the Demotech Difference

Spring 2022/Vol.8, No.2

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Much Ado About Many Things

By Barbara Albert

We are always looking to the future; the present does not satisfy us. Our ideal, whatever it may be, lies further on. *A Dictionary of Thoughts*

This issue of the magazine is jam-packed with articles discussing what is on the minds of many people. For some time, the pandemic was the center of attention. As that has waned, complex issues have bubbled back to the top, now requiring our focus and best efforts to understand and, where possible, remedy.

Florida's residential property insurance landscape is, in the opinion of many, a problem child right now. In an article by Greenberg Traurig, it is reported that the state's property insurance market is a topic of great debate legislatively, and is a concern for residents of the state and for regulators.

Demotech President Joseph Petrelli, with the expertise of a quarter of a century working for the benefit of that Florida insurance market, took a deep dive in both his column and in a feature article, looking at what he's determined to be a desperate need for real and focused legislative reform in the state.

In this issue, Demotech also interviewed recently elected president of the National Council of Insurance Legislators, California Assemblyman Ken Cooley, who said that one of his goals as NCOIL president is to keep the organization focused on the shifting of our "unprecedented times," and assuring that state laws continue doing what they were intended to do for companies and consumers in the midst of changes.

Eric Cioppa, recently retired Maine Bureau of Insurance superintendent, talked about his long service to the Bureau and his national service as president of the National Association of Insurance Commissioners. He stressed that protection and service to the public has always been key and has to revolve heavily around solvency regulation to provide the strongest protection and confidence.

Two articles in this issue speak to employment changes since the pandemic began. Johnny Taylor states that understanding current worker motives is necessary to combat the loss of workforce, while Tom Harvey looks at ways businesses need to operate differently today to compensate for these changes.

We have a look forward and a look back at history in our Legacy of Longevity, celebrating Mutual Insurance Companies Association of Indiana, Inc.'s service to consumers for the last 125 years.

The feel-good story in this issue is about The Two Foundation, providing integration into the workplace for individuals of all abilities, while supporting families and schools in the process.

There's always good, all around, no matter how many difficult things clamor for attention. We need to look for ways to keep it in focus.

Barb Albert

the Demotech Difference
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From the President's Desk

By Joseph L. Petrelli

Life improves slowly, and goes bad fast, and only catastrophe is clearly visible. — *Edward Teller*

The casualties associated with Hurricane Ida, one of the most devastating storms to hit the United States, keep on coming. Ida is infamous for its strength and ferocity when it made landfall in Louisiana on the 16th anniversary of Hurricane Katrina, August 29, 2005.

According to a report published by JBA Risk Management, at www.JBARisk.com, Hurricane Ida pounded Louisiana on August 29, 2021, subsequent to landfall near Port Fourchon.

Goldman Sachs estimated losses to the insurance and reinsurance industry from Ida between $30 and $40 billion, but even higher costs were predicted by some due to the pandemic and the increased demand for labor and materials following a storm event.

JBA Risk Management described two aspects of the impact of Ida: the storm itself and then the subsequent flooding in the Northeast.

What was first classified as Tropical Storm Ida on August 26 rapidly intensified over the Gulf of Mexico and was upgraded to a hurricane, moving from a Category 1 to a Category 4 hurricane by August 29, with sustained winds of 150 mph as it made landfall.

Hurricane Ida weakened over land, becoming a tropical depression on August 30 and then a post-tropical cyclone in its "second act" the next day, breaking multiple rainfall records on its move through the northeastern United States. Maximum storm surge predictions along the coast of southeastern Louisiana before Hurricane Ida made landfall were for 12 to 16 feet, with surges of 8 to 10 feet actually observed. In many areas, the surges ranged from 3 to 8 feet. The Mississippi River reversed its flow for several hours as the surge came inland. Major levee improvements in New Orleans after Hurricane Katrina did not fail as Hurricane Ida hit, with no flooding reported in formerly vulnerable areas.

More than 1 million customers lost power in Louisiana alone, including much of New Orleans, for 10 days. The New York Times reported that the number of electricity pylons down in Louisiana and Mississippi was greater than Hurricane Katrina, Zeta and Delta combined.

During the storm's "second act," Ida flooded New York City subways, prompting a first-ever flash flood emergency in the city. Ida caused tornadoes in New Jersey and Pennsylvania, and swamped Philadelphia's freeways with flooding. States of emergency were declared in these areas late on September 1.

