has over 450 employees, six locations, and writes business in 17 states. Another 50-year celebration is for Investor's Title, which is still led by its founder, and has grown from four employees in 1972 to nearly 800 employees in a number of subsidiaries and affiliates.

We welcome our new regulatory column by Squire Patton Boggs and Mary Jo Hudson. We've included a feature on Hudson, whose extensive experience enables her to be a valuable resource for what's happening in the industry's legislative and regulatory scene.

Other articles touch on important HR subjects, the changing digital market, and industry updates and happenings.

Lastly, the recent hurricane in Florida was serious and in our focus. We've checked in on our clients' safety, and their continuity of operations. Demotech continues to monitor the status of the carriers we review and rate, but we are overwhelmingly impressed by the resolve of the people of Florida when facing such circumstances, and the heroic and selfless efforts by so many to help those in need. Stay strong, Florida. Stay strong.

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New York Insurance Scholarship Foundation Selects Akuoko and Morgan as 2022–2023 Recipients

The New York Insurance Scholarship Foundation Inc. has named Tracy Akuoko from Albany, New York and Elizabeth Morgan from Binghamton, New York as the foundation's 2022–2023 New York Insurance Scholars. Akuoko is a postgraduate student at Utica University pursuing a Master of Business Administration degree, specializing in risk management and insurance. Morgan is a junior at Le Moyne College majoring in risk management and insurance marketing and minoring in management information systems.

"The New York Insurance Scholarship Foundation is honored to have the opportunity to reward students of such high caliber," Ellen Melchionni, president of NYISF said.

New York Insurance Scholars is a new program, which expands the work of the foundation and enhances the support provided to students by awarding annual scholarships to recipients for up to two years.

"This year's New York Insurance Scholars have achieved admirable grade point averages while balancing community work, internships and active participation in campus insurance related groups. Tracy and Elizabeth's dedication to the future of the insurance industry is evident in their hard work and commitment to success."

New York Insurance Scholars is a new program, which expands the work of the foundation and enhances the support provided to students by awarding annual scholarships to recipients for up to two years. The program also includes mentorships with seasoned insurance leaders, resources for potential jobs or internships, and visibility and networking with industry executives.

The foundation was created to encourage scholastic achievement, community involvement, and a commitment to advancing the insurance industry. Fostering and investing in the development of our future leaders is paramount to the sustainability of the insurance and risk management industry of tomorrow. "The insurance industry has been and will remain a rewarding and vital field of employment," Melchionni said. "The nurturing of new talent is essential in the future of the industry as technology and consumer needs are always changing."

Tracy Akuoko

Elizabeth Morgan

The New York Insurance Scholarship Foundation Inc. (NYISF) is a charitable organization initiated by the property and casualty insurance industry that supports students interested in pursuing a career in insurance. The foundation is affiliated with the New York Insurance Association Inc.

The New York Insurance Scholarship Foundation Inc. (NYISF) gives the insurance industry and its leaders the opportunity to shape the future and give back to the community. The breadth and depth of skill needed to work in the insurance industry is greater than ever. The industry and insurance consumers have grown more complex, making it crucial that we have a vast and talented pool of potential employees to fulfill the needs of our companies and the individuals we insure. The New York Insurance Scholarship Foundation was created to ensure the sustainability of the insurance industry and ideally make further growth a real possibility. The foundation allows members of the insurance community to invest and be involved in the future of the industry.

The foundation is an enduring initiative that enables the insurance industry to support the educational goals of students pursuing an insurance-related degree through a New York college or university. NYISF is an ideal vehicle for the industry to demonstrate its support for educating the next generation of insurance professionals.

Summer 2023 State Regulatory Update — NAIC Initiatives and Upcoming Elections




By Mary Jo Hudson, Doug Anderson, John Kirtley and Bevan Blake

The National Association of Insurance Commissioners met in Portland, Oregon for its Summer National Meeting from August 8 through Aug. 12, 2022. As many regulators and industry representatives returned to in-person meetings, the NAIC continued to make the meeting accessible virtually, expanding access for many across the nation. We outline several key issues that the NAIC initiated or addressed during the meeting, including matters associated with privacy, investment analysis and RBC calculation. We summarize these issues below. Additionally, we also provide a brief analysis of the potential impact that the upcoming November elections may have on insurance regulators across the nation.

Privacy protection for insurance consumers:

Privacy protection was front-and-center as the Executive Committee approved the creation of a new model law aimed at strengthening consumer privacy rights, the first such effort in more than 40 years. The H Committee's Privacy Protections Working Group committed to consolidating two models into one as the "Insurance Consumer Privacy Protection Model Law" will replace the Insurance Information and Privacy Protection Model Act and the Privacy of Consumer Financial Health Information Regulation, which were first enacted in 1980.

The Committee was motivated by the explosion of home office work caused by the COVID-19 pandemic which resulted in a dramatic increase of internet-based consumer privacy scams. The rapid evolution of predictive analytics, artificial intelligence, and telematics technologies also precipitated the action with comprehensive laws and regulations already in place in California, Colorado, Virginia, Connecticut and Utah, and under consideration in at least five other states. And like these early statutory and regulatory regimes, the model law will create six fundamental rights as the foundation for a privacy protection framework of consumers' personal information:

1. The right not to share data.
2. The right to limit data sharing.
3. The right to correct data.
4. The right to delete data.
5. The right to data portability.
6. The right to restrict data usage.

The Committee spent two years studying the issue and plans a first draft of the law by the end of 2022, with full enactment expected at the NAIC's 2023 fall meeting.

Financial Regulation Activity:

The Financial Condition (E) Committee has been busy in 2022 working on various and interrelated projects.

I. Private Equity Considerations

The Macroprudential (E) Working Group has been coordinating the NAIC response to the rise of private equity owned insurers. While concern about private equity involvement in insurance is not new, MPWG has begun to address it in a more systemic way in recent years. This has led to MPWG publishing a list of 13 regulatory considerations applicable (but not exclusive) to private equity owned insurers (the "PE List"). In 2022, the PE List has been finalized and adopted by the NAIC Executive Committee, and MPWG has begun the work of referring projects to different NAIC groups to address each of the considerations.

Some of the considerations on the PE List include (1) concern about holding companies structuring agreements to avoid regulatory disclosures; (2) determining when control may exist even when the "controlling" entity has

a less than 10 percent equity stake; (3) identifying related party-originated investments, including structured securities; (4) the material increase in privately structured securities; and (5) an overreliance on rating agencies. Some of the considerations will engender new projects while others are being addressed by ongoing projects in other working groups and task forces. For example, the multi-faceted work being undertaken by multiple groups to address the rise of private structured securities, including the Statutory Accounting Principles Working Group's bond project and the Valuation of Securities Task Force project to model collateralized loan obligations. Both of these are discussed below.

II. Bond Project

The Statutory Accounting Principles (E) Working Group has been working on a new principles-based bond definition and other corresponding changes throughout 2022. This specific bond project is part of SAPWG's larger Investment Classification Project, begun almost a decade ago to review the investment statements of statutory accounting principles (SSAPs). As part of that project, SAPWG began reviewing possible revisions to "SSAP No. 43R — Loan Backed and Structured Securities." In 2020, that effort expanded as a small group of regulators and industry representatives began working together to create a new principles-based definition of a bond that would be applicable to all securities. This small working group has stated that the new definition responds to a concern that certain asset types are being inappropriately reported as bonds on Schedule D-1. As of the time of this article, SAPWG has released a second version of the Principles Based Definition of a bond, along with corresponding changes to Schedule D-1, SSAP No. 43R and SSAP No 26R. The new definition will likely go into effect beginning in 2025, but may be ready at the beginning of 2024.

III. Modeling CLOs

The Valuation of Securities Task Force began a project this year to change how collateralized loan obligations (CLOs) are assigned their NAIC designation, moving from the designation being based on credit rating provider's ratings to a modeling process that the NAIC Investment Analysis Office will eventually develop. The development of the new model will address this concern, and, according to Iowa Division of Insurance Chief Investment Specialist Carrie Mears, chair of VOSTF, be a fully transparent and deliberate process. Work on the project will continue into 2023, and perhaps even into 2024.

IV. New Risk-Based Capital Investment Risk and Evaluation Working Group

Finally, 2022 saw the creation of a new working group, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group. Reporting to the Capital Adequacy (E) Task Force, the new group is charged to "perform a comprehensive review of the RBC investment framework for all business types." RBC IR & E WG's first project will be collaborating with VOSTF on creating an "interim" model for analysis of the residual tranche of CLOs and possibly other asset-backed securities, in order to raise their capital charge. After that initial project, District of Columbia Deputy Commissioner and Chief Actuary Philip Barlow, the chair of the new RBC IR & E WG, has stated he hopes the group will be able to create a framework capable of properly assigning RBC charges to any new type of asset as soon as they are created, even before SAPWG and VOSTF are able to classify them.

2022 Elections and State Insurance Regulation

In 2022, the November elections may affect up to 40 insurance commissioners, which is a sizable number of commissioners to be awaiting elections to determine the fate of their appointments and those of their top staff members. Governors and, in a few cases, other executive branch officials appoint most insurance commissioners. Insurance commissioners are elected executive branch officers in a minority of states.

In 2022, elected insurance commissioners in four states — California, Georgia, Kansas and Oklahoma — are up for reelection. Of appointed commissioners, governors in 36 states are on the November 2022 ballot. These elections could influence the NAIC Executive Committee, with all states where 2022 zone officers are serving — Colorado, Iowa, Massachusetts, Michigan, Oregon and Tennessee — holding gubernatorial elections. Likewise, states where two NAIC officers — Idaho and Connecticut — serve are also holding elections.

Election years and the months after elections can result in significant turnover in commissioners and their staff. With officials in 40 states potentially impacted by 2022 elections, the NAIC could have a much different look in 2023.

Next Meeting:
The NAIC will next convene in December at its Winter 2022 Annual Meeting in Tampa, Florida.

Squire Patton Boggs is a full-service global law firm, providing insight at the point where law, business and government meet. With a multidisciplinary team of over 1,500 lawyers in over 40 offices across four continents, the firm provides unrivaled access to expertise and invaluable connections on the ground. It is a seamless service that operates on any scale — locally or globally, and it encompasses virtually every matter, jurisdiction and market.

Mary Jo Hudson — A Voice of Public Service, Insurance Regulation, and Advocacy For Consumers

The Demotech Difference had the opportunity to speak with Mary Jo Hudson, partner at Squire Patton Boggs and former insurance commissioner for the state of Ohio.

The Demotech Difference (TDD): Mary Jo, thank you for agreeing to share some thoughts on yourself, your career and the insurance industry with the recipients of The Demotech Difference. Given the breadth, depth and scope of your experience and expertise, we will need to do this again in the future. Let's get started!

Before we get too far, we noticed that you are a graduate of Miami University and the University of Cincinnati, and admitted to the state of Ohio bar. Our review of the publications you have written, speaking engagements you have had, and leadership roles you have filled show that they have taken you all over the world. What is it about Ohio that keeps you among us?

Mary Jo Hudson: (MJH): Family has always come first for me, and Ohio is where my family is located. Through technology and travel, I have had the privilege to work with many interesting clients and insurance-related issues across the nation, while also living in Ohio near my family. In addition to my professional work, Ohio has provided me with numerous opportunities to serve my community in numerous non-profit, public service and social justice leadership roles. My community service is an important part of my life, instilled in me from my Western Ohio, rural roots. My path has included many service opportunities, and I am grateful for each and every opportunity.

Throughout my life, I have always looked for opportunities to help others in my community, and to create opportunities for others without a voice or support. Community service is a bedrock value for me, and it always has led the rest of my life.

TDD: You have a distinguished and long career in public service, insurance and advocacy of consumers. Would you describe how you were introduced to each of these facets of service? Were there specific circumstances? Mentors?

MJH: From my early experience with insurance regulation, I learned that it was a great combination of corporate law, organizational strategy, public policy and public service — and I enjoyed the challenges and opportunities that insurance regulation brought to my work.

I was introduced to insurance, via public service, in 1989 when I responded to an advertisement for a staff attorney position with the Ohio Department of Insurance. My first Department mentor was Neil Rector, then the deputy director at the Department. I quickly developed other mentors at the Department, including Assistant Directors Dana Rudmose and Peg Ising, plus many members of the Department's financial regulation division (then "Examination Audit Division" and today, the "Risk Assessment Division"). At that time, we were working on several insurance company solvency challenges created downstream from the Mission Insurance Company failure. The Department only had a couple attorneys, and just over one year after graduating law school, I found myself in the deep end of insurance regulation — and did not sink. Instead, I worked on numerous delinquency proceedings with Neil, Dana and our team, including several onsite assignments at insurance companies placed into liquidation. Neil and Dana were thoughtful mentors who had great confidence in me and helped elevate me to some challenging experiences. Additionally, I worked with a tough and smart chief deputy liquidator, Lynne Hengle, who was a key mentor and taught me many invaluable lessons about being a good attorney and regulator.

Throughout my life, I have always looked for opportunities to help others in my community, and to create opportunities for others without a voice or support. Community service is a bedrock value for me, and it always has led the rest of my life. In my experience, I cannot look to my work alone to feed my soul. As I noted above, Columbus has been a great place to live and work, and has afforded me with many opportunities to become involved in community and public service. Over the past 30 years, I have served on many local boards, including the United Way of Central Ohio, the Women's Fund of Central Ohio, the Greater Columbus Arts Council, and in local elected public service on Columbus City Council and the Columbus Board of Education. In each of these service opportunities, I was fortunate to

Mary Jo Hudson serves as a strategic adviser, regulatory advocate and thought leader for global, national and regional insurance companies, trade associations, businesses and litigants in insurance law, regulatory compliance and unclaimed property audit defense matters.

As a former insurance commissioner for the state of Ohio, she understands regulators' perspectives and provides insurance company leaders with keen insights and trusted strategic advice and counsel on a wide range of matters, including:

- *Formation and licensure of insurance companies.*
- *Insurance company financial regulations, examination responses, holding company act filings and requests for approvals, including regulator review of mergers and acquisitions.*
- *Insurance company internal investigations and analysis.*
- *Multistate and single-state market conduct examination defense.*
- *Unclaimed property audit defense.*
- *Service for trade associations, providing strategic advice and representation.*
- *Monitoring and advocating on matters before the National Association of Insurance Commissioners.*
- *Corporate governance.*

Hudson is often sought out to serve as an expert witness on insurance regulation/regulatory framework, and insurance product and claims issues.

Hudson is active defense counsel for a number of multistate unclaimed property audits, working on behalf of holders on privileged internal analysis, responding to auditor demands, and assisting holders with VDAs and providing strategic advice on unclaimed property law compliance. She wrote the definitive white paper on life insurance and unclaimed property, published by the American Council of Life Insurers.

As Ohio's director of insurance from 2007 until 2011, Hudson served as a member of the NAIC Executive Committee, chair of the Ohio Health Care Coverage and Quality Council, and chair of the Interstate Insurance Product Regulation Commission. She also has prior experience as general counsel for the Office of the Ohio Insurance Liquidator and as a Special Services attorney for the Ohio Department of Insurance.

Hudson is a former board member of the Association of Life Insurance Counsel, and is currently working ALIC's Annual Meeting Planning Committee. She is also a member of the Unclaimed Property Professionals Association and participates in its Holders' Coalition.

Hudson has extensive and unique board and community service experience. She has served as an independent member of the board of directors and Audit Committee member for AIG Property Casualty Inc., and as a board member of the American Academy of Actuaries. Her community service includes having served as member of Columbus City Council, as a board member and chair of the Audit and Finance Committees of the Columbus Board of Education, and a board and Executive Committee member of each of the United Way of Central Ohio, Greater Columbus Arts Council, Women's Fund of Central Ohio and Human Rights Campaign.

work with some tremendous public servants and provide support for many initiatives and programs that helped many people in Columbus and Central Ohio.

Personal to my service efforts has been my social justice work in the LGBT community. In my experience, when we bring our full selves to our work and our community work, the results of our work are strongest. I began this work when many colleagues and friends could not be out and open. I am grateful for the supportive environment that I worked in at the Department in the early 1990s to help set me on solid ground and create a path for me to serve others in the LGBT community. For many years, I served in leadership roles with the Ohio Human Rights Bar Association, the Human Rights Campaign and Human Rights Campaign Foundation and as a liaison to the LGBT community for Columbus Mayor Michael Coleman. For almost 10 years, I worked with a group of committed volunteers to lead a $10 million capital campaign to renovate and expand the Stonewall Columbus Community Center.

TDD: Have there been any recent regulatory changes or interesting developments?

MJH: Over the past several years, we have seen many new entrants to the insurance market, trying new methods of distribution, new forms of traditional products, and new business models. These new entrants have encouraged existing market participants to dedicate significant resources to innovation and new methods of growth. The result is a growth of new regulatory initiatives and dialogue associated with data use, sales incentives and cybersecurity.

Complex companies and products, combined with a continuing tight

CONTINUED ON PAGE 40

Trailblazer of Texas Insurance Industry Retires After 42 Years of Service

By Barbara Albert

Marvin Kelly, executive director of Texas Property & Casualty Insurance Guaranty Association, is retiring after 30 years at the company, and a total of 42 years in the insurance industry. His work in the industry has been governed by a personal conviction that insurance should be about protecting individuals during the worst times of their lives, and the results of his work demonstrate his commitment to his conviction.

We're here to ensure that people impacted by insolvency of their insurers are protected

Thirty years ago, when Kelly was risk manager with the City of Austin, Texas, Texas Governor Anne Richards started a push to bring women and minorities into government. One of Kelly's friends was executive director of the Texas Workers Compensation Facility, who suggested that Kelly would be a good fit for what was in the works to start TPCIGA. Kelly reached out, and was contacted to take the position, with the caveat that since there was no office, insurance program, or retirement plan at that time, he would have to develop all of it.

Recognizing a great opportunity, Kelly knew that after developing managed care programs for the cities of Beaumont and Austin, he would relish the chance to start from scratch with this program. The Texas Legislature had passed a law that eliminated a liquidation department of some 400 people, and created three guaranty funds — Texas Property and Casualty Insurance Guaranty Association, Texas Life and Health Insurance Guaranty Association, and Texas Title Insurance Guaranty Association. All three associations had the responsibility of transitioning from state agencies to nonprofit organizations.

Kelly said that while every state has a guaranty fund, the distinction with TPCIGA is that it both has been able to privatize, and is the most diverse guaranty fund in the country — and, he believed, the most efficient and effective as well.

Marvin Kelly, CPCU, MBA, AU, served as president and chairman of the CPCU Society from 2008-2009, the CPCU Board of Governors from 2001-2003, the NCIGF Board from 2002-2005, and was board member of Deep East Texas Self Insurance Fund in 1987. He was a Simsbury A Better Chance Graduate in 1975, a Retired Major U.S. Army Reserves in 1996, a part of the Citizen Ambassador Program in 1993 in Russia and Ukraine, in 1995 in South Africa, and was a delegation leader in China in 2010 and in Brazil in 2012. In 2009, Kelly was a participant in the First International Insurance Conference in Ammon Jordon, and was a participant in the Fifth African/African American Summit Accra in Ghana in 1999. He was in Who's Who in 1998, was a CPCU National Standard Setter Award winner in 2000-2001, and was a 2010 NAAIA Hall of Fame Inductee. He was recognized by the National Society of Leadership & Success in 2019, and received the NCIGF Gates Marchman Award in 2022.