The article at www.JBARisk.com also noted that the National Weather Service New York recorded a total of more than 3 inches of rain in Central Park in one hour, the highest one-hour total recorded at that location. The Central Park gauge station went on to record more than 7 inches of rainfall over a 24-hour period, the fifth highest daily rainfall recorded over the past 150 years.

Although billions of dollars of coastal flood defenses were constructed around New York City following Hurricane Sandy, these coastal defenses were insufficient to protect the city from the surface water floods from Ida. Surface water flooding often occurs in urban areas because so much of the land is covered by roofs, buildings, and asphalt roads, leading to more rainfall runoff above ground and drainage systems becoming overwhelmed.

Goldman Sachs estimated losses to the insurance and reinsurance industry from Ida were between $30 and $40 billion, but even higher costs were predicted by some due to the pandemic and the increased demand for labor and materials following a storm event. In comparison, Hurricane Katrina, in 2005, resulted in $87 billion worth of claims, adjusted for inflation, and Superstorm Sandy costs were approximately $60 billion.

Unfortunately, for regulators, insurers, rating agencies, consumers, reinsurance carriers, and other stakeholders, facets of the simulations preceding Ida resulted in one catastrophe modeling firm's estimates of Ida loss and loss adjustment expense (damage) being markedly lower than the estimates of its primary competitor.

Ida continued to adversely impact citizens of Louisiana by exposing the differences of catastrophe modeling estimates addressing exposure in Louisiana, as made by competing catastrophe modeling firms. In a 2019 presentation to the Casualty Actuarial Society, representatives of Guy Carpenter, a subsidiary of Marsh and McClellan, characterized catastrophe loss modeling as a tool that utilizes computer simulations to quantify risk so as to aid management decision making on pricing and underwriting as well as reinsurance buying and portfolio management. The catastrophe modeling process is intended to examine insured values that are exposed to catastrophic perils such as flood, earthquake, hurricanes, or cyber threats.

The simulations generated by the model (the output of the catastrophe model) are dependent upon the accuracy of the insurer inputs; i.e., masonry versus frame, type of roof, distance to the coastline, etc., as well as the algorithms of the specific vendor's model. The output is utilized by management to evaluate what a sufficient amount of vertical (per event) reinsurance protection as well as reinsurance protection against a realistic number of horizontal (frequency of events in a storm season) events might need to be. In addition to utilizing the output to form management's evaluation of its reinsurance needs, management may share the output with a rating agency to demonstrate that the rating agency's reinsurance criteria have been met or exceeded.

As one of the more catastrophe-prone areas in the world, the state of Florida established its Commission on Hurricane Loss Projection Methodology in 1995, subsequent to the insolvency of 18 domestic carriers that had not purchased sufficient reinsurance. According to its website, the Florida Commission on Hurricane Loss Projection Methodology is an independent body of experts created by the Florida legislature for the purpose of developing standards and reviewing hurricane loss models used in the development of residential property insurance rates and the calculation of probable maximum loss levels. In 2014, the Florida legislature expanded the role of the Commission to develop standards and review flood loss models used in the development of personal lines residential flood loss and the calculation of flood probable maximum loss levels.

Given the purpose and substance of the Commission and the consistent application of its review process to the catastrophe modeling firms that seek to meet or exceed its standard, Demotech Inc. has previously been agnostic as to the catastrophe modeling firm utilized by each insurer that we review, rate, and follow, whether evaluating the insurer's exposure in Florida or another catastrophe prone jurisdiction. Clinical evidence distributed by the respective catastrophe modeling firms tends to validate that their evaluations of catastrophe exposure, whether pre or post-event, have tended to be fairly consistent, all other things being equal.

Unfortunately, for regulators, insurers, rating agencies, consumers, reinsurance carriers, and other stakeholders, facets of the simulations preceding Ida resulted in one catastrophe modeling firm's estimates of Ida loss and loss adjustment expense (damage) being markedly lower than the estimates of its primary competitor. This resulted in at least five insurers piercing the top of their vertical reinsurance tower. The result in each situation was state action. Clearly, second opinions on a topic as important as estimating portfolio exposure to catastrophes would benefit all parties and stakeholders.

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2022 Florida Legislative Session Report: Florida's Insurance Market



By Fred E. Karlinsky, Timothy F. Stanfield, and Christian Brito

Florida adjourned "sine die" bringing an end to the 2022 legislative session. As with prior years, eyes were on the Legislature to enact reforms given the challenging insurance marketplace in Florida.

What Passed

The continuation of the COVID-19 pandemic prompted the passage of Senate Bill 7014 to extend a law created in the 2021 session that provides COVID-19 liability protections to health care providers.

> **Florida's property insurance market was a topic of great debate. The availability and affordability of property insurance remains a concern to Floridians and regulators.**

These protections require plaintiffs to:

- To satisfy heightened pleading requirements of alleging facts in sufficient detail to support each element of their claim;
- Prove by the greater weight of the evidence that the health care provider was grossly negligent or engaged in intentional misconduct.
- Overcome any affirmative defense recognized in the statute that is properly raised by the health care provider defendant.

The protections would be extended from March 29, 2022, to June 1, 2023. Gov. Ron DeSantis signed Senate Bill 7014 into law on February 24, 2022.

Led by Chief Financial Officer Jimmy Patronis, The Florida Department of Financial Services is responsible for managing the state's financial health. As part of his 2022 "Born Free" Legislative Priorities, the passage of the DFS package bill, House Bill 959 by Rep. Chip LaMarca (R-Lighthouse Point) will make several operational changes to the Department to include the upgrade of the state's financial systems known as the PALM Project (Planning, Accounting, and Ledger Management). The bill also modernizes the submission of service of process through the use of a secure online portal.

The bill contains the following provisions related to insurance agents and agency services:

- Adds an exemption to the examination requirement for the all-lines adjuster license.
- Provides additional authority for investigation of licensees.
- Allows unaffiliated insurance agents to adjust claims without surrendering their appointments.
- Revises statutes related to the use of fingerprints in background checks, to comply with federal law.
- Creates notice requirements for insurance agencies that stop doing business.
- Modifies existing laws for public adjuster compensation, qualifications and bonding requirements.

What Failed

Perhaps the biggest upset of the 2022 legislative session was the death of Senate Bill 468 by Sen. Keith Perry on the last day of session. This bill was considered to be the insurance vehicle for session. The bill would have:

- Allowed a residential property insurer's rate filing to estimate projected hurricane losses by using a

weighted or straight average of two or more models approved by the Florida Commission on Hurricane Loss Projection Methodology.

- Provided Citizens Property Insurance Corporation with discretion to offer wind-only policies to condominium associations when 50 percent or more of their units are rented more than eight times per year for a period of less than 30 days. It also would have allowed a policyholder to select a hurricane deductible greater than 10 percent, reject windstorm coverage, or reject contents coverage under a residential property insurance policy by typing the existing exclusionary statement language, instead of handwriting it.
- Required an assignee to provide the notice of intent to initiate litigation to the name and mailing address designated by the insurer in the policy forms if notice is sent by certified mail, return receipt requested, or to the e-mail address designated by the insurer in the policy forms if notice is sent by electronic delivery.
- Exempted licensed personal lines and general lines agents from salesperson licensing requirements otherwise required to solicit, negotiate, advertise, or sell motor vehicle service agreements, home warranty contracts, and service agreement contracts.

Florida's property insurance market was a topic of great debate. The availability and affordability of property insurance remains a concern to Floridians and regulators. In 2021, the Legislature passed a bill aimed at stabilizing the market and ensuring the financial health of insurance companies. With continued dislocated market losses again this year, further reforms, like Senate Bill 1728 by Sen. Jim Boyd (R-Bradenton) were considered, but did not pass. The bill would have reduced losses related to roof damage claims.

Another upset in the legislature was the death of Senate Bill 1702 filed by Sen. Jennifer Bradley (R-Orange Park). As the anniversary of the Surfside condominium collapse approaches, the senator took aim at the powers of building inspectors and the Florida Building Code. The bill would require buildings higher than three stories to complete a "milestone inspection" by December 31 of the year the building reaches 30 years of age and every 10 years after. Additionally, buildings higher than three stories and located within three miles of a coastline area would have been required to have a "milestone inspection" by December 31 of the year the building reaches 20 years of age and every seven years after.