"We're here to ensure that people impacted by insolvency of their insurers are protected," Kelly said. "One of the things I did differently than most of the guaranty funds do is take more of a customer service approach. When they eliminated the state agency, they weren't as empathetic to the claimants, or as timely in their response to them. Instead of these being just files, we consider these to be people's lives.

"We've tried to set up programs so people can continue to receive payments at the most dire time of their lives. We work with the regulators and special deputy receivers to advance funds to ensure claimants receiving workers compensation may continue paying bills and buying food. If they don't get payments, they can't. I think we're more customer service oriented and empathetic, even though people are not happy to have to call us. They are often individuals who might not

have been able to get in the standard market with minimum levels and minimum limits."

With just 41 employees, TPCIGA historically had thousands of files brought in at a time, all of which had to be put in the system, validated, and evaluated to determine if the claims were legitimate. The companies represented in the filing could have gone out of business for a variety of reasons — improper reserves, fraud, or cash flow underwriting, for instance — so careful evaluation was essential.

Because of the amount of work required just to get the information into associations' systems, the National Conference of Insurance Guaranty Funds created a for-profit entity called GSI, for the benefit of all guaranty funds throughout the country. GSI currently handles the distribution of 90 percent of the claims, policy, and accounting data to the guaranty funds responsible for claims processing as well as special deputy receivers handling asset recovery. All guaranty funds throughout the U.S., including Puerto Rico, are members of the national system.

"I feel we're making a difference by providing customer service to those that need it most," Kelly said. "I think the industry has shot itself in the foot in some aspects by trying to work on efficiency to the point that they lose that customer service touch. Years ago, if your house burned down, your agent was walking with you through the process, with you in your loss. The adjusters working at the companies now might have 100 to 500 claim files. That's a big difference.

"The claim files we have are not in the best condition of documentation. Some claims should never have been paid. All we can do is tell individuals the truth. We pay the claims we're supposed to in a timely manner, and the ones we're not obligated to pay, we don't. We have different limits of what we provide for coverage. Workers comp can be lifetime payments. I'm paying claims from 20 years ago for a company that went out of business back then."

Kelly said that guaranty funds have limitations, as their original intent was coverage for personal lines and homeowners coverage. Because they are not intended for large commercial companies going out of business, their limit is $300,000 for auto and $300,000 on homeowners, in addition to the lifetime coverage on workers comp. Limits vary by states.

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A love for insurance started early for Kelly. He was selected in 1974 as one of seven students from Pittsburgh, Cleveland, New York, and Philadelphia to be a part of A Better Chance, which placed the children in the best public and private schools in the country. Originally from Pittsburgh, Kelly left his family, and with a few others, ended up staying in a wealthy town in Connecticut. His host family included a CEO of an insurance company.

Diversity was present throughout the ABC house, with two white students, two Puerto Rican students, and three black students.

When Kelly attended the University of Hartford, he had the opportunity to have classes and extra times to talk about industry innovations with some of the leading figures in the insurance industry and in education. Kelly was part of the first set of graduates with insurance degrees from the University of Hartford.

Kelly's entire career has been driven by a passion for the industry and by the need for young, diverse individuals to be a part of it.

"Old dinosaurs like myself are going to go away, and you have newer people coming into it," Kelly said. "The challenge for the industry is how to get young people to come in and stay. How do we effectively diversify the industry?

"I've been in for 42 years. I was the first in every position. I was the first Black underwriter hired at Transamerica in 1980, the first Black underwriter at Chubb in the commercial lines underwriting area. I was the first Black municipal risk manager in the state of Texas for the cities of Beaumont and Austin. I was the first Black fund manager for the guaranty fund system for 15 years. I've been advocating diversity since I got in. I was the first Black president of the CPCU Society in its 75-year history in 2009. My theme was embracing change. How do you bring women, minorities, and LBGTQ into the system so they can have the same opportunities?"

Kelly created two programs — one in the Huston-Tillotson insurance program, a historically black college and university, where CPCU Society members could go and teach about the opportunities in the insurance industry. The other program was at Texas Southern University, where commissioners were instrumental in programs as well, and internships were created from their efforts.

One key that made the difference for Kelly was a number of mentors. One in particular, Don Hurzeler, created the diversity platform for the CPCU Society. Hurzeler was one of the CEOs for Zurich Insurance Company, and is now retired in Hawaii. Kelly also counts his instructors at the University

CONTINUED ON PAGE 42

Founder-Led Investors Title Celebrates 50 Years of Success

By Christopher McIlravey

When asked about his memories of Investors Title's early days in 1972, J. Allen Fine will describe being one of only four employees, underwriting the first policy himself, and producing documents using the highly sophisticated-at-the-time electronic typewriter. Fifty years later, with nearly 800 employees in various subsidiaries and affiliates, real estate and title insurance transactions are virtually paperless, and Allen can reflect fondly on the humble beginnings that formed the foundation of what has become the fifth-largest family of title insurance companies, nationally, based on policyholder surplus (2022 Demotech "Performance of Title Insurance Companies").

Allen foresaw opportunity and raised initial capital of $736,000 to establish Investors Title Insurance Company, the first of many subsidiaries and divisions that comprise the Investors Title brand today ...

Investors Title Insurance Company founder J. Allen Fine, and his sons, executive leaders, W. Morris Fine and James A. Fine, Jr.

Allen grew up about 70 miles southwest of Chapel Hill, North Carolina, in southern Davidson County, and, after a four-year stint in the Navy and marrying his hometown sweetheart, he moved to the town to attend the University of North Carolina. After graduating from UNC with both his undergraduate and MBA degrees, Allen moved away briefly and then returned to start his business. Chapel Hill and the surrounding community continue to be closely tied to the company's brand, with the downtown headquarters providing an ideal location for social and networking events centered on UNC sports.

In the early 70s, title insurance had been around for more than 100 years, and the secondary mortgage market had been in existence since 1938. Because lender title insurance covers risks related to the lender's lien on the insured property, Allen, in anticipation of growth in both the local real estate market and the sale of loans on the secondary mortgage market, saw the value and potential of the product.

"I was convinced that lenders would begin to sell loans in the secondary market," Allen said, "…and there'd be demand for some kind of protection on those loans."

Allen foresaw opportunity and raised initial capital of $736,000 to establish Investors Title Insurance Company, the first of many subsidiaries and divisions that comprise the Investors Title brand today, including Investors Title Exchange Company, National Investors Title Insurance Company, University Title Company, and the company's Commercial Services Division (Nasdaq: ITIC).

After raising the capital and taking the company public, Allen focused on building key relationships and

developing the innovative business strategies that drove the company's success. Even in 1972, the title insurance industry was unrelentingly competitive, and North Carolina title companies at the time seemed set to deter Investors Title's entry into the market; however, with the same determination and roll-up-your-sleeves attitude that characterizes the company today, Allen and his team achieved the No. 1 market-share position in North Carolina within the first 12 years of operations, a position the company holds to this day.

While firmly establishing its footprint in North Carolina, the company continued expansion outside the state. Over the years, the company has grown considerably with regional operations in South Carolina, Florida, and Texas, and affiliate locations in more than 20 states. To support that growth, identifying strategic partners and learning local market customs to provide the best possible service remain key strategies.

"The [title insurance] coverage is the same, so you have to sell better service," Allen said.

From the beginning, Allen saw that differentiation in terms of title insurance products and rates, which are standardized and regulated, would not be a critical strategy for surviving in an extremely competitive environment or for ensuring the organization's longevity. Conservative operating and investment principles; strategic, mutually beneficial relationships with key players in the real estate industry; and dedication to outstanding service delivered through a team of talented and passionate employees would ultimately become the differentiators that define the company's success.

Several performance indicators serve as evidence of that success: $1,000 invested in the S&P 500 index in 1972 is worth $46,140 today, whereas the same $1,000 investment in Investors Title stock in 1972 is currently worth $507,000. Over the life of the company, annual return on equity and compound annual revenue growth equal 13.2 percent and 17.5 percent, respectively.

In 2012, the company celebrated 40 years in business with revenue surpassing $100 million for the first time, and, less than 10 years later, in 2021, the company reported

more than $300 million in revenue. When compared to the $105,000 in revenue for the first year of operations, this performance is a testament to the company's growth and the effectiveness of the deliberate, innovative strategies it has employed to mitigate tough competition and unanticipated market challenges. Its consistently strong balance sheet, with no debt and highly tangible assets, results in a very low level of underwriting leverage, which is also an important

Over the years, the company has grown considerably with regional operations in South Carolina, Florida, and Texas, and affiliate locations in more than 20 states.

competitive distinction and affords business partners and policyholders a high level of confidence.

Investors Title's successful performance has not come without hardship, though. After overcoming the initial barriers to market entry, Allen and his team faced additional challenges inherent in operating a business inextricably tied to the cyclical ups and downs of the real estate market. The company was also not immune to the challenges presented by the financial crisis of 2008, and, like all other businesses in recent years, it had to pivot and adapt to the unique conditions created by the COVID-19 pandemic. Forethought and conservative management principles designed not only to withstand but to take advantage of market downturns have positioned Investors Title to thrive in a wide range of economic conditions. The company has been able to consistently overcome these challenges by sticking to Allen's original vision and its core competencies.

CONTINUED ON PAGE 43

New York Insurance Association Celebrates 140 Years of Service to the State Insurance Industry

The New York Insurance Association Inc. (NYIA) celebrates 140 years of service to the insuring public this year. NYIA's history is rich through the work of two distinct associations that later joined forces for the betterment of the industry. The lineage of the organization dates back to a meeting in Rochester, New York, in 1882 that resulted in the organization of the New York Central Organization of Co-Operative Fire Insurance.

The 70s brought a new name to the association, becoming The New York Co-Operative Insurance Association. Another name for the association, New York Insurance Alliance Inc. came as the association was incorporated in 1988. Independently, in 1942, a group of mutual insurers in New York City joined with a group of upstate mutual insurers to form the Association of New York State Mutual Casualty Cos. By 1965, because most members were writing multiple lines of insurance, casualty was dropped from the name of the association, and later, the word mutual was dropped as well. The name of the association was subsequently changed to the New York State Insurance Association.

In 1997, the New York Insurance Alliance and the New York State Insurance Association joined, creating NYIA as it is known today. The purpose of the association is to be a voice for New York's property/casualty insurance industry.

According to NYIA President Ellen Melchionni, the purpose of NYIA is focused solely on the state.

Ellen D. Melchionni is president of the New York Insurance Association — a statewide trade association that has served the property and casualty insurance industry for more than 140 years. Melchionni has served the insurance industry for more than 30 years. Prior to being named president of NYIA, Melchionni served as vice president of the association for 13 years and for three years as legislative analyst. Before coming to NYIA she was employed with both the New York State Senate and the New York State Assembly. She worked in leadership offices of both houses of the New York Legislature for a combined tenure of 10 years.

Melchionni also serves as president of the New York Insurance Scholarship Foundation, a charitable organization that supports the educational goals of students studying the business of insurance. She serves on the board of the New York Alliance Against Insurance Fraud and served as the organization's president for 10 years. She serves on the board of the Insurance Industry Charitable Foundation Northeast Division and is a member of the National Association of Mutual Insurance Companies Advisory Council. Melchionni holds a Bachelor of Arts degree from the State University of New York at Albany and held a Certified Association Executive (CAE) designation from the American Society of Association Executives for more than two decades. She is a Trustee of the Fort Orange Club and serves on the Board of Directors for Donate Life New York State.

Past NYIA chairs at the association's 125th anniversary celebration held in 2007.

Representatives from founding member companies at the 2022 NYIA Annual Conference.

Acting as a liaison between insurance companies and the Legislature and Department of Financial Services has always been our purpose and mission. NYIA's role as a key liaison did not happen all at once but instead as a steady journey to where we are today.

"We provide our members with timely and relevant information on legislation, regulation, and other issues affecting the industry in the state," Melchionni said. "In addition, our large membership enables us to offer these services at a dues rate that provides great value to national and regional companies that view New York as a primary market."

NYIA Board of Directors Chair Charles Makey shared his thoughts on the current anniversary of NYIA as well, and his thoughts on the future of the association.

"NYIA's rich history is built on its strong member relationships working together to further advance insurance for its member and New York consumers," Makey said. "I hope NYIA continues its heritage to advocate and educate on behalf of our members and to be the resource of choice for property and casualty issues. NYIA will continue to take a leadership role in monitoring and shaping the state's legislative and regulatory environment on behalf of the property and casualty industry."

Those strong member relationships also stand the test of time, as NYIA lists six companies that have been members of the association for 140 years. Those companies are Broome Co-operative Insurance Company, Callicoon Co-Op Insurance Company, Chautauqua Patrons Insurance Company, United Frontier Mutual Insurance Company, Washington County Co-Op Insurance Company, and Wayne Cooperative Insurance Company.

Education is a key component of NYIAs efforts. The New York Insurance Scholarship Foundation provides annual scholarships, mentorships for students, resources for jobs or intern opportunities, and networking for students involved in insurance education through New York Insurance Scholars. The purpose of these efforts is to encourage growth in the industry as well as to encourage excellence in education.

NYIA also produces a number of publications for members containing alerts of critical legislative and regulatory news, market information, and commentaries on current industry matters, in addition to member news and information about NYIA programs.

NYIA President Melchionni spoke with Demotech on some of the specifics she sees that makes NYIA stand out among state associations.

At what point in NYIA's history of success did the ability to "liaise" become what it is today?

The definition of liaison is the communication or cooperation which facilitates a close working relationship between people or organizations, which is certainly the main role of any successful association. Acting as a liaison between insurance companies and the Legislature and Department of Financial Services has always been our purpose and mission. NYIA's role as a key liaison did not happen all at once but instead as a steady journey to where we are today. NYIA is currently celebrating its 140th anniversary and the association looks very different now than it did at its inception. It was the unification of the two New York state property and casualty insurance associations over the years to become the current NYIA that has made our role as liaison such a great success.

What has been the key to excellent government relations, and how has that progressed through the history of the company? What have been successes and challenges in that progression over time?

Excellent government relations begin with developing and sustaining relationships through consistent communication and NYIA has taken a leadership role in monitoring and shaping the state's legislative and regulatory environment on behalf of the property and casualty industry. The reason why we are where we are

CONTINUED ON PAGE 44

Tower Hill Celebrates 50 Years — Small Beginnings to One of Florida's Largest Residential Property Insurers

From humble beginnings to a company represented by over 1000 insurance agencies throughout the state of Florida, Tower Hill has depended on the core values set by W.T. Shively in 1972. After 50 years, the company is still owned by the same family, and holds fast to those founding values even while the original agency is now an entire family of companies in 16 additional states.

The current logo for the company is referred to as a sturdy tower on top of a hill, representing what over two million customers have found to be the strength and stability they sought from an insurance company. The following is an interview with leaders within Tower Hill, explaining its history and values during a look back at the last half a century of business.

From its start in 1972 as Mobile Home Insurance Associates, how long did a limited scope of coverage continue before expanding into other areas?

In 1996, the company began the transition from mobile home programs for both Personal and Commercial Lines to Homeowners (HO3) risks. Within the next two years, Dwelling Fire (DP3) and additional Homeowners (HO4 and HO6) products were launched. Commercial Lines expanded their offerings in the 2000s to include Homeowners' Associations, Self-Storage, Office Retail and Hotel/Motel.

Was the name changed to Tower Hill Insurance in 1995, and what was the significance of the new name?

Yes, in 1995 the company name was changed from Mobile Home Insurance Associates to Tower Hill Insurance Group. The significance of the re-naming to Tower Hill signaled a new era for the company, as it focused efforts on the homeowners market. The name "Tower Hill" was in part inspired by an area in Gainesville, Florida, where the company is headquartered.

Is it true that the company is still owned by the founding family? Are there any original employees still working for the company?

Yes, the founding family maintains majority ownership. Other than the founding family, there are several employees who joined Tower Hill in the 1990s who are still at the company. Uniquely, for some team members working at the company has become a family tradition. Several current employees have parents, or aunts and uncles, who joined the company in the 1990s and 2000s.

Tower Hill founder W.T. Shively

When and how did the transformation into one of Florida's largest residential property insurers happen?

A key turning point was Hurricane Andrew in 1992. Because the managing general agency (MGA) had limited exposure, it could focus on writing new business after the hurricane. Meanwhile, many of the larger insurers were focused on recovering from the storm or ended up leaving the state of Florida entirely.

What are some of the most significant milestones in the company?

The partnership with Omega Insurance Company in 1987 was a significant milestone. Expanding the product offerings to Homeowners (HO3) policies in 1996 proved integral in the company's future partnerships with Regency (1997) and DeSoto Prime (2003). By acquiring these partner companies, Tower Hill began the transition from strictly an MGA to a risk-bearing entity.

In 2017, the company renewed its focus on diversification by launching Tower Hill Specialty to expand Personal Lines beyond Florida. Similarly, Commercial Lines has also expanded regionally from Florida to Alabama, South Carolina and Texas. Tower Hill now writes business in a total of 17 states. On the eve of the company's 50th anniversary, launching Tower Hill Insurance Exchange positions Tower Hill to most effectively adapt to a dynamic and rapidly changing insurance market.

How did Tower Hill successfully transition from a founder-run organization to a scalable enterprise?

Building a strong leadership team, along with a series of strategic mergers and acquisitions, has enabled Tower Hill

to successfully transition from an insurance agency to an MGA, then into a family of companies. Owning the carriers and managing all facets of the operations allowed Tower Hill to control its destiny. Companies acquired and launched by Tower Hill include those specializing in technology and claims, as well as insurance and reinsurance.

On the left, the cover of the company's original brochure. On the right, Keyton Benson adjusting a Hurricane Andrew claim in 1992.

As a company Tower Hill's approach has consistently been to remain as strong and prepared as possible, while at the same time being flexible enough to allow for being proactive rather than only reactive. Also, an emphasis on building solid agency partnerships has been integral to Tower Hill's growth and success.

Who are key personnel besides the founder? (in alphabetical order)

- Lane Bussey, CFO Tower Hill Insurance Companies
- Kevin Kasitz, CEO Tower Hill Prime Insurance Company
- Ralph Kubicsek, chief technology officer
- Kirk La, CEO Tower Hill Insurance Group
- Andres Marin, chief information officer
- Laura Marin, SVP, chief actuary
- Martin McCarty, CFO Tower Hill Insurance Group
- John Phillips, COO
- Scott Rowe, chief claims officer and general counsel
- John Spritzky, president, Tower Hill Specialty
- Daniela Wheeler, chief underwriting officer
- Nathan Wycoff, SVP, chief risk officer

What changes have come over the years in business models in the company? MGA to risk-bearing entity?