Consumer data privacy was once again a hot button issue with House Speaker Chris Sprowls (R-Clearwater) calling on the Legislature to protect Floridians' data and provide information as to how their data is being used and monetized. Rep. Fiona McFarland (R-Sarasota) introduced legislation that, if signed into law, would give consumers the right to decide what information is collected on them, delete or correct the data, and opt out of the sharing of that information. The bipartisan support of the bill in the House was overwhelming. The Senate did not meet the bill with the same enthusiasm, and the bill ultimately failed to pass.

Rep. Fiona McFarland (R-Sarasota) introduced legislation that, if signed into law, would give consumers the right to decide what information is collected on them, delete or correct the data, and opt out of the sharing of that information.

The close of the 2022 legislative session made it clear that more must be done to make the marketplace stable. Gov. DeSantis may call a special session in summer to correct the missteps of this session as it related to property insurance. In the meantime, legislators will now turn their focus to their individual re-election campaigns where insurance is likely to be a platform focus.

Greenberg Traurig Shareholder Fred E. Karlinsky is co-chair of the firm's Insurance Regulatory and Transactions Practice Group. Fred 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. Fred is a recognized authority on national insurance regulatory and compliance issues and has taken a leadership position in many insurance trade organizations, has led many industry-driven legislative and regulatory initiatives, and is a sought-after thought leader who has spoken and presented to insurance executives and governmental officials, both nationally and internationally.

Timothy F. Stanfield is of counsel at Greenberg Traurig. Timothy is a member of the firm's Florida Government Law & Policy Practice and represents a broad array of private and public-sector clients before the Florida Legislature, Cabinet, and state agencies.

Christian Brito is an associate at Greenberg Traurig. Christian focuses his practice on national insurance transactional, regulatory and compliance matters. Christian represents a wide variety of insurance industry participants, including insurers, reinsurers, captives, managing general agencies, brokers, third-party administrators, claims administrators and others in connection with regulatory, transactional, corporate and governmental affairs matters.

The Florida Disconnect ...

It's been a while since Florida's residential property litigation levels were consistent with the rest of the U.S.

On Florida — Wildly Undercapitalized? No, Subjected to Disparate Levels of Litigation

By Joseph L. Petrelli

In the 1967 classic, "Cool Hand Luke," Strother Martin, as the captain of the prison guards, uttered the immortal line, "What we've got here is a failure to communicate." Fast forward 55 years and the same is true about the need for meaningful and significant legislative reform to assist consumers purchasing insurance in Florida's residential property insurance marketplace.

Specifically, on April 2, 2021, Florida's Commissioner of Insurance, David Altmaier, presented the chair of the Florida House of Representatives, Blaise Ingoglia, with the results of an analysis of over 750 homeowners' insurance companies' reported data via MCAS using uniform definitions and reporting requirements across all states.

There were four years of data presented in the analysis, 2016 through 2019. The average percentage of nationwide homeowners insurance claims opened in Florida was 11.1 percent of the total. However, the percentage of nationwide homeowners insurance suits opened in Florida was 72.2 percent of the total. With the OIR having analyzed the data and determining that there was no likelihood that Florida's claims handling created an issue, a reasonable person would have expected Florida's homeowners insurance carriers to have 11.1 percent of the suits opened nationwide because it has 11.1 percent of the open claims nationwide. To be over-represented by 650 percent was not an anomaly. It was an indication of the need for significant and meaningful legislative action.

The Legislature responded with the passage of SB 76 on July 1, 2021. At that time, Sen. Jeff Brandes characterized the legislation that was enacted as 40 percent of what was needed. Since the effective date of the legislation, July 1, 2021, the roofing solicitation provision has been eviscerated by a federal court, the notice of intent to file litigation has been ignored in 75 percent of the litigation presented to carriers, and two hearing dates to challenge other provisions are pending in court. The reinsurance community has viewed SB 76 and determined that its limitations will necessitate at least a 20 percent increase in rates, on top of the 20 percent that the reinsurance community secured at the 2021 renewal of catastrophe reinsurance treaties. Similarly, the operating results reported by residential property insurers subsequent to the passage of SB 76 continue to be operating losses.

Despite the overwhelming empirical evidence associated with a legislative revision that began its life described as 40 percent of what was needed, some continue to characterize SB 76 as a significant reform to the insurance industry. Despite the evisceration of the critical roofing solicitation component of SB 76, scheduled court dates to challenge other provisions, and the failure of SB 76's empirical impact to date to assuage the concerns of the reinsurance sector (a global community including publicly traded companies, employing some of the finest analysts and strategists in the insurance industry), some cling to the hope that this neutered legislation will reduce the disparity of Florida's open claim count versus Florida's litigated claim count. Until this situation is resolved, the cost of insurance for consumers, and the cost of reinsurance for insurers, will rise to unprecedented levels.