Starting in 1987 with the Omega partnership, Tower Hill managed all facets of the business requirements for individual partner carriers. Strategic acquisitions — along with financial strength, solid reinsurance, and technology advances — have allowed for nimbleness in a dynamically changing market.

How is Tower Hill different at its 50th milestone compared to its 25th anniversary?

By the company's 25th anniversary, Tower Hill had grown to just over 100 employees after moving to a larger location the prior year. The Dwelling Fire (DP3) program was introduced in 1997, which became the company's third product. Two and a half decades later, the Tower Hill Family of Companies includes more than 450 employees, a total of six locations, and writes business in 17 states.

Today, Tower Hill is a regional provider of both Personal Lines and Commercial Lines products. When the MGA celebrated its 25th anniversary the managed in-force premium totaled $112.5 million at yearend (as of Dec. 31, 1997). Midway through Tower Hill's 50th anniversary in-force premium totaled $915.9 million (as of June 30, 2022).

How has technology evolved at Tower Hill over the years?

With a focus on technology, Tower Hill introduced online rating and training for agencies in 2001. Over the decades, the company has grown from a couple of servers with a dial up modem to a hybrid cloud platform with gigabits of bandwidth across six office locations leveraging the latest technologies from multiple cloud and SaaS providers. Secure agent and customer portals are user-friendly and will continue to be improved upon to provide the best user experience.

Today, digital platforms such as email, SMS, web, and social media have become the predominant channels for communication with agents and customers/members. Tower Hill is constantly evolving to improve and has exciting projects slated for the future including a contact center upgrade and an R&D area focused on additional use cases for machine learning and artificial intelligence. We take cyber security very seriously and have a dedicated team of people who ensure our systems are monitored 24/7/365.

What about distribution systems, and changes in regulations?

Independent insurance agencies have been our primary distribution system since 1972. In recent years, we have also forged strong partnerships with agency franchises.

CONTINUED ON PAGE 44

How Should Insurance Businesses Prepare for a Changing Digital Market?

By Cormac Horan

The internet has behaved like a tsunami in the past 20 years crashing into one business sector after another. Some sectors have experienced significant displacement, notably print media and entertainment, while others have experienced relatively little impact to date.

Examples of the later sectors include insurance, financial services and recruitment. In recent years those sectors have started to feel the impact of some of those ripples and are likely to see significant changes in the coming years. What are those changes and how best can insurance businesses prepare for those changes?

1) Web presence

Many insurance agencies do not have a web presence. Developing and maintaining a social media presence is seen by management in some insurance agencies as an afterthought or something that only the carriers should do. That is a mistake. The younger generation will view the lack of a social media presence as a sign of an outdated insurance agency or one that is unwilling to engage with its customers.

There has been considerable consolidation within the insurance sector in the past number of years. What is notable is that many of the acquirers have taken a hands-off approach to their acquired insurance agencies. What they should be doing is building a strong in-house digital media capability and leveraging that skillset within their portfolio. Insurance agencies need to be able to compete online with both insurance carriers and price comparison sites, and in order to do so, their teams need to be upskilled with the best practices in digital skills.

Recommendation

Build your web presence; upskill your sales, marketing and customer service teams in digital media training.

2) Social engagement

One of the key battle grounds in the coming years will be the ability for key staff within insurance businesses to differentiate themselves through their knowledge and expertise. The first movers competing in this arena are likely to benefit the most. This battle ground is likely to be very metric-driven, and any knowledge or support given to communities is likely to be earned through kudos points and compliments. The customers of tomorrow will trust those businesses with the highest engagement or status points. In the future insurance businesses will be able to promote themselves online in ways they were unable to do so in the past.

Recommendation

Decide what products your business would like to be known as experts in. Build up a stock of content for those product areas. Enable your in-house experts to leverage their expertise within communities on social media sites.

3) Search

Many insurance agencies refrain from spending money on search engine ads as they feel they cannot compete with the resources of insurance carriers. The forward-thinking insurance agencies have built up their review ratings so that they can compete in organic search.

everything possible/shutterstock.com

The future of search for insurance products is likely to be:

(a) More personalized.

Customers of the future will be able to see where, say, "young drivers" or "dog owners" are finding their best value for insurance.

(b) Powered by the collective intelligence of the crowd.

Most search results for insurance are driven by algorithms that focus on website performance as opposed to the performance of the underlying business, i.e. which businesses are best for claims experience, best value or customer service In the future most customers will seek recommendations and insights for other customers.

Insurance agencies need to be able to compete online with both insurance carriers and price comparison sites, and in order to do so, their teams need to be upskilled with best practices in digital skills.

(c) Referrals and network endorsements will play a more important role.

In the future your customers will play a greater role in influencing the decisions of their network of friends and family and other customers.

(d) Social search.

Members of the next generation are moving away from traditional search engines and into apps like TikTok to conduct their research.

Recommendation

Build up your business's reviews and ratings. Encourage your customers to digitally endorse your business. Build in referral strategies into your digital strategy. Make sure you have a presence on the popular social networking sites.

4) Embedded banking & insurance services

In recent years we have seen the rise of embedded banking and insurance services. We have seen several software businesses enable insurance carriers to embed their offerings into third-party websites. These third-party websites have become important and new distribution channels for the insurance sector.

There are, however, currently weaknesses in this model.

(a) Many software businesses that provide embedded services typically integrate insurance businesses without displaying the ratings or reviews of these businesses.

(b) Typically, just one partner business is embedded. There is no scope for the third-party service to recommend different partners depending on the profile of their customers.

In the future, embedded services will be personalized and dynamic. Customers within the third-party services will have greater choice compared to the limited choice we see today.

Recommendation

The insurance businesses that will be chosen to be embedded in the future are the businesses which can demonstrate awards for excellent customer service, excellent product knowledge and value for money.

5) Claims

Claims operations, which were traditionally treated as outputs of a reactive back office, have become a powerful differentiator through improved claims technologies and user experiences. No-touch insurance claims processing is offering smarter and faster experiences for consumers. This in turn is driving stronger customer loyalty and retention rates to insurance businesses that offer great claims experiences.

Recommendation

Investment in claim technologies that deliver fast and seamless experiences for consumers is essential to drive higher NPS scores and customer referrals to your business.

The successful insurance businesses of the future will take heed of the current digital landscape and will watch for new and emerging trends. Early preparedness for digital changes can result in long-term growth and gains.

Cormac Horan is co-founder of Billwinner.com, a social media platform whose objective is to become the "TripAdvisor for Bills." Bill Winner is rolling out its National Bill Winner Awards Programme within the U.S. in the coming months. Customers can vote for the best providers, agencies and price comparison sites. Their platform enables the winning businesses to build their social capital and showcase their awards on their digital assets.

Are Your People Managers Ready for the Coming Economic Storm?

By Johnny C. Taylor Jr.

Recent economic indicators paint a grim picture of the emerging business landscape. Rising interest rates and inflation are expected to curb consumer demand and production along with it. Organizations have invested more in human capital as wages have soared. Yet the expected results aren't materializing as workforce productivity declines and labor participation remains historically low. Finding talent and closing the skills gap has become the primary pursuit throughout the Great Resignation. To compound the situation, the expected slide in demand threatens to tank economic growth. Now more than ever, having the right workers with the requisite skills is crucial to surviving today's uncertain economic climate.

Now more than ever, having the right workers with the requisite skills is crucial to surviving today's uncertain economic climate.

For over a year now, workers have been extremely selective about their career paths and the jobs they take and leave. With this in mind, organizations need to be extra intentional about their employer brand. All stakeholders, including workers, clients, and investors, are expecting organizations to be consistent in how their workplace culture is applied. For workers, their workplace experience of the organization is dominated by what and with whom they engage daily. Workers chiefly experience their employer via their people managers.

As much as we may want to, we can't be omnipresent in the workplace. Executives may shape organizational objectives and vision, but they are limited in how sufficiently they can reach the frontlines. Basically, executives — especially in mid- to large-sized companies — are heavily outnumbered by the workforce. Leadership must rely on people managers to effectively extend their reach, carrying their vision across the workplace, collecting feedback, and monitoring performance.

Understandably, effective people managers are vital to business performance. People managers have a significant impact on retention. As is often said, "people don't quit their organization, they quit their managers." This makes their selection and development so essential to attracting and retaining talent. Having a bad manager can tank the employee experience, the employer brand, and eventually performance. According to a survey by the Society for Human Resource Management, 84 percent of U.S. workers say poorly trained managers create a lot of unnecessary work and stress. To that point, good managers are a worthwhile investment.

However, finding good people managers isn't as simple as identifying and promoting great workers. Great workers don't necessarily equate to great people managers. Without proper development, a great worker will often make a poor manager. The managerial skill set and mission are very different from the worker's.

Workers as individual contributors are generally charged with executing tasks. Their performance is tied to how well they perform their work on a daily and weekly basis. People managers' performance is tied to how well their teams perpetually perform. Instead of focusing on execution, they are chiefly responsible for enabling workers to do their job. That difference might seem small on the surface, but it is monumental and requires a unique skill set.

While an individual contributor relies heavily on technical skills, they are a baseline for people managers. Managers must develop an array of soft skills, like organization, time management, critical thinking and interpersonal skills, to be successful. Strong interpersonal skills to direct subordinates and convey requests and guidelines is fundamental to a manager's effectiveness.

While some people evolve managerial and leadership skills organically, the majority of an organization's managers need to be continuously developed. Investing in managerial training and development should be a priority for the organization, especially in today's turbulent economic environment. As organizations grow, their reliance on people managers as actuators of strategy is critical. Their ability to clearly communicate culture, build positive workplaces by listening, and implement accountability by setting expectations is a primary driver for success.

CONTINUED ON PAGE 45

How Insurance Can Help Save the World

By J.J. Dimond

Most of us have heard the term "going green" or the phrase "eco-friendly." These terms refer to reduction of what is called the human footprint on the earth. This footprint is measured by many factors including energy consumption, water usage, trash produced, pollution created (air/water/land) and other metrics.

The goal of being "greener" is an effort, made corporately or individually, meant to improve the quality and quantity of our current resources as well as reduce the amount of waste produced. Anyone can start anywhere, whether at home or at work. Numerous resources online guide and direct people to see ways to reduce their personal footprint.

A larger effort is focused on businesses and industries working to become more efficient. Many of these industries already have clear goals to work toward more ecological options, but one of the industries often overlooked despite its size, is insurance.

It might be guessed that an "office paper-pushing industry" might have been a drain on paper resources for a long period, but, remarkably, advancements in technology just may reduce waste enough in the industry to slowly save the world's forest products.

Since the mid-20th century, the "Information Age" started a fire of growth in many sectors, and technology provided a quantum leap just in recent decades. Most, if not all, industries have some form of technological integration that has happened over time. A graph of advancements made in the last 100+ years is below.

Technology can arguably be said to be the number one saver of paper. Since about 2000, our national paper waste has gone down 23.2 percent, from 87,740,000 tons of paper waste to 67,390,000 in 2018[1].

With the insurance industry, the story isn't any different, with huge savings made by utilizing email rather than paper mail, and the use of digital pictures instead of prints, all while generally having access from a smart phone. Paper is not the only thing conserved in insurance. As in many industries, virtual meetings and working from home save fuel expenses, travel time, office expenses and utilities.

The first layer of savings is easy to see, but with a deeper dive, it can be seen that mail, for instance, that would have been sent physically instead of digitally no longer needs to be paper with a stamp, driven to several destinations, creating travel wear for the vehicle carrying it. These things may seem small and meaningless, but the magnitude of all of it together is on the scale of $143 billon, as stated by USPS[2]. Multiply that by the number of other delivery companies and businesses, and you see that even small acts

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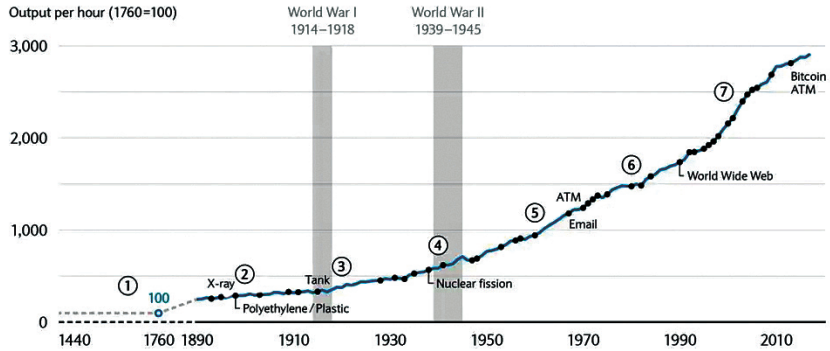
From the printing press to the global internet, technology has evolved, and human societies with it



① 1890 and earlier
- 1440 Gutenberg Printing Press
- 1480 Sea astrolabe
- 1589 Mechanical knitting machine
- 1608 Telescope
- 1630 Slide rule
- 1765 Watt's steam engine
- 1790 Sewing machine
- 1816 Telegraph
- 1867 Dynamite
- 1879 Light bulb

② 1891–1910
- 1893 Diesel Engine
- 1895 X-ray
- 1898 Polyethylene / Plastic
- 1903 Gas turbine
- 1909 Television broadcast

③ 1911–1930
- 1911 Cloud chamber
- 1915 Tank
- 1928 Penicillin

④ 1931–1950
- 1931 Electron microscope
- 1933 FM radio
- 1935 Nylon
- 1938 Nuclear fission
- 1941 Polyester
- 1947 Hydraulic fracturing Transistor
- 1948 Atomic clock

⑤ 1951–1970
- 1953 Video tape recorder
- 1956 Hard disk drive
- 1957 IBM 610 Sputnik 1
- 1960 Laser
- 1967 ATM (Barclays)
- 1970 Pocket calculator

⑥ 1971–1990
- 1971 Email Intel 4004
- 1972 Magnavox Odyssey
- 1973 Capacitive touchscreen (CERN)
- 1975 Altair 8800 (Microcomputer revolution and internet protocol suite)
- 1980 Flash memory
- 1982 CD-ROM
- 1984 Cell phone
- 1990 World Wide Web Hubble Space Telescope

⑦ 1991–present
- 1992 Text messaging
- 1993 Apple Newton Mosaic (Web browser)
- 1995 DVD Windows 95
- 1996 USB ports
- 1997 Netflix
- 1998 Google
- 2000 Bluetooth
- 2001 iPod
- 2003 iTunes Music Store
- 2004 Facebook
- 2005 YouTube
- 2006 Twitter
- 2009 Bitcoin
- 2013 Bitcoin ATM

[1]*Source: https://www.businessinsider.com/barclays-how-technology-has-changed-the-world-2018-4*

Insurtech Versus Insurwreck

By Todd Kozikowski and Guy Fraker

Publisher's opening comments:

On Sept. 9, 1985, Demotech Inc. was incorporated. A companion name, Demographic Technologies, Incorporated, was also saved. Our name, Demotech, references "demography" and "technology" as two critical factors impacting the economy.

Since 1985, the impact of demography has been meaningful yet subtle. The "great gifts" brought by technology, such as Facebook (Meta), Amazon, Google (Alphabet), and insurtech, are better known. Despite the advances that benefit consumers and insurers, technology, including analytics, artificial intelligence, and machine learning, can be adverse to the industry's interests. "Stabbings in the back" from technology include identity theft, stolen passwords, unauthorized access to accounts, and ransomware. Cyber security is discussed by regulators, legislators, and all concerned about consumer privacy and protection of non-public information.

> **I uncovered widespread use of multiple techniques to drive traffic to designated websites for the apparent purpose of instigating a claim on behalf of the searcher.**

Why focus on technology? Recently, a state of Florida Office of Insurance Regulation analysis concluded that Florida's 8 percent of the country's unresolved homeowners' (HO) claims account for 75 percent to 80 percent of the country's litigated HO claims. To more fully understand how this disparate level of litigation was created and sustained, Demotech shares the efforts of Guy Fraker and Todd Kozikowski. The implications are technology-enabled efforts contribute to disproportionate levels of litigation in Florida. In some situations, insurers appear to have been litigated into insolvency.

Why This Research is Interesting

Involved in reviewing and rating Florida-focused insurers since 1996, Demotech has seen the residential property insurance marketplace morph into the homeowner's insurance litigation capital of the country. In one of his previous efforts, Fraker described the litigation levels of carriers that failed. He opined that these carriers had their weaknesses exposed through analytics.

Although "door knocking" to secure roof inspections is a visible effort, this seemed insufficient to generate the disparate litigation levels reported by the Office of Insurance Regulation. Todd Kozikowski investigated whether internet-based activity might be a factor contributing to the level of litigation.

Kozikowski confirmed that any insurer, in Florida or elsewhere, could be the target of claims activity initiated or otherwise encouraged by opportunistic third parties. This has resulted in the number of new cases brought against a single insurer in Florida exceeding the aggregate number of outstanding cases in many states combined.

In his words, Kozikowski's research to date has found the following:

Over the past decade, the number of homeowners' insurance claims in Florida has grown. This has resulted in a steady stream of lawsuits whose cost of disposition is passed on to consumers. The proximate cause of the stream is, in my opinion, the instigation of claims. Here is a primer on how the pipeline gets filled and stays filled.

In digital marketing, search engine optimization (SEO) plays a critical role in assisting opportunists that litigate or confront insurers to identify a pool of customers. Leveraging SEO is a key strategy to assist search engines with finding, crawling, and indexing a certain website into their catalog, with the intent to drive web traffic and engage users.

There are differences in website traffic sources. Most sources organize traffic into the following main categories:

Direct Traffic: Traffic that does not come from a referring website. Someone seeks out the site and clicks to it.

Organic Traffic: The result of inbound marketing efforts including content strategies and SEO efforts. This traffic is not paid for.

Paid Search Traffic (Inorganic): Paid search traffic derived from a paid campaign using a search engine, e.g., Google, Bing, etc.

Social Traffic: Traffic that comes from a social media website, e.g., Facebook, Twitter, or LinkedIn.

Email Traffic: Traffic originating from properly tagged email campaigns.

Referral Traffic: Web traffic resulting from clicking over to your website from a hyperlink, e.g., blog, article, etc.

Search engine algorithms leverage quality content to drive search rankings. Organic SEO includes "white-hat" SEO, which constitutes approved search engine optimization tactics designed to increase a website's position on a search engine result page (SERP). Search engines approve positions on sites and searches based upon protocols. Paid ads and sponsored links are at the top of results, the most desirable location, followed by the first "organic" search result. Organic SEO is a natural way to rank a site in the first search engine results pages without paying a fee. It is trustworthy and one of the better practices to drive a high rank on SERP.

Inorganic SEO is about one thing: paid search. This includes banner ads, cost per click, cost per acquisition, pays per click, and advertising. It can be expensive; yet, it is useful to drive leads to create visibility and traffic within a short time.

This can go below the bar when firms employ "black-hat" SEO techniques to manipulate results to achieve higher rankings. In Florida, some firms seeking to instigate or initiate a claim, use keyword stuffing, cloaking, and redirecting. Keyword stuffing is the practice of filling content with irrelevant keywords to manipulate where the page ranks on a search engine results page. Organizations may add multiple variations of vanity words where they add little nuance, e.g., saturating code in a webpage to include phone numbers, cities, and states of offices, or repeating key words, to "convince" the search engine algorithm that the content is pertinent, and thereby secure a higher ranking.

Cloaking involves showing one content to users and a different content to search engines. The aim is to content rank for a variety of terms. Spam websites may do this to avoid search engine bots finding the spam content reserved for web visitors. Redirects send a search engine crawler to one page, and live users to another.

Keywords and Insurance

Organizations can buy "activity" when someone clicks on their ad, which is based on keywords. Consumer brands understand their audiences and drive engagement on keywords matched to searcher interest. In this way, organizations can tweak their ads to reach a specific group, interest, geographical area, etc. As a result, technology-enabled techniques may create sophisticated lead-generating campaigns to secure specific contacts for the purpose of initiating claims. Opportunists may employ thousands of keywords to drive traffic to their sites. There are also firms that specialize in leads for law firms, public adjustors, etc.

I uncovered widespread use of multiple techniques to drive traffic to designated websites for the apparent purpose of instigating a claim on behalf of the searcher. It appeared that the intended result was a claim against an insurer that was instigated by the third party's effort as opposed to the insured reporting to their insurer.

Florida's residential property insurance market may have been usurped by networks of opportunists.

I identified a company using over 360,000 keywords, budgeting over $500,000 per month to purchase information. In comparison, McDonalds, Costco, and Starbucks pay less for fewer key words. I uncovered law firms, public adjusters, and contractors driving more than 50 percent of the traffic to their site through inorganic SEO. Inorganic traffic is paid traffic to attract visitors.

In contrast, the top 10 HO insurers in Florida deployed lower use of SEO than the firms seeking to secure an insured's consent to file a claim.

The Key to Words

Another tactic involved naming, specifying, or targeting insurers by name. When searching for a certain insurer's

name, the firm(s) that purchased a phrase or term often ranked higher in the search than the website of the insurer itself. A possible outcome would be insureds clicking on the top-ranked link, thinking they were communicating with their insurer, and yet discussing their situation with a third party whose use of key words optimized its ranking in the search. Some national insurers have also been out-positioned by this tactic. Other efforts to intercept consumers focus on purchasing the names of storms or targeting low-income households.

In addition to keywords and SEO, web forms, blogs, and personalized advertising campaigns focused on specific insurers referencing storm activity may add digital fuel to the litigation fire.

Activity of one firm from January 2018 to July 2022 is below. Following each "named" event, activity spikes as does the number of key words purchased, thus driving activity to their site.

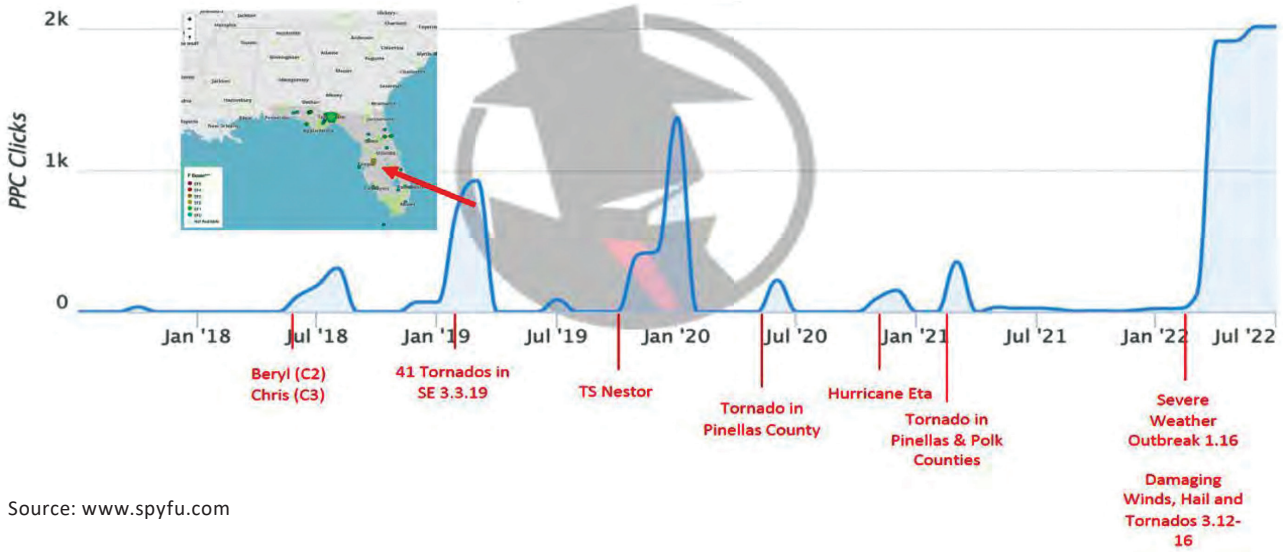
A clever lead generator appeared on a roofing contractor site assessing roof health. You supply an address, and the site responds with storm history that the roof "may" have endured from weather events. The site included a link to initiate the claims process.

In his words, Fraker's research to date has found the following:

Focusing on Florida's unique complexity inhibits the clarity needed to develop stabilizing public policy as opposed to incremental solutions to specific challenges. Litigation networks have leveraged Florida's residential property insurance market to comprise a 75 percent to 80 percent market share of residential property insurance litigation countrywide.

The major relevant findings of my previous research efforts:

1. A network initiates claims by contacting and influencing insureds. Unlike sudden and accidental events, these events don't just happen. They are initiated by third parties. These actions are not random, accidental, or related to weather.
2. Litigated complaints in Florida average 364 per day. In the aggregate, the remaining 49 states average 64 per day.
3. Growth in litigation continues, despite public policy reforms enacted to reverse growth. This implies reliance upon sophisticated planning and systematic execution as opposed to random, accidental events.



Source: www.spyfu.com

"SEO" may be the art of guessing what Google does next, as Google constantly updates its algorithms to make the search process helpful and consistent. What may have been ignored is how an organization could leverage SEO techniques to scale and fuel third party instigation of activity through completed forms, or other interaction with users trying to contact their insurer.

Based upon my review, insurers may experience an uptick in volume of litigation due to third party, tech-enabled digital marketing practices as opposed to direct reporting from their insureds.

4. Execution involves innovative processing systems and advanced analytics to develop actionable strategies tailored to the identified weaknesses of each insurer that is targeted.
5. Insurers are targeted to convert their capital and premium income into network revenue.

Legislative reforms in 2019, 2021, and 2022 were intended to stabilize the market; however:

- Litigation activity has had an average annual compounded growth rate of 27.5 percent in the years following each reform.

- The number of insurers, insolvent or exiting the Florida homeowners' insurance market to avoid insolvency, has doubled every year since 2019.
- Consumer premiums have increased more than 35 percent per year between 2019 and 2021.
- Citizens Property Insurance Corporation has grown from 250,000 policies to more than 1 million policies over the past three years.
- Public testimony by Citizen's CEO indicated that Citizens' premiums are lower than 91 percent of the policies provided by the other admitted insurers writing in Florida.
- Public testimony by Citizen's CEO stated its premiums are 45 percent below break-even.
- Reinsurance premiums paid by Florida insurers exceed $0.50 of every $1.00 they wrote.
- During 2022 negotiations, some Florida carriers were unable to acquire necessary reinsurance at any price.

My conclusion is that there have been significant and consistent disconnects of the intention of reform measures versus marketplace realities. Contributing factors may be:

- Florida-focused residential insurers cannot apply standard actuarial methods to accurately forecast claim frequency levels. Example: from 2019 through Q2, 2022, actions filed on claims previously closed grew from 16.5 percent to 33.6 percent of litigation.
- Florida-focused residential insurers cannot apply standard actuarial methods to accurately forecast costs on disputed claims. Example: a Florida insurer with only six disputes between 2016 and Q2 2019, each a first notice of loss, over the next three quarters received 187 actions emanating from claims previously closed.

I believe standard actuarial methods, serving stakeholders in the other 49 states, are not applicable in Florida's residential property insurance marketplace. Absent the ability to rely on rudimentary actuarial concepts, the availability of residential property insurance to facilitate real estate transactions may become a casualty. Florida's residential property insurance market may have been usurped by networks of opportunists.

These networks have developed expertise in leveraging the existing environment:

- Innovative best practices.
- Planning and coordination strategies.
- Well-funded, influencing strategies.
- Application of advanced data analytics.
- Viewing insurers as a depository of funds to be transferred to them.

I believe the repetitive pattern of metrics of insurers studied reflected the use of tech-enabled processes to transfer carrier capital to the opportunistic network. After innovators and first movers developed strategies, the successful strategies were likely adopted by others competing for the capital that resided in the insurers.

I concluded that transferring carrier capital to a network requires that the opportunity be hypothesized, explored, and refined. Once a capability is designed, assessment of potential customer segments is needed. Potential applications are identified and prioritized based on probabilities of success. Machine learning and artificial intelligence can be used to do so.

Preliminary iterations of applications are built, tested, and refined. This involves continuous iteration, strategy

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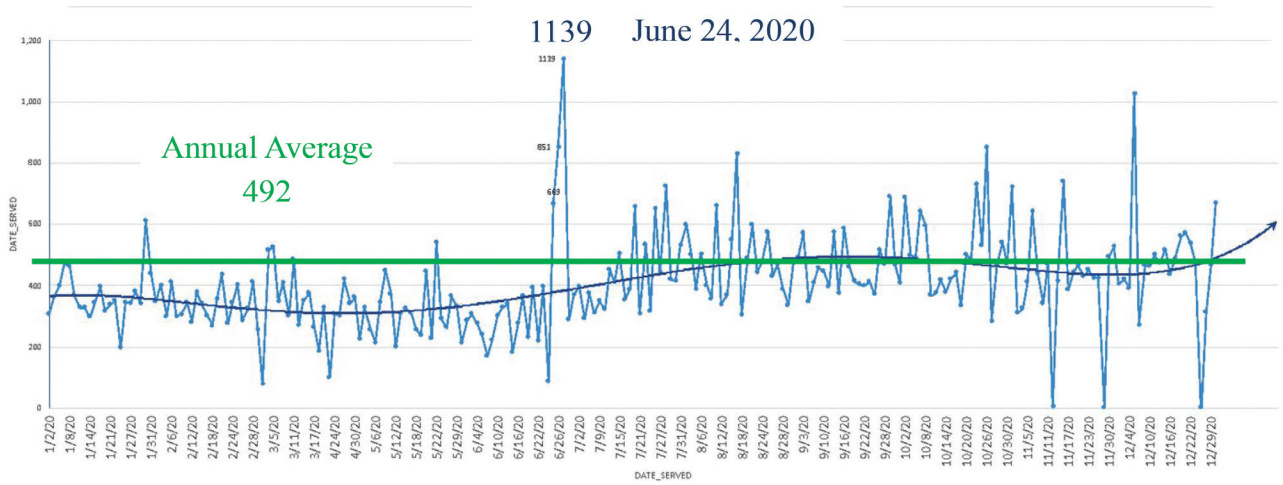

Sources: "Service of Process Reports" (LSOP Reports), Florida Department of Financial Services, 1 January 2020- 31 December 2020. "Civil Remedy Notice: (CRN Reports), Florida Department of Financial Services 1 January 2020 – 31 December 2020.

Our Insurance Market Is in Crisis, but Shooting the Messenger Won't Help

By Kevin McCarty

Editor's Note: Article was written prior to Hurricane Ian.

While hurricane season this year has fortunately been quiet for months, the reality is that Floridians are facing another concerning crisis. This one involves an exodus of home insurance companies that either are going bankrupt or choosing to pull out of the state, leaving tens of thousands of homeowners in the lurch.

Throughout my 13 years as Florida's insurance commissioner, it was clear that given Florida's vulnerability to catastrophic loss from tropical storms, every effort must be made to promote market stability. Despite policymakers' best efforts, Florida's property market is indeed in turmoil. Since February, five property insurers have been deemed insolvent and several other companies are choosing not to renew thousands of Florida policies in order to remain in business. Recognizing this, Gov. DeSantis called a special session earlier this year to give the Legislature the opportunity to enact meaningful solutions. Lawmakers have the challenge of balancing competing interests, and seldom do competing parties agree on a path forward. While positive steps were taken during the special session, the reality is that it will take months before insurers and consumers are able to see the impact of the policy changes. Many thought leaders believe more reforms will be necessary to return to a robust market.

Demotech is merely the messenger, and focusing on their ratings rather than a broader industry that is in freefall could prove to be a costly mistake.

Unfortunately, a company that rates the financial strength of Florida insurers has now become a target of those who unfairly blame the ratings organization for contributing to the market turmoil.

The company being targeted, Demotech, has evaluated the financial strength of property insurers for decades. It does a thorough and professional job, using sound actuarial principles and a detailed methodology to determine financial stability ratings for hundreds of companies doing business in Florida.

These ratings are crucial, because only insurers that earn strong financial ratings may write policies for home loans backed by federal mortgage programs.

So how does this affect the average Floridian? If you are buying a house and cannot find a highly rated insurer, you can't receive one of those federally backed loans. When insurance companies exit the state or close their doors, consumers are left with fewer options — and the remaining choices are often even more costly.

After the destruction brought by Hurricane Andrew in 1992, national insurers fled Florida in unprecedented numbers to avoid future catastrophic losses. Over the years, the state has wisely enacted reforms to revitalize the market and entice new companies and capital to Florida. Amid the challenge of such a unique and intricate insurance market, Demotech was the only independent ratings company approved by federal mortgage programs that was willing to provide ratings for newly formed companies.

Right now, that's exactly what we need. The reality is that many Florida insurers are currently at risk of being downgraded. That would be true regardless of which rating company was evaluating their financial condition. Facts are stubborn. Demotech is merely the messenger, and focusing on their ratings rather than a broader industry that is in freefall could prove to be a costly mistake.

While some policymakers have raised questions about Demotech's continued role in our state, they should proceed with great caution. Anything that might further disrupt the ratings process would not only be disastrous for our insurance market but could have a domino effect on banking, mortgages, and other critical financial services.

Creating stability in Florida's insurance market will require ongoing efforts to develop creative solutions to these complex challenges. Florida has done it before. We just need to focus on the task at hand — and not shoot the messenger.

With over 25 years at the Office of Insurance Regulation, Kevin McCarty served as Florida's insurance commissioner for 13 years. He also served as president of the National Association of Insurance Commissioners and vice chair of the International Association of Insurance Supervisors.

Demotech Inc. and Louisiana-Focused Property Insurance Companies

By Joseph L. Petrelli

Was Ida Louisiana's Hurricane Andrew? I think not. Andrew's destruction and the resulting insolvencies occurred in the early years of catastrophe modeling before it has the level of sophistication where it is now. Although we acknowledge that the peculiarities and specifics associated with Hurricane Ida, including company data quality and the impact of data quality on model miss that humbled several carriers, should be studied and examined by catastrophe modelers, insurers and reinsurers; Ida should not have the impact of Andrew. Despite this, the Louisiana residential property insurance marketplace should brace for rate increases associated with an increased cost of property catastrophe reinsurance.

Fifty-four Weeks of Named Events 2020-2021 (LA)

June 7, 2020	Tropical Storm Cristobal
Aug. 24, 2020	Hurricane Marco
Aug. 27, 2020	Hurricane Laura — Cat 4 hurricane
Oct. 9, 2020	Hurricane Delta — Cat 2 hurricane
Oct. 28, 2020	Hurricane Zeta — Cat 3 hurricane
June 19, 2021	Tropical Storm Claudette

Demotech's minimum reinsurance requirements: first event, 1:130; second event, 1:50; plus reinsurance placement protection to provide horizontal protection against additional storms. All Demotech-rated carriers focused on Louisiana survived the onslaught outlined above.

Later in 2021

Aug. 29, 2021	Hurricane Ida — Cat 4 hurricane

Demotech's minimum reinsurance requirements: first event, 1:130; second event, 1:50; plus reinsurance placement protection to provide horizontal protection against additional storms. Although the minimum reinsurance requirements were identical in the 2020 season versus the 2021 season, a few of the Demotech-rated carriers that survived each of the named events of 2020 suffered losses that exceeded the vertical tower that they purchased.

How could this occur when the reinsurance requirements for 2020 and 2021 were identical?

- The quality of carrier data submitted to catastrophe modeling firms.
- Catastrophe modeling miss.

The dollar amount of vertical protection associated with a 1:X years Probable Maximum Loss (PML) is not an absolute dollar amount. The dollar amount of reinsurance that needs to be purchased to meet, or exceed, the selected PML is a relative dollar amount based, in part, upon carrier data quality and catastrophe modeling assumptions, to name two of the critical components of a carrier's reinsurance evaluation process.

Inexplicably, on Aug. 29, 2021, Hurricane Ida accomplished what Tropical Storm Cristobal; Hurricanes Marco, Laura, Delta, and Zeta; and Tropical Storm Claudette, collectively, could not do. Hurricane Ida ravaged the residential property insurance marketplace in Louisiana.

Was Ida Louisiana's Hurricane Andrew? I think not. Andrew's destruction and the resulting insolvencies occurred in the early years of catastrophe modeling before it had the level of sophistication it does now. The peculiarities and specifics associated with Hurricane Ida and the carriers it humbled should be studied and examined by catastrophe modelers, insurers, and reinsurers; however, we hope Ida was no Andrew.

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Insurtechs Connect — Crossing the Great Divide

By Marissa Buckley

The insurance industry is in a new and far different phase of innovation growth and maturation than it was when the "threat" of insurtech disruption began 12 years ago. At that time, technology-led companies — many coming from outside of insurance — were seen by the industry as a major threat to incumbent insurance carriers. These high-tech companies came into the industry to slay the sleeping giants and set fire to their old, analog, slow and disjointed customer experiences. The insurtech stampede began for the purpose of meeting the unmet needs of digitally savvy consumers — and that need was for instant transaction satisfaction.

Lacrecia Cade, CEO at What-If Collective and Marissa Buckley, Fractional CMO and managing partner at Brilliantly, watch five-minute startup demos at InsureTech Connect 2022.

The divide between insurance carriers and insurtech startups was vast.

When the first insurtechs began entering the industry there was a lot of negativity coming from both sides. Insurtech startups were not-so-silently laughing at how digitally un-savvy carriers had remained. Carriers were eschewing insurtechs and their arrogance in thinking they could disrupt a highly complicated and regulated industry. The remarks often sounded something like, "How can you disrupt an industry when you don't understand the fundamentals, such as indemnity?" and "Good luck with your loss ratio."

A back-and-forth ensued for several years.

But over time, something started to change. As carriers and insurtechs looked at one another from across the great divide, insurance companies began to create their own venture capital arms, accelerators and incubators. They wanted to be a part of disruptive innovation and started creating their own insurtech companies. Travelers' Traverse, Farmer's Toggle, Nationwide's Spire — these are just a few of the innovations that have been created by large carriers to compete with insurtechs. Incumbents had newfound motivation but still held fast to their us-versus-them mentality.