Despite the overwhelming empirical evidence associated with a legislative revision that began its life described as "40 percent" of what was needed, some continue to characterize SB 76 as a significant reform to the insurance industry.

As to the impact of legislative inaction on residential property insurance in the April 2022 special session, some believe that Florida's residential property insurers have "robbed Peter to pay Paul the entire time they've been in business in the state of Florida." The thought here is that the insurers going out of business were "wildly undercapitalized." There is no empirical evidence to support this assertion.

Here are some facts that have been forgotten. From June 2004 through the end of 2012, Florida was struck by 42 named events. Hail, rain, and lightning storms would be in addition to the 42 named events, as would the phenomena of sinkholes. By purchasing conservative catastrophe reinsurance treaties to provide enhanced claims paying ability, the Florida-focused insurers

stepped up to repair and rebuild hundreds of thousands of homes. These insurers were, and are, good examples of corporate citizenry, operating within the boundaries of the strictest of applicable regulations.

From a natural catastrophe perspective, it was relatively quiet from 2013 through year-end 2017, with only 14 named events striking Florida. Despite the storms that ravaged Florida from 2004 through year-end 2017, most insurers were profitable, providing them with the ability to pay their claims and operate effectively. Clearly, they had no need to "rob Peter to pay Paul" when reinsurance costs were reasonable. Unfortunately, man-made disasters changed the landscape of the industry in late 2016 and 2017, contributing to and exacerbating the objective third party evidence that Commissioner Altmaier reported on the period 2016 through 2019.

Three court decisions contributed to the shift in the balance of power that protects purchasers of insurance from substantial rate increases:

1. Johnson v. Omega Insurance Company, decided September 29, 2016.
2. Sebo v. American Home Assurance Company Inc., decided December 1, 2016.
3. Joyce v. Federated National Insurance Company decided October 19, 2017.

What follows is a quick primer on how carriers were able to honor claims, catastrophic and non-catastrophic, prior to the court cases. When carriers sell insurance to consumers, let's say they do so for a dollar. In the period 2016 and prior, the impact of the three court cases was yet to be felt. The insurers that took in $1 were able to buy reinsurance for 40 cents. They kept 60 cents to operate their businesses, including to cover non-catastrophe losses, claims adjusting expenses, other underwriting expenses and taxes. Litigation levels were relatively consistent with prior periods.

Subsequent to the decisions in Johnson, Sebo, and Joyce, the claims experience of the insurers had deteriorated due to the enhanced level of litigation facilitated by these court cases. However, the reinsurance community was somewhat insulated due to the limited number of named events striking Florida in late 2016 and early in 2017. It was Irma, the Category 4 hurricane on September 10 and 11, 2017, the first storm to cover all 67 counties and create surge along all shoreline, that unleashed financial devastation on the residential property insurance marketplace and reinsurance sector due to its property devastation.

Over the past several years, the cost of the inane disparity of open claims in Florida versus litigated claims in Florida has been laid at the feet of Florida-focused regional insurers.

Through sheer frequency of claims, carriers would quickly meet their retention, and begin to pass the cost of the claims associated with Irma on to reinsurers. Consistent with Commissioner Altmaier's presentation to Chairman Ingoglia's committee, the number of open homeowners' insurance claims led to a disparate number of litigated claims. The reinsurance sector was unpleasantly surprised by this additional cost. When that happens, the cost of reinsurance goes up.

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In my initial example, a carrier charged $1 for insurance and paid 40 cents for reinsurance, retaining 60 cents to operate its business. This example existed before the impact of the Johnson, Joyce, and Sebo cases that accelerated the cost and frequency of litigation in Florida to levels unseen throughout the other states. In this environment, reinsurers demanded a higher percentage of premium. Companies that used to have 60 cents, after reinsurance, now had 50 cents, despite the fact that litigation levels and claim frequency of non-catastrophe losses was fully their cost. Profitability suffered as their cost of reinsurance rose at the same time that their claim frequency and cost of claims was escalating. Absent legislative reform, operating profits turned to operating losses.