"Nationwide was fully aware they may be cannibalizing their existing market with Spire. But they believed that strategically, they were better off cannibalizing themselves rather than waiting for someone else to do it to them," said David Connolly, EY Global Insurance Technology Leader.[1]

Insurtechs connect in Las Vegas

Fast forward to today and you will see we are a very different looking industry, with all players now openly discussing the future of insurance while standing on the bridge of the great divide. This shift was made abundantly clear at this year's largest insurance gathering, InsureTech Connect. We have moved from being adversarial to collaborative.

The expo hall was brimming with more than 150 technology startups and thousands of professionals seeking out new partnerships and watching five-minute demos provided by startups from the Northwestern Mutual Black Founder Accelerator® powered by gener8tor. Xcellent Life, Stimulus, and SnapRefund are just a few of the program's startups that have not only developed new insurance innovation, they are leveraging technology to create equality and close the protection gap.

The insurance industry is becoming more inclusive, and technology companies are leading the way. SnapRefund is a digital payment platform that moves money in seconds, including reimbursable gift cards for those consumers who do not have a bank account. There were also businesses designed to empower insurance companies to effectively

serve multicultural, underserved communities, such as The What-If Collective created by Lacrecia Cade, president and CEO. This company is changing the perception of insurance to being more about possibility, new growth and protection for everyone.

The industry is no longer laughing and pointing fingers from across the chasm. No. Instead, we have come together to talk about how to create a new future for employees, partners and customers. The industry as a whole has officially crossed the divide. There are far greater partnerships between carriers and insurtechs and between insurtechs themselves. These partnerships are happening alongside the rise of marketplace apps and integrators that pull together hundreds of specialized insurtech micro services built to empower insurance carriers and deliver the most robust and innovative customer experiences.

I was delighted with the openness and collaborative spirit that exuded from so many of the event's exhibitors and sponsors.

Meet Cherre and OneClick.
Cherre offers a marketplace of insurance and property data services to insurance carriers. They have more than 100 third-party data integrations that allow insurance companies to lower costs and create more simplified experiences with greater pre-fill data.

In speaking with OneClick, a Colorado-based startup, I brought up the network of services and aggregation of property data Cherre is supplying to insurance carriers, as it was a perfect fit for the specialized building code data service only OneClick provides. OneClick has technology that delivers relevant building code data to insurance carriers and contractors to streamline the claim process and reduce claim leakage. They were excited and ready to explore the opportunity to create another partnership and Cherre was equally interested in offering greater services to their customers.

It was not only incredibly easy to help tech companies make new connections; they were genuinely interested in integrating with one another. In comparison to attending InsureTech Connect in prior years, it was clear that collaboration has become the new norm.

There is also now greater focus on micro services being offered by insurtech startups rather than the complex set of APIs that covered much wider customer experiences promising full lifecycle transformation. This explains the rise in marketplaces and the aggregation of services and applications.

As funding insurtechs has grown substantially over the years, from $140 million in 2011 to more than $50 billion in 2021, I wasn't surprised to see many new insurtechs and solution providers entering the insurance industry and showcasing their technology at the conference.

Expo Hall at InsureTech Connect 2022 in Las Vegas

Meet First Orion.
This company partners with telecom companies to identify and classify phone calls as spam risk. Each year, billions of calls go unanswered because people are conditioned to ignore unknown numbers and calls marked as "scam" on their phones. For businesses trying to reach their customers, that's a problem.

First Orion has been focused on stopping spam phone calls to protect consumers, and now they are also allowing non-spam calls to get through with technology and the ability to serve up branded, rich-media communications directly to consumers' mobile devices, making it easy to identify the caller before they pick up.

This is technology that will help startups and carriers overcome the nearly impenetrable barrier of connecting with consumers for both B2B and B2C communications.

Meet NeuroID.
This company is a pioneer in behavioral analytics and will help carriers to identify and prevent insurance fraud. This technology company empowers carriers to see risk through user behavior and can detect normal onscreen behavior and suspicious behavior, such as copying and pasting data into fields and leaving a screen to scrape data from another screen — which is abnormal behavior for a consumer entering information they should already know. Think of unscrupulous contractors filing claims as a policyholder or a scammer entering data in the application for insurance — NeuroID's onscreen behavioral analytics offer greater insight and strengthen companies to combat fraud.

Meet Gigaforce.
Having spent nearly 15 years in Florida's property and casualty insurance market helping to grow a startup insurance carrier to become the second largest in the market, I was drawn to technology that would create differentiated claims experiences and lower costs. Gigaforce does just that by offering a distributed ledger platform focused on expediting subrogation, salvage processing and recovery. I

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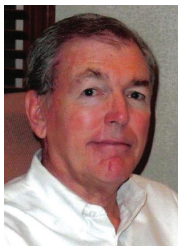

A Field Guide to Bad Advisers, Directors and Mentors

By Tom Harvey

An adviser is someone who gives suggestions, recommendations, and guidance or provides counsel about the best course of action. The term mentor usually connotes providing advice to one who is less experienced. A "director" implies an elected member of a governing board or association. All three categories, adviser, mentor or director, are frequently consulted for insight and recommendations by senior managers dealing with critical issues.

Don't Rely on Instinct

In the current era of rapid and unexpected change, today's manager must lead with agility and decisiveness. They may get only one chance to make the right call regarding hiring or firing a key employee, investing in a new product, taking an alternate financing opportunity, or initiating a joint venture. For the smaller enterprise, these can devolve into a "bet the company" decision. Having a reliable and seasoned individual to help assess the situation can be an invaluable alternative to relying 100 percent on one's own instincts and experience.

> **The best advisers bring strengths that are important to the organization but aren't possessed deeply by management.**

Hopefully every senior manager has someone who can provide objective advice, someone with industry knowledge and relevant, successful experience, who's willing to take time to learn about the company and the skill set of the individual manager.

Avoid the Wrong Adviser

Sometimes the wrong adviser is consulted, leading to weak decisions and even catastrophic ones. Here are seven I've observed. Try to avoid them when looking for an adviser, mentor or director.

The "rich, famous adviser" could be the former CEO of a large public company, a prominent politician or famous coach. The more well-known the adviser, the more likely they are off to New York or LA for some prestigious conference and are likely giving the keynote address. They are probably listed as an adviser or director to several others. One is privileged just to have their private cell phone number. Given their schedule and other commitments, the chance of consulting with them on a hot issue in less than a week is slim. If their face has been on the cover of a magazine more than once, reconsider them as an adviser.

The "friendly, always available adviser" may fail to address the hard facts. They avoid speaking about anything that forces the listener to confront personal weaknesses, take risks, stop whining, and get going. Too nice to face cold realities, they can be useless in a serious situation. This advisor is always ready and seems to have an infinite amount of time to chat. Feeling all warm and fuzzy is not the best preparation for difficult challenges.

The "grey bearded, curmudgeon adviser" made their reputation decades ago. They may have been highly successful and powerful, but that was in the far distant past. Now they are old. Their peers are old, their connections are old, and their solutions may be old. Be about the future. Do not be seduced by their "Who's Who" profile or their successful career that peaked during the Carter administration.

The "big picture, hand waving adviser" grasps the issue quickly and frames their lecture-like responses in broad strokes. They detest detail, are blind to complexities and shun data dives. They are all big picture, all the time, and proud of it. Digging in for specifics is boring to them. If the issue approximates anything they've seen before, they'll confidently roll out a previously "used" recommendation and change the subject.

The "bright, green academic adviser" knows a lot and isn't afraid to remind you. However, most of their knowledge is from abstract research, academic conferences, scholarly publications or coffee conversations with tenured colleagues. Their only real, on the ground, business exposure may be from jobs between semesters or the occasional consulting gig, where they opined on high level strategic issues in areas of their narrow expertise. Ask if the VP of Marketing

should be replaced but don't expect them to convey any relevant experiences.

The "spot-light-hugging, self-absorbed adviser" loudly proclaims their outsized opinion like Moses descending Mount Sinai. Their level of certitude invites no questions or challenges. Their tone is often firm and final, suggesting any dissent could only be from someone with serious mental shortcomings. This type sometimes has hidden agendas, e.g., extra financial compensation or additional kudos for their seemingly profound insights.

The "story-telling, charming adviser" constantly recounts past experiences unrelentingly and to distraction. Every issue will trigger a prior anecdote they judge to be pertinent, fascinating and compelling. Most will end with the listener groping to find the relevance. They relish meetings with an audience. They are generally well-meaning while repeatedly demonstrating their inconsequence when wrestling with key challenges.

Finding the Right Adviser

Recruit advisers who will help grow the organization. The best advisers, mentors or directors have experience that complements the senior management team.

Assess what areas, e.g., marketing, operations, finance, technology, joint ventures or international business might be most beneficial when facing likely near-term challenges. The best advisers bring strengths that are important to the organization but aren't possessed deeply by management.

People naturally prefer an adviser to cheer them on and stroke their ego. However, the best adviser is someone who isn't shy about challenging a position. They will hold people to a high standard via critical feedback. A study of alumni of the reality TV show "The Voice" found those with cheerleader-type advisers underperformed those with tougher advisers.

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Integrity is an indispensable quality for any adviser. You want someone who'll keep the conversations confidential. While some domain-related experience may be desirable, also consider their exposure to other areas of an organization. Seek individuals with empathy as they consider the challenges being discussed, someone able to grasp the point of view of those being advised, someone who can provide guidance without being defensive. Seek someone who's not afraid of digging into the background, sorting facts from feelings. If they currently serve or have served as an adviser, mentor or director, check with those who received their counsel. Ask about the things they liked best and areas they would change, if they could.

Look for advisers who are available. With phone, Zoom and FaceTime, the majority of prospective advisers should generally be accessible on short notice. Look for the brightest and best person. Seek those who have scars from the business battlefield that might still be fresh. Someone to bounce ideas off, provide a reality check, and warn about pitfalls ahead. The best ones pose many more great questions than great answers.

What's in it for them?

Recall the basic rule of selling. How might someone benefit by being an adviser, mentor or director? Being an adviser is a good way to extend their circle of contacts, and garner new perspectives and ideas while contributing to the development of a particular individual or organization. There is also the personal satisfaction of helping to steer a person or organization to success.

Tom Harvey was CEO of Assurex Global, an international partnership of independent insurance agencies. He then joined the business faculty at The Ohio State University. He is currently a mentor to a number of entrepreneurs. Earlier Harvey was a partner with a venture capital firm. He's been intimately involved with more than 30 companies, observing more than a hundred fellow directors and advisors. twharvey@columbus.rr.com.

Announcing the 2022 Stakeholder Team Accomplishment Recognition™ Award Winners

There are numerous insurance industry awards and recognitions based on corporate achievement. Almost all of them focus on a single aspect of success, such as top-line revenue growth or profitability. Demotech believes that running a successful and profitable insurance company involves satisfying all stakeholders, including regulators, consumers, producers, employees, reinsurers, claimants, and ultimately, owners.

Demotech understands that each of these stakeholders participates in or contributes to the financial results reported by an insurance company. In 2013, Demotech created the Stakeholder Team Accomplishment Recognition™ (STAR) Award to recognize property & casualty companies that satisfied all stakeholders by meeting or exceeding our objective criteria for each stakeholder category. The 2022 award criteria is listed in the column on the right.

Using the Demotech Company Classification System

Demotech classifies insurance companies into one of 11 different categories based on objective financial criteria. When examining the recipients of the 2022 STAR Awards, it is important to note that 10 of these 11 categories are represented, affirming the assumption that stakeholder satisfaction is independent of size or corporate structure. Included is a list of the STAR Award winners for 2022, as well as each company's classification in the Demotech Company Classification System and how many times they have received the award since its inception in 2013.

Preliminary Eligibility Criteria

- The company was active as of May 15, 2022.
- The company was assigned a Demotech Company Classification.
- The company had positive surplus as regards policyholders as of Dec. 31, 2021.
- The company had positive net loss and LAE reserves as of Dec. 31, 2021.
- The company had positive gross premium written in 2021.

Regulatory and Consumer Stakeholder Criteria

- The company had a Risk Based Capital ratio greater than 300 percent in all years 2017 through 2021.
- The company had two or fewer exceptional IRIS ratio results for 2021.
- The company's IRIS reserve ratios 11, 12, and 13 did not exceed 5 percent in any of the years 2017 through 2021.

Producer and Employee Stakeholder Criteria

The company's ratio of commissions and compensation to employees to gross premium written was above the median for its Demotech Company Classification.

Commission and compensation from Page 11, Column 4 of the 2021 Annual Statement, Underwriting and Investment Exhibit Part 3 includes the following:

2.1	Commission and brokerage direct, excluding contingent
2.2	Commission and brokerage reinsurance assumed, excluding contingent commissions
2.4	Commission and brokerage contingent direct
2.5	Commission and brokerage contingent reinsurance assumed
8.1	Salaries
8.2	Payroll taxes
9	Employee relations and welfare

Reinsurer Stakeholder Criteria

The company's ceded loss and LAE ratio for the last 10 accident years combined did not exceed 130 percent of the net loss and LAE ratio for the last 10 accident years combined, as shown on Schedule P Part 1 Summary.

Claimant Stakeholder Criteria

The company's gross loss and LAE ratio for accident year 2021, as shown on Schedule P Part 1 Summary, was above the median for its Company Classification.

Owner Stakeholder Criteria

The company's return on average net admitted assets was in the top third of its Company Classification. Return on average assets is based on net income after dividends and all taxes.

The 2022 Stakeholder Team Accomplishment Recognition™ Award Recipients

Based on statutory financial statements submitted to the NAIC and obtained through our data vendor, S&P Global, only 21 companies qualified for a 2022 STAR Award. This group of 21 insurers, comprising less than 1 percent of the 2,650 eligible property & casualty carriers, earned our STAR Award by addressing the needs of the entire spectrum of stakeholders: regulators, consumers, producers, corporate employees, reinsurers, claimants, and owners. Demotech believes that carriers that earn a profit while simultaneously addressing the needs of their constituents deserve recognition for satisfying all stakeholders.

Of the 21 recipients of the 2022 STAR Awards, five also received the award last year, with a total of 12 companies earning the award at least once before. One company has earned the award eight times since the award's inception. It is Demotech's privilege to recognize this elite group of companies that were able to satisfy regulators, consumers, producers, employees, reinsurers, claimants, and owners.

For further information on the Stakeholder Team Accomplishment Recognition™ Awards, visit www.demotech.com/starawards.aspx.

The 2022 Stakeholder Team Accomplishment Recognition™ Award Recipients

Company Name	Classification	Times Receiving Award
Atain Specialty Insurance Company	Surplus Lines Carrier	3
California Medical Group Insurance Company, R.R.G.	Risk Retention Group	1
Capitol Casualty Company	DPW < $1MM	3
Chesapeake Employers' Insurance Company	State Specialist	2
Erie Insurance Exchange	Super Regional	2
Farm Bureau Mutual Insurance Company of Idaho	State Specialist	3
Farmers Mutual Fire Insurance Company of Salem County	Regional	2
Housing Authority Risk Retention Group Inc.	Risk Retention Group	3
Medmarc Casualty Insurance Company	Regional	6
Mercer Insurance Company	Surplus Lines Carrier	1
Mt. Hawley Insurance Company	Surplus Lines Carrier	1
OASIS Reciprocal Risk Retention Group	Risk Retention Group	3
Old Guard Insurance Company	Surplus Lines Carrier	1
Phenix Mutual Fire Insurance Company	Coverage Specialist	1
Plymouth Rock Assurance Corporation	State Specialist	2
Professionals Advocate Insurance Company	Coverage Specialist	1
Sagamore Insurance Company	Strategic Subsidiary	1
Sentry Insurance Company	Near National	8
The Phoenix Insurance Company	National	1
Westfield Insurance Company	Super Regional	1
Wisconsin Mutual Insurance Company	State Specialist	2

Data Source: The National Association of Insurance Commissioners, Kansas City, Missouri, by permission. Information derived from an S&P Global product. The NAIC and S&P Global do not endorse any analysis or conclusion based upon the use of its data.

Sky High for Kids Raising Millions for Research of Pediatric Cancers Since 2007

Early experiences as a volunteer at St. Judes Children's Research Hospital as a freshman in high school led Brittany Hebert Franklin to want to help in the fight against childhood cancer. The idea of cancer in young children was unknown to her before she learned the difficulties of what children and their families endure in these situations, and that knowledge changed her life forever and planted seeds for the nonprofit organization Sky High for Kids.

"In college, I started a sporting clay tournament to benefit St. Jude," Franklin said. "I was a senior in college, and the event was wildly successful. We raised $50,000 net profit and were able to donate the proceeds that year, in 2007. Following that, we met a little boy named Bryce Norwood who was five years old at the time and was battling Wilms tumor, which is kidney cancer.

"We got close really quickly and his parents shared with us that unfortunately he had a terminal diagnosis. We quickly put together what we called an adventure trip, and were able to take his entire family, including his grandparents, to Uvalde, Texas, on an unforgetable trip. We got to spend four or five days with his family. It was such an amazing experience to be able to be so close to a family that you barely knew during an extremely difficult time in their lives. Unfortunately, a few weeks later, Bryce passed away. It was his 6th birthday on Valentines Day in 2000."

Childhood cancer is the number one cause of death for our children in the United States. Over 17,000 kids are diagnosed every year with cancer, and that means about 40,000 kids a year in treatment.

Franklin said that the experience prompted her to start Sky High for Kids formally as a 501(c)(3) nonprofit to continue her early fundraising efforts. She built the organization as a volunteer while working for 14 years in the oil and gas industry. Growth in the organization was rapid, allowing Franklin to work part time in it in 2017, and by June of 2020, she took a full time position as CEO of Sky High, now a $6 million annual organization.

Brittany Hebert Franklin
CEO and Founder

With a staff of 10, Sky High holds 15 special events each year in Texas, Louisiana, and Oklahoma, ranging from golf tournaments and ladies' brunches to massive banquets with live and silent auctions. Significant funding comes from the oil and gas industry, as well as individual donations.

"We are in two commitments," Franklin said. "We're in a $20 million commitment with St. Jude, and an additional $20 million commitment with Texas Children's Cancer Center to support specific projects. We also support other small childhood cancer facilities and nonprofits, based on what their needs are.

"Childhood cancer is the number one cause of death for our children in the United States. Over 16,000 kids are diagnosed every year with cancer, and that means about 40,000 kids a year in treatment."

Franklin said that Sky High for Kids sponsored a research floor within St. Jude's Inspiration4 Advanced Research Center, the largest facility of its sort. This research facility will help find cures for some of the deadliest forms of childhood cancer, to include brain, solid tumor, and bone cancers. Of the 12 subsets of childhood cancer, Franklin said they chose to support the ones they did because they are the least likely to get the funding necessary.

"We've been told that in the past 15 years since we started this, there has been an overall 2 percent increase in

survival rate," Franklin said. "That may not seem large, but it's better than zero, so we'll take it. If every 15 years we can increase the survival rate by 2 percent, the reality is, one day it will be eradicated. That's the goal, the vision at Sky High."

There's nothing else that compares to being able to help a child going through something as gruesome as cancer ...

Franklin said that anyone wanting to support the effort can go to SkyHighforKids.org and click on "Ways to Help." They have opportunities for donating funds, volunteering at events, and even creating tied blankets to take to the hospitals every year.

While the work of running an organization of this size is daunting, Franklin said that amazing support from her community, volunteers, and many donors has allowed the amount of funding for research to be very significant. Other rewards keep the staff at Sky High for Kids focused on the tasks at hand.

"There's nothing else that compares to being able to help a child going through something as gruesome as cancer," Franklin said, "and to have an impact on the whole family as well. It keeps us motivated to do what we do every day."

About Sky High for Kids:

Sky High is a 501(c)(3) nonprofit organization comprised of staff, board members and an army of volunteers that raise funds to support those undergoing treatment for pediatric cancer and other life-threatening diseases. Since 2007, Sky High has supported leading hospitals and research centers to help close the gap in childhood cancer rates. To date, the organization has donated more than $20 million to Texas Children's Hospital and St. Jude Children's Research Hospital. Currently the organization has two pledge commitments, totaling $40 million with these two hospitals. Learn more at skyhighforkids.org

Demotech's Registration as an NRSRO

On July 11, 2022, Demotech was registered with the Securities and Exchanges Commission as a Nationally Recognized Statistical Rating Organization in the rating class for insurance companies. See Commission Release No. 34-95243. The registration impacts certain aspects of our operations, rating process, and communications with the entities we review and rate we summarize these as:

Website Disclosures

Users of ratings can continue to access the most current Financial Stability Ratings® on our website at www.demotech.com. In addition, information about our registration as an NRSRO is available at www.demotech.com/regulatory.

Rating Methodology

Demotech has consistently employed its rating methodology for over three decades. There will be no change in how we review entities, assign Financial Stability Ratings®, or publish our ratings. In accordance with SEC rules, we have documented and published our methodology at www.demotech.com/regulatory, under Exhibit 2. Demotech will continue to review our client companies in accordance with these procedures and methodologies, as we have in the past.

Communications Between Demotech and the Entities We Review and Rate

One change relates to the communications between Demotech and the companies we review and rate. SEC regulations for all NRSROs, as well as Demotech's policies, prohibit analysts from discussing, negotiating, or arranging fees with clients; and prohibit personnel who are not rating analysts from participating in rating analysis or discussions related to rating actions. This means that only designated personnel at Demotech will be discussing fees with clients; similarly, client companies must direct all inquiries regarding fees only to those designated individuals. Likewise, all communications related to rating analysis or any rating action must be directed only to an entity's designated rating analyst at Demotech or our chief ratings officer, Barry Koestler, II, CFA.

Demotech Board of Directors

NRSROs are required to have a board of directors that includes independent directors. Demotech's Board of Directors is comprised of Joseph L. Petrelli, Sharon M. Romano Petrelli, and three independent directors, Don Bouffard, Dick Crnkovich, and Sabrena Sally. On the next page, Demotech is pleased to share the following information on our independent directors:

Important Notice Regarding Client Communications With Demotech:

If a current client has any questions regarding the assigned FSR or Demotech's analysis, please communicate with:

Barry Koestler, Chief Ratings Officer,
614-526-2164, bkoestler@demotech.com

For matters related to fees or payment terms, or if you would like to discuss a Financial Stability Rating® for your company, please communicate with:

Joseph Petrelli, President,
614-526-2160, jpetrelli@demotech.com

The NRSRO registration does not represent or imply in any manner that Demotech has been sponsored, recommended, or approved, or that the abilities or qualifications of Demotech have in any respect been passed upon, by the United States or any agency, officer, or employee thereof.

Demotech Board of Directors Now Includes Three Independent Directors as Members

Don Bouffard

I am honored to serve on the Board of Directors of Demotech Inc. Sharon and Joe Petrelli started Demotech in 1985 and have built their company into a force in the world of insurance company financial ratings. I am excited to be part of the next chapter in the evolution of Demotech as we are now registered as a Nationally Recognized Statistical Rating Organization. I am chair of the Audit Committee and serve on the Compliance Committee.

I am pleased to bring the experiences of a 50-year business career to Demotech. After graduating from the University of Notre Dame with a degree in accounting, I spent nine years in the Notre Dame Athletic Department administration. I then joined Crowe LLP, the ninth largest CPA and consulting firm in the U.S. Since retiring from Crowe in 2009 after 34 years, I have served on the board of directors of two commercial banks.

My years at Notre Dame coincided with the years the late Ara Parseghian was the head football coach. I was fortunate to work with Ara as a student and later as an administrator. He was a mentor who re-enforced the traits my father instilled in me — integrity, hard work and loyalty.

CONTINUED ON PAGE 50

Dick Crnkovich

Dick Crnkovich currently serves as vice president at IPFSDirect, a unit of IPFS Corporation. IPFS Corporation is the largest privately held, independent, billing, collection, and funding company in North America, headquartered in Kansas City, Missouti. For over 40 years, IPFS has been serving the needs of insurance companies, their distribution partners, and policyholders by providing solutions for workflow simplification, premium billing, collection, and funding that facilitate the digital purchase of insurance enhancing customer experience.

Since 2020, he has been leading the strategic introduction and development of IPFSDirect, a newly formed business unit of IPFS focused on insurance companies, managing general agents, program managers, and the policyholders they serve. IPFSDirect is a solutions-based business platform focused on helping carriers and their distribution partners lower administrative expenses, improve cash flow, liquidity and investment earnings while lowering credit risk on carried receivables.

Prior to his current assignment, Dick managed IPFS' $13 billion credit risk associated with the carriers issuing policies for IPFS

CONTINUED ON PAGE 51

Sabrena Sally

As a young adult asking, "What would be a great career?", your first thought was professional liability insurance, right? Me neither. This was the early '80s, with a recession, high inflation, and double-digit interest rates. A pragmatist to the core, I accepted the first day job which offered a steady paycheck and benefits. Little did I know, I had stumbled into a career which would provide decades of steady employment, constant opportunities to learn and progress, tackling interesting problems with smart people, and travel to every state in the U.S. except two (sorry Delaware and Nebraska).

My first insurance role was in the typing pool of a Houston-based MGA. Those were the dinosaur days, with policies still being typed by hand. I learned a lot about policy language by reading and typing it all day, and quickly learned to recognize when something was amiss in the terms and conditions. Holding the pen for a now-defunct surplus lines insurer, the MGA underwrote risks ranging from shopping centers, to trucking firms, to offshore oil/gas drillers. The branch manager, Martha Lynch, was my first mentor. As a female in an insurance leadership role, she was unique in her time. Martha encouraged me to pursue CPCU studies, which whetted my appetite to

CONTINUED ON PAGE 50

Barton Mutual, a Company With a Legacy of Longevity, Celebrates Two Employees With Longevity

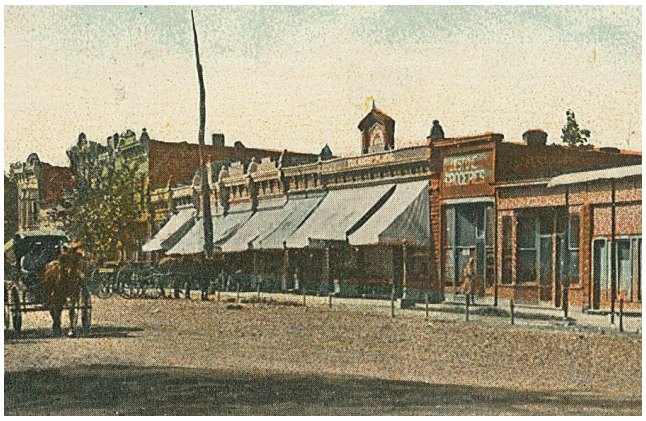
Barton Mutual Insurance Company was established in 1894 as a single-county farm fire insurer called the Farmers Mutual Fire Insurance Company of Barton County, Missouri. The office was in Liberal, Missouri.

The company purchased the Farmers State Bank building on the west side of Main Street in Liberal and moved into the building in 1929. The company continues to operate using the original building and has expanded into buildings on each side. Barton Mutual now occupies seven buildings on Main Street and owns the building where the Post Office is located.

The Banking Act of 1933 brought about changes to the farm mutuals of Missouri. Federal loan agencies required uniform standard insurance policies as collateral. No mutuals in the state used such standards. After a conference with the National Mutual Association, the companies voted to accept a uniform standard policy, and the Land Bank agreed to accept mutual polices as collateral. Barton became one of the first companies to meet the Land Bank requirements.

In June 1971, the company changed its name to Barton County Mutual Insurance Company and expanded the charter to write state-wide.

Barton County Mutual assumed management of Cape Mutual Insurance in Cape Girardeau in 1982, and Owensville Mutual Insurance in Owensville was added in 1986 to form the Barton Mutual Group. Both companies were moved to Liberal in 1997 and 1999 respectively.



In 2001, the company changed its name from Barton County Mutual Insurance Company to Barton Mutual Insurance Company and Owensville Mutual was renamed Gateway Mutual Insurance.

The three companies were merged into one under the name Barton Mutual Insurance Company as of Jan. 1, 2012.

Today, Barton Mutual continues to provide property and casualty coverage throughout the state of Missouri, operating from Main Street in Liberal. More than 420 agency locations in the state function as points of sale for Barton Mutual Insurance.

Jason Wolfe began his career at Barton Mutual Insurance Company in April 2007. Now celebrating 15 years with the company, Jason serves as co-director of field operations, overseeing the remote staff of claims adjusters and property inspectors. In this role, he is able to assist his co-workers in their day-to-day duties, while managing his own territory. Jason has obtained the Associate in Claims (AIC) and Associate in Insurance Services (AIS) designations and is a recent recipient of the Professional Farm Mutual Manager (PFMM) designation from NAMIC.

Cheryl McArthur is celebrating 20 years with Barton Mutual Insurance Company in 2022. She serves as a commercial lines underwriter. The company previously utilized her talents in the Policy Production department, the Claims department and also in personal lines underwriting, giving her a well-rounded knowledge of the company. In her 20 years, she has obtained several professional designations: Associate in Claims (AIC), Associate in Insurance Services (AIS), Associate in Commercial Underwriting (AU), and Casualty Claim Law Specialist (CCLS).

Fred Karlinsky Esq. Awarded The Outstanding Public Service Award by the Florida Insurance Council

Fred Karlinsky Esq. is a tireless advocate for the insurance industry, and more particularly, the Florida Insurance Council. Each year, FIC holds its Summer Symposium where industry professionals gather to hear presentations, discuss the upcoming legislative session, and network. At the Symposium held in Orlando from July 26-29, 2022, I presented Fred with FIC's Outstanding Public Service Award. This award symbolizes all of his hard work and effort on behalf of FIC. Fred is a frequent FIC award recipient. He has been previously honored with the Outstanding Leadership Award.

FIC and Fred have a longstanding relationship. Our members know that they can rely on him for his extensive network of relationships and sound direction. This was especially important during Florida's unpredictable 2022 legislative session and May 2022 special session. Fred keeps our members up to date with the latest legislative intelligence, especially as it relates to property insurance. We are more informed, more engaged, and more politically active because we have him in our corner.

As a long-time commissioner and current chair of the Florida Supreme Court Judicial Nominating Commission, Fred has led an effort to nominate and seat justices who respect the role of the judiciary and avoid activism. Judicial activism undermines the credibility of the rule of law for our citizens and businesses alike. In addition, Fred also served on the Florida Constitution Review Commission and was the chair of the Commission's Finance and Taxation Committee. Fred's efforts have been important to the continued economic success of the state of Florida.

Fred is a shareholder and the global co-chair of the Insurance Regulatory & Transactions practice at the law firm Greenberg Traurig P.A. He has nearly 30 years of experience representing the interests of insurers, reinsurers, and a wide variety of other insurance-related entities on their regulatory, transactional, corporate, and governmental affairs matters. Recognized as the only Band 1 insurance lawyer by Chambers & Partners and one of the most influential leaders in Florida politics by City & State Florida and INFLUENCE Magazine, Fred has in-depth knowledge of insurance compliance matters and has been a primary strategist in virtually all types of

Florida insurance-related legislative initiatives. Fred has also been listed in "The Best Lawyers in America," "Super Lawyers," and "Florida Trend's" Legal Elite for his work in insurance law.

FIC is the vision and voice of Florida's insurance community. On behalf of its members, FIC works with members of the Florida Legislature, regulators at state agencies, and statewide elected officials on issues that affect insurers' ability to serve our clients. We are grateful for Fred's unwavering commitment to our organization and members.

Sincerely,
Cecil Pearce
Florida Insurance Council President

The Florida Insurance Council is the voice of Florida's insurance community. More than 300 businesses make up FIC. Collectively, these domestic and foreign businesses write life, health, property, and casualty policies for Florida residents and companies in excess of $50 billion.

The Florida Insurance Council's mission is to provide value through education, research, and representation before consumer, legislative, regulatory, and judiciary organizations. The Council is dedicated to the highest standards of business ethics and professionalism; committed to promoting and protecting the viability of the insurance market; resolved to earn consumer confidence and trust; and determined to foster a positive public image of the insurance community.

CONTINUED FROM PAGE 9

labor market are forcing a shift in how states are staffing and conducting their insurance regulation responsibilities. Today, many states rely heavily on third party contractors and the National Association of Insurance Commissioners for their basic examination and other regulatory analysis. Historically low pay rates and decreasing support for public service employment are making already thin benches at state insurance departments thin further.

TDD: How would you contrast the current regulatory environment versus that when you oversaw the state of Ohio Department of Insurance? What are some of the major opportunities, situations or incidents that prompted those changes in the regulatory environment?

MJH: Significant losses due to climate issues are increasing annually in more markets. When I served, these losses were more contained. In the past, regulators in limited markets would suppress rates or tighten market existing requirements to keep carriers in their markets. Today, the size of these losses is well beyond the extreme regulatory tools of the past, due to the extreme nature of the events. Regulators will need to work with policymakers to create alternative risk management programs, and to explain when a market or risk may no longer be able to be insured.

Additionally, we are now seeing many more "manufactured" losses resulting from legislated risk (for example, Florida's property market and laws favourable to the plaintiffs' bar) and claims from "social inflation-based actions" (for example, the business interruption claims of the lockdown). These claims increase overall insurance risk in a manner that is less predictable than covered losses, with a heavy thumb on the scale against insurers and added stress on everyday insurance markets. As a result, competition in many markets in threatened, which could make insurance less available and affordable for consumers. In many of these circumstances, litigants (and legislators) are running roughshod over matters tied directly to the regulation of insurers and the oversight conducted by regulators. Unfortunately, it seems that regulators are not fully aware of how these outside influences are affecting their markets. More importantly, regulators are not aware of how these outside influences are eroding the strength of the insurance regulatory framework.

Finally, regulators are experiencing a crisis of confidence due to rapid changes in all areas of the insurance markets in which they regulate, and voices expressing concerns regarding financial stability when their real intent is to slow or limit competition. In my view, regulators should remain confident in their tools and authority, keep their eyes on the road and not be distracted from their work. I served in Ohio during the 2008-2009 financial crisis and its aftermath. After the financial crisis, state regulators added numerous analysis tools to their solvency regulation efforts. These tools strengthened financial regulation significantly. Regulators may need to update some tools, but none of these tools are obsolete or weak. Today, regulators are facing complex investor structures and complex investments. Fortunately, the analysis tools that regulators put into place after the financial crisis remain strong and relevant in the face of these new complexities. Competition does not need to be limited in order to keep insurance regulation strong and stable.

TDD: Any predictions on the forces that will influence the regulatory environment in the future?

Regulators will need to work with policymakers to create alternative risk management programs, and to explain when a market or risk may no longer be able to be insured

MJH: In my view, three "forces" could influence the future of our regulatory framework: regulatory support, social inflation and the long-term care (LTC) market. The first is insurance department staffing and support. Many insurance departments do not have the depth of experience that they enjoyed in the past. Currently, the NAIC serves as a back-office support for many states. At some point, insurance departments will likely need to alter their relationship with the NAIC to ensure transparency and appropriate due process protections are in place for regulated entities. The National Insurance Producer Registry (NIPR) is a great example of a public/private partnership that provides an efficient regulatory tool while also providing transparency and support to the producer/agent community. The Interstate Insurance Compact, utilized for life insurance and related products, is another great example of a regulatory tool that provides regulatory efficiency, solid consumer protection and significant support to the states.

The second issue is social inflation. Cases involving terms that wholly reinterpret the insurance policy terms and operation of the policy are increasing rapidly on court dockets across the country. As courts review these matters, they do not consider or choose to ignore regulator review of the policies, or the impact of their decision on the financial stability of the insurance marketplace. Reinterpreting a policy to provide coverage that did not exist when the insured purchased the policy has a real consequence to each affected insurance company because it did not ever establish reserves for the newly created coverage. Regulators will need to continue to monitor these cases and educate

policymakers, courts and the public regarding the value of stability in our insurance regulatory framework.

The third issue is the long-term care market. Several large single LTC writers are under regulatory supervision or are already subject to delinquency proceedings. State insurance regulators are working hard to address issues associated with these companies, and the companies are protecting their consumers. States are also working to better stabilize the LTC insurance rate increase process. However, in at least one of these matters, at least three states' insurance departments (North Dakota, Iowa and New Jersey) are suing the Pennsylvania Department of Insurance for issues connected with rate increase disputes associated with a long-term care insurance company that is the subject of a delinquency proceeding. States need to find a way to stabilize these companies and the LTC market within their own regulatory framework, or risk federal involvement that would be necessary to protect consumers in the future. If federal involvement was necessary to stabilize the LTC market, it could be problematic for state-based insurance regulation.

TDD: What role can insurers have in driving improvement in cyber security risk management?

MJH: Cyber risks are everywhere, and no enterprise can eliminate them. Cyber risks can cause extreme harm to any enterprise, and can cost millions in lost time, resources and business. However, insured enterprises can mitigate or avoid cyber risks with proper controls and adoption of precautions — if they take them. Insurers can drive improvements in cyber security risk management by working with their insureds to provide training in the latest defense and mitigation to avoid such business losses. Historically, insurers were successful with mitigating broad risks such as automobile accident losses (e.g., seat belt laws) and life/medical claims (e.g., smoking bans). Insurers could and should work to influence public policy to encourage and fund cyber security defense.

TDD: How do you stay ahead of your competitors in a fast-paced business environment?

MJH: I have practiced law for over 30 years. I have found that hard work and dedication to clients often results in success. Our team works to do our best for our clients, and to make sure that we are available and able to assist at any time. We look for creative solutions for our clients and also ensure that we provide candid and clear advice at all times.

TDD: What was the first job you ever had? What did you learn from that job?

MJH: I grew up working in my family's jewelry store in St. Marys, Ohio. At an early age, my grandmother taught me how to count change. She told me that if I knew how to count change, I would always have a job. Currently, Hudson Jewelers is celebrating its 125th year. I have worked every year since my "change counting" training, so I guess Grandma Hudson was right!

TDD: What are the traits and skills of people who should consider insurance for a career path?

MJH: Insurance is a service-based profession. No matter what position a person seeks, all efforts require problemsolving and a focus on helping consumers. Some positions require a finance or mathamatics background. Other postions are business related or are focused on engineering or other risk analysis. In my view, the common denominator is service.

TDD: What does success look like to you?

MJH: My family and those I love are safe, I am able to serve my community, and I am working with interesting issues, kind people and with challenging issues. Mission accomplished so far.

TDD: What is the best advice you ever received as a professional?

MJH: Never burn a bridge.

TDD: You recently added another award or recognition to your long list of professional acclamations. Tell us about the 2022 Chambers USA award.

MJH: Chambers USA is a recognition of subject matter excellence, based on a detailed review of an attorney's work over the past year, plus a comprehensive review from clients and peers. I have been honored to be recognized by Chambers as Band 1 in Insurance, the highest recognition available, since our first application several years ago.

A Lightning Round of Fun Questions

Cat or dog person? Dogs.
Favorite snack? Nachos.
Favorite meal — Fine Dining? Columbus has such a great dining scene. In the past, Rigsby's and M were favorites. Currently, Ocean Club and Jeff Ruby's are favorites.
Favorite meal — Quick bite? Tacos.
Hobby? Listening to Audible books; pontoon boating; canning.
Skill that few know of? I love to cook.
Book that you would recommend? I am on book seven of the "Wheel of Time" series by Robert Jordan. The books are extraordinary. I look forward to the five remaining books in the series.
Movie you would recommend? My favorite movie is The Wizard of Oz.
One technology you canot live without? My Audible app.
A credo you live your life by? "It is better to light a candle than curse the darkness." — Eleanor Roosevelt

Kelly

CONTINUED FROM PAGE 11

of Hartford, Dr. Ivory and Dr. Ackerman, as strong guiding forces in his education and career.

Kelly taught at the University of Texas, asking students to bring in their parents' insurance policies so they could learn the intricacies of the language and coverages, and then had CEOs and regulators from all entities in Texas come and speak. Even the parents reached out to Kelly to tell him how much their children absorbed from the classes.

In the breadth of his career and influence, several experiences stand out for Kelly.

"The first time I was ever called an American, not African-American or black American, was when I was selected to participate in the Citizen Ambassador Program," Kelly said. "In 1993, we went to Russia and Ukraine, representing the U.S. It was supposed to promote world peace and understanding, but it was the stupidest thing I've ever done in my life. We were landing on the ground when Gorbachev and Yeltsin were switching power and transitioning from communism to capitalism. My wife said not to go because it was dangerous, but I wanted them to see the diversity of the best people in this country.

"It was an experience of seeing a communist country where people didn't have the opportunities that we have in America, and I came back with a whole different perspective. I don't care who you are in this country and how bad off you are — this is still the best country in the world to live in. No matter what, you still have opportunity to succeed."

The A Better Chance program was the chance to realize that opportunity for Kelly. The only Black and Hispanic students in the school were the ones brought in to the area through the program. He said there was, of course, prejudice and stereotypes experienced, but the program allowed Kelly and others to succeed, and be the first graduates of the ABC program there. The town supports that program and it still continues today.

Kelly still keeps in contact with his former host family, and considers them part of his family. His plan for his retirement is to invest himself in his loved ones, especially his six grandchildren, as well as working with his wife on a new endeavor she's begun.

But all Kelly's experiences set him on the path of caring about people and aiming for success.

"I learned early on that there's good people and it doesn't matter what color you are," Kelly said. "You're either good or bad. It's just who you are as a person. I learned to look at people a lot differently, and to have a better feel for who I was and what I wanted to be and what I wanted to project to others. It's been fun."

Investors Title

CONTINUED FROM PAGE 13

Allen's son, Jim Fine, who joined the company in 1987, commented, "Regardless of the state of the economy, we remain steadfast in the business model that has sustained us since the company's inception — emphasizing industry-leading financial strength, a caring and capable team that delivers unparalleled support, and the mutual long-term success of our business partners."

In addition to the valuable coverage provided through the owner and lender title insurance policies they issue, title companies play an important role in both real estate transactions and their local communities. Allen and the Investors Title team take that role seriously. They recognize that cultivating long-term relationships and helping business partners succeed through technology solutions, underwriting support, and educational programs that emphasize risk management best practices are ultimately a win-win for both partners and policyholders, especially in the context of an ever-evolving landscape that is fraught with fraud and increasingly concerning cybersecurity threats.

Allen, for example, may not have had concerns in 1972 about a cybercriminal hacking into that electronic typewriter to steal nonpublic personal information; however, back then, title companies played as important a role in fraud awareness and prevention as they do now. Leveraging the expertise and knowledge gained through underwriting a large volume of transactions puts title companies in a unique position to provide insights and share best practices with partners to reduce their risk and ultimately better protect policyholders. Communicating this knowledge reinforces relationships and the company's value, reputation, and brand, which, in turn, support its longevity.

Pinpointing exactly which attribute contributes most to Investors Title's longevity may be challenging — perhaps it's Allen's original foresight and unwavering dedication to overcoming barriers to market entry; perhaps it's the conservative financial and operating principles that have helped the company withstand the inevitable ups and downs of the real estate industry; or, perhaps, it is the growing, talented, and seasoned team of leadership, production, and administrative professionals that has become the heart of a reliable brand. The long-term success Investors Title has enjoyed is likely the result of all these components combined with the honoring of commitments made to its employees, partners, policyholders, and shareholders.

"As we celebrate Investors Title's 50th anniversary," said Morris Fine, Allen's youngest son, who joined the executive management team in 1992, "we take great pride in the fact that our growing team of employees remains committed to the foundational values and business principles that have propelled our company forward since its inception in 1972. Reflecting on 50 years, we are most thankful for the relationships we enjoy with our employees, customers, and shareholders, and for the strong, growing, and enduring partnerships we share."

When Investors Title opened for business in 1972, the average price of gas was 36 cents per gallon and the median home price was $27,000. Many things have changed considerably since then, including the real estate, lending, and title industries, but one thing remains the same: J. Allen Fine continues to work from his office in downtown Chapel Hill while playing an important role in maintaining the excellence that has defined Investors Title's successful performance over the past 50 years and will support its longevity for many years to come.

Grindstone Media Group/shutterstock.com

New York

CONTINUED FROM PAGE 15

today is because of the relationships fostered early on by NYIA leadership and its members who play an active role in government relations. The association has been instrumental in achieving a number of successes, both legislative and regulatory. These include changes which better educate consumers on insurance, improve the policyholder experience, or make it easier to do business in New York. To date we've managed to hold the line on increases on taxes, fees or assessments on carriers with the mission to keep insurance affordable and available.

Why is NYIA's educational component so successful?

The success of NYIA's education services can be attributed to the association's strong and diverse membership. Not only does the membership take advantage of the education services available but they are the ones who teach. Our industry's ability to learn from our peers is one of our greatest strengths and NYIA recognizes how important these valuable relationships are in supporting the insurance industry as a whole.

What has the company culture at NYIA been to foster such loyalty, and was that values that originated with the company or has it been hard won over time?

The achievement of strong company culture at NYIA is a dual relationship. Our members are drawn to the association because of our solid leadership and great leaders are attracted to the association because of our robust membership. Loyalty is built on trust and trust is built on positive relationships. NYIA's internal staff has a proven track record of low turnover, a member can call the office anytime and expect to hear a familiar voice on the other end and the same can be said for our member companies. Insurance is often a career for life and some of our members have even had multiple generations involved in the association. Loyalty is not often something that anything is born with, it is achieved over time with commitment and dependability.

This article contains comments from an article written by the New York Insurance Association which appeared in their 2022 First Quarter magazine, Your New York Connection, issue 33.

Tower Hill

CONTINUED FROM PAGE 17

Conversely, Tower Hill Specialty primarily relies on the MGA distribution system model. We remain committed to the independent agency distribution system.

No surprise, for Tower Hill the most significant regulatory changes within the last five decades have involved these select coverages: sinkhole, mold, water/wind, and roofs. Similarly, the challenges created by Assignment of Benefits (AoB) have resulted in increased litigation. These regulatory issues have proved challenging not only for Tower Hill, but for the Florida insurance market. However, the company's financial strength and nimbleness have allowed Tower Hill to adjust as needed.

Company culture can make or break a company. Does the founders' company culture still drive company culture today? Has that contributed to Tower Hill's longevity?

Tower Hill strives to uphold the down-to-earth, family atmosphere established by the company's founders. Understanding that the success of our business depends on the success of our people, the company is committed to nurturing talent and rewarding outstanding performance.

The 50th anniversary speaks to durability and survival. The next 50 years will likely be more challenging, and potentially more rewarding.

How is Tower Hill preparing for what comes next? How is the company focusing on the future?

Shifting to a reciprocal exchange business model for Florida Personal Lines is integral to Tower Hill's continued success in Florida and beyond. While Tower Hill's commitment to Florida remains steadfast, the company continues to diversify with additional product lines and expanding geographically.

With the transition to Tower Hill Insurance Exchange, Personal Lines customers become Exchange members. Key to this shift is a renewed focus on the overall customer/member experience, to maintain high levels of satisfaction and retention. Through leveraging technology and a range of resources, Tower Hill is focused on further streamlining the claims process to ensure that every claim is handled in a timely, accurate and fair manner.

Many companies spend too much in angst over what they're going to do, and not enough time executing. How has Tower Hill stayed focused on executing its goals? How has Tower Hill stayed relevant?

Tower Hill has remained true to its core principles, managing exposure, ensuring rate adequacy, caring for our agents and customers, and carrier financial stability. By achieving a balance of these key elements, the company has grown strategically while maintaining strength and flexibility to focus on moving forward.

People Managers

CONTINUED FROM PAGE 20

People managers play an important role in effective talent management. Their relationship with the organization's human resources team has a tremendous impact on the ability to attract, retain, and engage premium talent. People managers help paint the picture of expectations for candidates. They essentially give recruiters an image of what a technically competent, culturally aligned candidate should look like.

Giving recruiters and candidates a clear picture of worker expectations carries over from the recruiting process into the workplace experience. Workers walk in aware of the nuances required for them to be successful at their jobs. It makes sense for people managers to collaborate with HR as they help engage the human element in business. Great people managers dramatically improve your organization's ability to find and keep the right people to execute your vision.

Ultimately, the best people managers effectively articulate the workplace culture. When they are maniacally focused on culture, they maintain a model of accountability for the organization. In essence, they become the caretakers of the organization's identity. Culture is more than platitudes on a wall; culture lives in the people in your building.

As we teeter on the brink of recession, make sure your people managers are up to the task. Do they embody the culture and embrace it in its truest form? Do they have the soft skills to empower your workforce to thrive? In a global macroeconomic climate that will likely demand we do more with fewer resources, maintaining business viability hinges on having these human catalysts for performance, productivity, and efficiency across our enterprises.

Johnny C. Taylor Jr. is president and CEO of the Society for Human Resource Management, the world's largest HR professional society, and author of "Reset: A Leader's Guide to Work in an Age of Upheaval."

Save the World

CONTINUED FROM PAGE 21

of conservation add up to big savings of resources. As an industry, insurance has utilized digital technology quite well toward that end.

When you think about it, the insurance industry truly can mold and shape our future. It can influence for the good, sometimes quite significantly. Insurers promote a more sustainable future by encouraging eco-friendly policies and discounts for greener homes. Some examples from the Insurance Information Institute include premium discounts for Leadership in Energy and Environmental Design (LEED) certified homes, eco-friendly replacement materials endorsements, broad coverage for alternative energy sources, etc.[3] Not only does the III have green options for homes, but they have green options for businesses as well, like cover-installing "green" building systems and materials or allowing "green certified" rebuilding resources.

As access to more green options becomes available, increasing policy rates on non-green policies and incentives toward greener options will help to usher in a greener era more quickly and more effectively. These policies and incentives influence the decisions facing home and business owners when choosing to fix or replace belongings, equipment or buildings.

As the world population continues to grow, we will continue to consume resources at astronomical proportions, but continuing efforts toward efficiency and conscious consumption will enable generations to share resources for decades to come. Even though you won't see the insurance industry wearing a super hero cape anytime soon, its efforts as well as those of others continue to save the world.

John J. (JJ) Dimond is an intern at Demotech. He is a senior in the Miami University Distance Learning Partnership with Columbus State Community College. He is earning a Bachelor of Science in applied science in electro-mechanical engineering technology.

[1] *https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling*
[2] *https://about.usps.com/news/delivers-facts/usps-delivers-the-facts.pdf*
[3] *https://www.iii.org/article/green-insurance*

Insurwreck

CONTINUED FROM PAGE 25

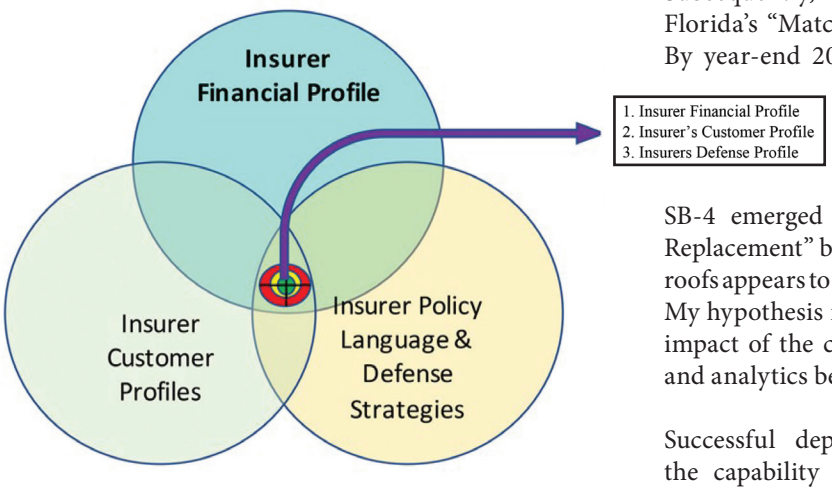
development, and expanding the initial capabilities of the platform. In sum, innovators acted boldly, started small, tested live, iterated, refined, expanded capabilities, and sought scale so as to maximize the depletion of carrier capital.

I also analyzed the timeline of actions in 2020. On June 23, 2020, 1,130 actions were filed in less than 24 hours. The other 49 states, combined, average 64 complaints filed per day. Six months of litigation in the other 49 states was created without an event making landfall in Florida.

My second report included a post-insolvency analysis of American Capital Assurance Corporation, AmCap. At the time, AmCap had A level ratings from two rating agencies. Information shared by executives and defense counsel included two plaintiff firms describing strategies to transfer the maximum possible capital from AmCap to their networks.

The firms advised AmCap that it was insolvent but did not yet know it. The attorneys advised AmCap it had 13 months of functionality remaining. Eleven months later, Florida appointed a receiver. In the post-insolvency analysis, I discerned data-driven profiles from AmCap data.

AmCap was not an isolated case. Coordinated planning and advance analytics appear to have resulted in the depletion of each carrier that was recently liquidated in Florida. Based on my interpretation of AmCap's data, I deconstructed profiles utilized to target an insurer; e.g., a crude understanding of the profiles that could result in a focus on specific insurers.



I.F.P. — Insurer Financial Profile: Published Financials, OIR Rate, Rule and Form Filings, SEC Filings, News Media, Inside Sources, M&A Data, Board of Director Minutes, Investor Quarterly Calls, Public Information Requests, Investor Data, Stock Performance.

I.C.P. — Insurance Customer Profile: SEO Click Data, Search Word Data, Extracted Data-Case Files, Social Media, 3rd Party Acquired Data, County Records, Credit Reports, Construction Records, Building Permits, Previously Filed Claims, Mortgage Data, On-site Inspections, Aggregated Inspection Data and Real Estate Records, Data from Client Contractors.

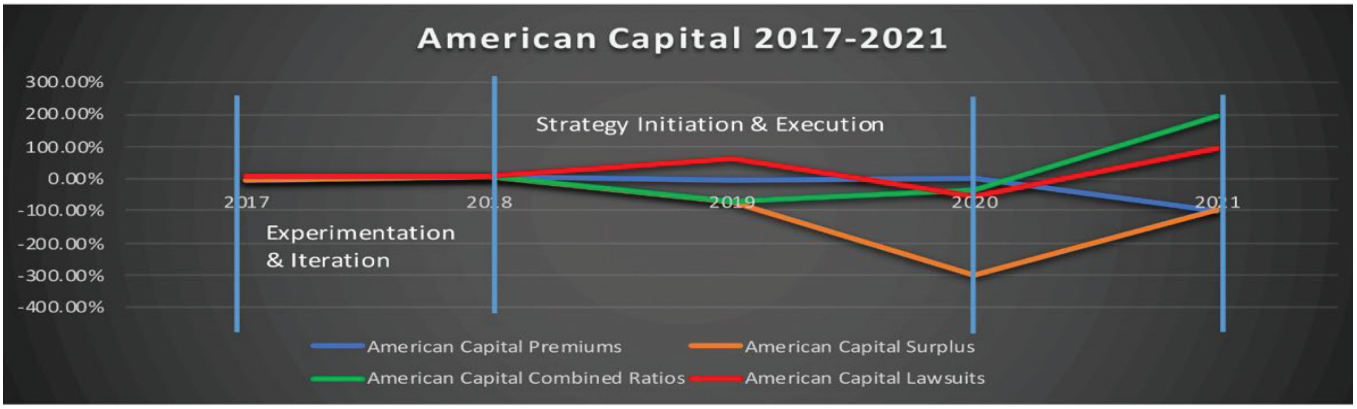
I.D.P. & D.C. — Insurance Policy and Defense Council Profile: Actual Policy Language, Case File Data, Past Defense Behaviors, Expert Witness Performance, Property Managers, County Clerks, Peer Network Shared Data.

Predictive modeling employed by opportunists enables pre-selection of consumers and properties based on the likely probability of success of respective leads being converted into a filed complaint. This may explain the level of disproportionate litigation that Florida has experienced, despite reforms. Modeling may enable simulation of the impact of enacted reforms in advance of its effective date. Once the simulated impact of reforms was available, marketing efforts could be revised to replace revenues that the reforms assumed would be "savings to consumers."

As an example, in 2019, 2020 and Q1 2021, building codes requiring roof replacement over repair were virtually the sole building regulation cited in certain roof complaints. Subsequently, in Q2, Q3 and Q4 2021, the cause cited was Florida's "Matching" statute and "Like Kind & Quality." By year-end 2021, "Matching" complaints exceeded the "25 Percent Replacement" building code complaints.

In May of 2022, during a special session, SB-4 emerged with reforms to the state's "25 Percent Replacement" building code. Growth in litigation related to roofs appears to have continued unabated despite the reform. My hypothesis is that the network may have simulated the impact of the change in the building code. SEO research and analytics became early warning mechanisms.

Successful deployment of an analytical system with the capability to simulate the impact of reforms may have eliminated the critical dependency of residential property insurance claims on catastrophic events. Further, the analytics engine may compile individual carrier performance metrics, civil remedy filings, and case file documents to develop carrier-specific strategies.



Public information from AmCap provides a visualization. The graph summarizes year-over-year changes in market shares of premium, surplus, lawsuits, as well as relative combined ratio, in addition to my estimated timelines of phases of innovation. Once the network discerned, through analytics, machine learning, and artificial intelligence, AmCap's niche of large condominium associations, the resultant strategy was to reopen claims previously closed with no payment.

The disputes filed on the claims closed without payment sought damages exceeding 70 percent of policy limits. Numerous successful claims of this size resulted in a loss of surplus far exceeding the percentage growth in suits.

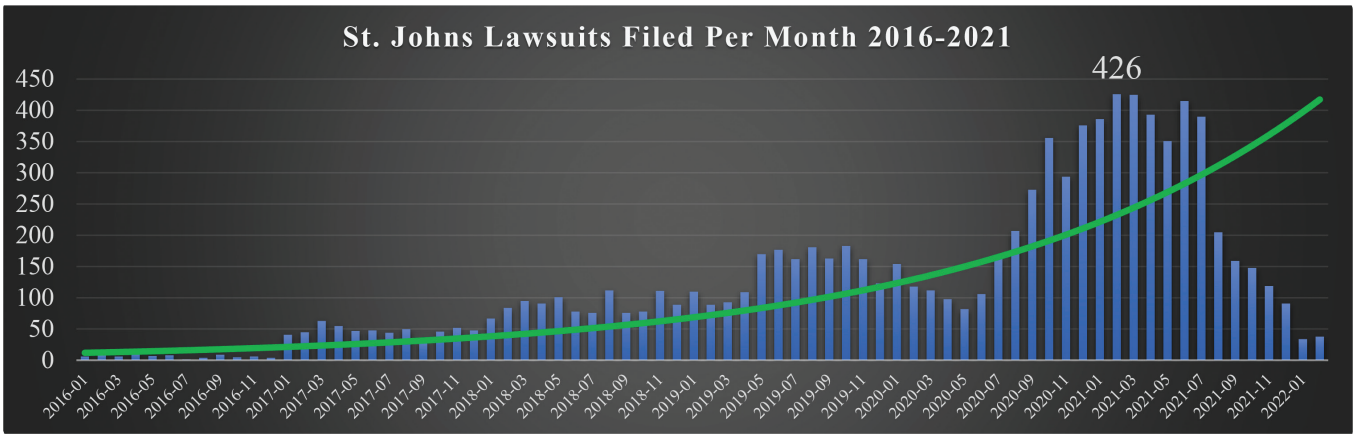
Another example, also derived from public information, is St. Johns Insurance Company. Note the acceleration in suits per month toward the end of its functionality. In 2021, St. Johns averaged nearly 300 suits per month versus "all states other than Florida" averaging 426 per month. The number of suits against St. Johns in 2021 was equivalent to or greater than the number of suits in the California, Texas, or New York homeowners insurance markets.

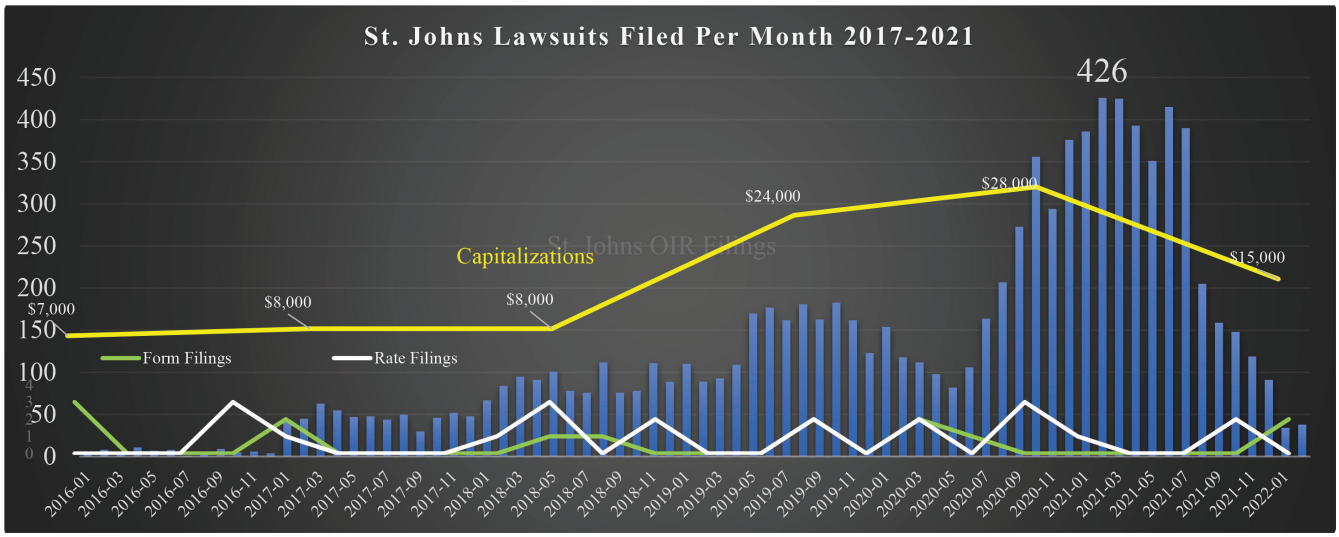
Why do I believe that St. Johns was litigated into insolvency? Public financial information implied that St. Johns periodically infused capital to sustain its financial rating. Although this practice enhanced its financial position, "fresh capital" attracted networks seeking to maximize the monies available for them to transfer to themselves. While infusing fresh capital into the carrier ecosystem may be necessary, opportunists view capital infusions as additional revenue for them to acquire.

Another of my observations related to how day-to-day operations and functionality of insurers can be part of a revenue transfer process. The next chart overlays St. Johns' form and rate filings with other criteria. Public information was utilized to secure the dates filings were made by St. Johns. My research indicated that approval of form filings required, on average, 32 days. Rate filings required, on average, 138 days.

Form filings, the yellow line, were consistently followed by an escalation of filed actions. This may imply that networks track changes in policy terms, language, or provisions to exploit the deficiencies corrected by the carrier through its filed and approved revision. In-force policies would not reflect the revised language, likely favorable to the carrier, encouraging the opportunists to identify the file remedy to exploit the less favorable provision in the in-force policies.

Capital infusions can be discerned from public financial information. Approval of rate, rule, and form filings is also public information.





In summary, capitalization events, individually, or in total, produced no operational benefit for St. Johns or its investors. These infusions might even have attracted opportunists to St. Johns.

"Do companies know they are being targeted?" Communications on this question range from disbelief to those who do not recognize they are a target yet recognize their volume of filed complaints has dramatically increased.

My analyses outlined how networks select a niche, e.g., geography, complexity, or loss type. Their niche permits and reinforces coordination, planning, and scale while minimizing or avoiding competitors for the specific carrier's funds.

The practice of targeting has been validated by executives within Florida's counter-fraud efforts. Unfortunately, validation from corporate leaders has come post-insolvency. I believe that each of the recent carrier insolvencies was the result of targeting by tech-enabled marketing.

Publisher's opinion:

The opinions of Kozikowski and Fraker provide insight into the disparate levels of litigation published by the state of Florida Office of Insurance Regulation. Although the insurance industry in general, and insurtechs in particular, leverage technology to address cyber issues, safeguard consumer data, protect non-public information, and enhance the customer experience, opportunists may have leveraged that same technology and its capabilities for the purpose of encouraging insureds to become claimants. The goal of the opportunists is to transfer insurer funds to them. Through tech-enabled marketing, third parties contact insureds to encourage the insured to initiate a claim. Concurrently, analytics and machine learning identify and exploit the specific vulnerabilities of individual carriers. This may include converting the regulatory process, e.g., financial statements and form filings, to a set of data points. This capability benefits opportunists during the period that an insurer is implementing remedial efforts. Leveraging these capabilities results in carrier insolvency through disparate litigation. Insurwrecks versus Insurtechs!

Clearly, technology ... brings you great gifts with one hand, and it stabs you in the back with the other.

Carrie Snow

Todd Kozikowski is an accomplished entrepreneur having built multiple purpose-driven technology organizations in the insurance, healthcare, building, and digital CRM industries. He has driven the use of data analytics, machine learning, and artificial intelligence resulting in the creation of $5 billion in market value. He received his Bachelor's of Science Degree in Physics, Astronomy and Mathematics from Bates College. Kozikowski can be reached at todd@44northllc.com.

Guy Fraker is the founder and lead consultant for Cre8futures LLC. An established thought leader in the insurance industry, he has analyzed insurance marketplaces worldwide, including Florida's residential property insurance marketplace and including a review of cost drivers in Tampa's residential property insurance market. He received his bachelor's degree as well as an MBA in Behavioral Economics & Game Theory from the University of Georgia. Fraker can be reached at GuyCF4@gmail.com.

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sat down with the company's founder and CEO, Sanjeev Kumar Chaudhry, where he explained the value and innovation of his platform. During complex subrogation there are many parties involved in the sequential processing. Gigaforce makes that sequential processing secure and seamless for all insurance partners involved.

Meet Cogitate.
On the last day of the conference, I spent two hours talking with Cogitate's founder and CEO, Arvind Kaushal; his sales leader, Tushar Bhole; and VP enterprise architect, Lava Jois. Not only was this company gracious to give their history, Arvind invited his team to spend time with me to share information about the Cogitate platform, which allows companies to seamlessly create an insurance ecosystem that delivers an omni-channel experience and strengthens any legacy core system. Using a new technology platform to require companies to replace their backend system to deliver greater simplicity on the frontend, Cogitate's innovation removes that barrier and is exactly what the industry needs to strengthen existing core systems, connect multiple parties, and leverage the many specialized services now available in the insurance marketplace.

By the end of InsureTech Connect, I felt as though I was part of a very large but tightly connected family of insurance innovators. This is definitely the event to attend to get your crash course in insurance innovation, but it's certainly difficult to meet with everyone you know. Thankfully, I had the opportunity to have breakfast with Blair Baldwin on the very last day. He recently started Boundless Rider, which specializes in insurance for motorcycles and ebikes. We had partnered with Blair and his prior insurtech company a few years ago amidst our system migration. That transition certainly tests the waters of any partnership, but not with Blair. He has been and continues to be one of the smartest people I know in insurance; and more than that, he's delightfully inspirational. We had a wonderful conversation about the metaverse and what it means for insurance. It was exactly what I needed to get through the last exhausting day of InsureTech Connect.

The road does not end at InsureTech Connect. In fact, it's imperative to attend other conferences to solidify and strengthen new relationships and understand the progress made by insurtech startups. Digital Insurance's DIGIN and Women in Insurance Leadership events and Insurtech Hartford's Symposium are a few events I'll be attending this year and in 2023. These events deliver value at a pace that doesn't leave you depleted. And it's required to ensure that I don't lose sight of innovation, I remain connected with my insurance family, and I am part of the future of insurance.

We have now crossed the divide. The collaboration that is taking place only amplifies the speed of innovation. Be bold. Stay focused and connected. See you soon.

Marissa Buckley brings a hybrid background to the insurance industry, having studied computer science and marketing and held positions as a software developer and insurance transformation leader for the last 20 years. She worked with an insurance carrier startup to grow the company to become the second largest in the market. She was responsible for insurance innovation and the digital transformation and marketing of agent and customer experiences. Buckley oversaw the user experience design and development of several insurance industry firsts, including mobile applications and integrated personalized video services, which earned the Model Insurer of the Year Award by Celent.

She is now managing partner and fractional CMO at Brilliantly, a growth agency increasing top line revenue and bottom line profitability in #InsurTech and #FinTech. Brilliantly's growth experts come from the trenches and know what it takes to succeed in today's fiercely competitive markets. The company creates precision positioning and alignment from brand development to omni-channel marketing and revenue operations designed to accelerate the growth of your company at every stage.

As fractional growth officers with diverse backgrounds in enterprise marketing, product-led growth, business operations, and who are crazy about data, we know how to scale with efficiency throughout the customer lifecycle. Brilliantly finds your perfect customers and keeps them exceptionally happy. To learn more, visit BrilliantlySaaS.com or schedule an appointment at https://calendly.com/marissajbuckley/30min

[1] *How curating ecosystems enable self-disruption, EY, https://www.ey.com/en_us/insurance/how-curating-ecosystems-enables-self-disruption#chapter2008725388*

Bouffard

CONTINUED FROM PAGE 37

I left Notre Dame to join Crowe LLP in South Bend, Indiana so I could put my accounting degree into practice. I spent most of my 34 years at Crowe in our Financial Institutions Group as an audit partner working with over 100 private and public bank clients in Indiana, Ohio, Michigan, Illinois, and Florida. My primary focus was audit services, but I also provided services related to acquisitions, strategic planning, SEC reporting, and board and management retreats. I was on Crowe's board of directors for 10 years. This was especially rewarding because the firm's partners (my peers) elect the board. I also served on Crowe's Management Committee. I was the founder and CEO of Crowe Wealth Management, a fee-only firm providing independent financial and investment advisory services to business owners and institutional clients. What was most gratifying about my time at Crowe? Serving clients! Mentoring staff! I still treasure those experiences.

I joined the board of directors of Amalgamated Bank in early 2012. We took the bank public in 2018 and formed Amalgamated Financial Corp. to be the holding company for the bank. Amalgamated Financial Corp. is registered on NASDAQ under the symbol AMAL. The bank has more than $7 billion in assets with offices in New York City, Washington, D.C., San Francisco, and Boston. We acquired New Resource Bank in San Francisco in 2018. I have chaired the Audit Committee since 2012 and serve on the Executive Committee, the Credit Policy Committee, and the Governance and Nominating Committee.

I was on the board of directors of Wilmington Savings Bank in Wilmington, Ohio from 2011 to 2020. The bank is a mutual thrift institution with $200 million in assets. I chaired the Audit Committee and served on the Loan Committee and the Compliance Committee.

The opportunity to sit on the board of Demotech will allow me to bring my varied and deep business experiences to assist the management team in continuing to grow the company. I have dealt with regulators on a one-on-one basis as I worked with bank clients at Crowe and now through my board work. I understand financial statements. I know what good governance means. I know how to serve clients. Most of all, I believe I can provide thought leadership.

Sally

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grow, landing me roles as underwriting assistant and then underwriter. Through this progression I was introduced to hazard risk ratings, uses and impacts of reinsurance, and unfortunately cash-flow underwriting (note, I mentioned this was a now-defunct insurer).

I next landed an underwriting role with Employers Reinsurance Corporation. Owned by GE, but originally founded by Getty Oil to insure oil field workers compensation, ERC had expanded its writings to include insurance agents professional liability, and media liability. An avid reader, I was drawn to the media liability business and found myself leading our West Coast team during the early internet years. The internet completely upended the publishing and broadcasting arenas, introducing unanticipated risks such as instantaneous world-wide distribution, lack of content releases for electronic distribution, and legal questions around responsibility for libel and errors & omissions (author, distributor, internet provider?). ERC ultimately chose to divest the media business, which gave me the opportunity to move back into agents professional liability as chief underwriting officer. Included in that role was oversight for professional liability for architects and engineers, accountants, real estate agents, and school leaders.

In 2006 ERC was purchased by the Swiss Re Group, and I stepped into the role of head of U.S. agents E&O. With policyholders spread across all 50 states plus D.C., I had an excellent view into how liability exposure is impacted by the variances of geographical, legal, judicial, and regulatory venues.

During my 16 years as business leader, my team launched new coverage forms to adapt to customer needs and legal changes, responded to department of insurance audits, conducted and responded to internal audits, created and monitored underwriting guidelines, consulted with actuaries on rate changes, worked with IT to digitize underwriting, application, and policy delivery, and collaborated with our key client to put a reinsurance captive structure into place, all while balancing the need to produce an underwriting profit. Hectic and challenging, but definitely fun!

In 2019 I chose to step down from that role and stepped into the role of CEO/CFO/COO of a small, but highly important enterprise: that of raising my granddaughter. Taking all the skills I learned throughout the decades of my insurance career, leading this small team is also hectic and challenging, but definitely fun!

When Joe told me of Demotech's newest venture, gaining approval as an NRSRO, I was immediately intrigued. My experience with regulatory bodies and compliance issues could be useful. And, as a life-long learner, I leaped at the chance to dive into the world where insurance rating organizations interact with the SEC. As chair of the Compliance Committee and a member of the Audit Committee, I'm honored and excited to be a part of Demotech's continued evolution.

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finances. His stellar record steering IPFS around insurance company insolvencies is second to none in the industry. Prior to joining IPFS, Dick was a consultant to IPFS and insurance companies, managing general agents and reinsurance clients. As a consultant to IPFS, he developed a proprietary rating system and process to evaluate the financial performance of insurance companies and the model remains in use today providing IPFS with unique competitive advantages.

Dick has over 35 years of experience in all facets of multi-line property and casualty insurance company strategic formations and operations. He began his insurance industry career in the accounting and financial reporting areas and over a period of years, worked his way through each functional area of a P&C insurance company. He has management and operational experience at multiple levels with public companies, stock, mutual and reciprocal carriers, MGAs, and industry service providers. His professional experience portfolio includes insurance company start-up experience from raising capital to licensing and operational kick-off of carriers, experience in managing carrier turnarounds, and collaborating with large national companies. He holds a BA with major emphasis in accounting and taxation from Concordia University Wisconsin. Dick and his wife Diane live in Melbourne, Florida.

Professional Work History

2001 to present — Vice president of IPFS Corporation, Kansas City, Missouri responsible for developing a new business unit and previously, managed credit risk of multi-billion-dollar loan portfolio.

2000 to 2001 — Consultant to SAFECO Insurance Company, Seattle, Washington. Focus was on developing financial planning and reporting systems including KPIs.

1999 to 2000 — Vice president of K.I. Tobey Managing General Agency, Seattle, Washington. Responsible for operational areas with key focus on policy administration, accounting, financial reporting, and technology. Responsible for relationships with insurance companies and distribution partners.

1997 to 1999 — Consultant to insurance companies, managing general agents, construction and service companies.

1995 to 1997 — President of United Agents Insurance Company, Baton Rouge, Lousiana. Engaged to start a property and casualty insurance company from scratch including raising capital, licensure, operations, technology, and talent acquisition.

1992 to 1995 — Consultant to the insurance and service industries with focus on the HVAC industry.

1987 to 1992 — President of Commonwealth General and Heart of America Insurance Companies, Kansas City, Missouri. Commonwealth was a startup and HOA was an acquisition. Raised capital and built organization from the ground up including all functional departments.

1981 to 1987 — Executive vice president and general manager of Occidental Fire & Casualty Co and Wilshire Insurance Company, Denver, Colorado. Full responsibility for two carriers operating nationally in the commercial auto trucking segment. Reported to McM Corporation EVP in Raleigh, North Carolina.

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