In addition, over the period 2009 to date, the Florida Hurricane Catastrophe Fund has compounded the challenge of profitability when it increased the cost of reinsurance by surcharging carriers under its Rapid Cash Build-up Program.

The reforms of 2019, aimed at addressing the abuses associated with assignment of benefits (AOB), put forth false hope. Ultimately, alternatives to AOB were created by plaintiff attorneys as well as roofers. There was no reform in 2020. I discussed my opinion of the impact of the reform called SB 76, as did Sen. Jeff Brandes. Over the past several years, the cost of the significant disparity of open claims in Florida versus litigated claims in Florida has been laid at the feet of Florida-focused regional insurers. These insurers responded by making capital infusions, revising their business plans, or otherwise trying to hold the line and protect consumers until the cavalry of meaningful and significant legislative reform arrived. [It has not yet done so.]

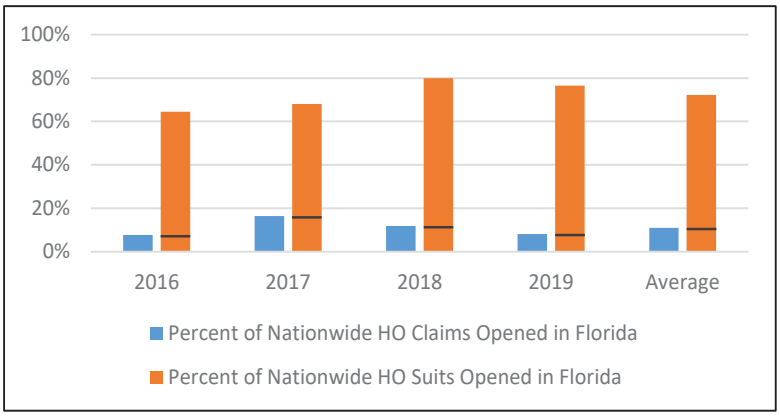
CONTINUED ON PAGE 31

Florida's plaintiff bar seems to have all the aces. A disparity of litigation levels of this magnitude cannot be random.

If eight percent of the people you know accounted for 70 percent of the height of the group you know, you would notice how unusually tall the eight percent of the people were. If eight percent of the people in Florida owned 70 percent of the houses in the country, a reasonable person would ask why that is the situation.

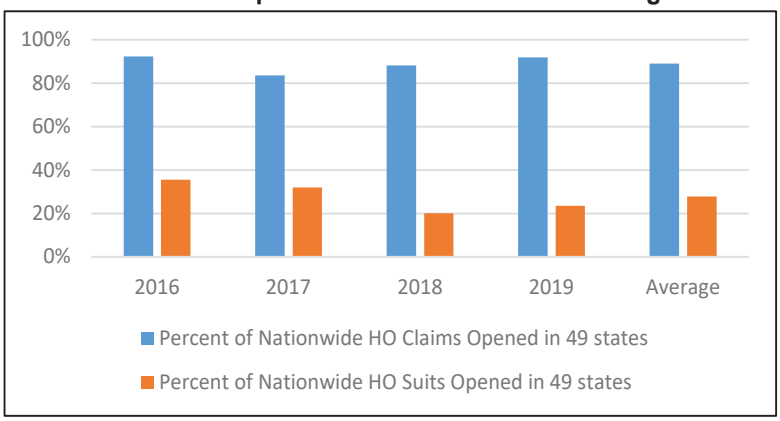
Yet Florida's homeowners insurance marketplace, while accounting for only eight percent of the open homeowners claims in the country, represents in excess of 70 percent of the litigation on open homeowners claims and few in the legislature (thank you, Senator Jeff Brandes) view that as a proximate cause of the recent turmoil in Florida's residential property insurance marketplace.

Florida Percent Open HO vs. Florida Percent Litigated HO



Source: Correspondence dated April 2, 2021, Commissioner of Insurance David Altmaier to Honorable Blaise Ingoglia, Chair, House Commerce Insurance Committee

49 State Percent Open HO vs. 49 State Percent Litigated HO



Source: Applicable 49 states percents are (100 - Florida)

Leading the "Fierce Defender" of State-Based Insurance Regulation

An Interview with NCOIL President, Assemblyman Ken Cooley

The Demotech Difference had the opportunity to speak with California Assemblyman Ken Cooley, who was recently elected president of the National Council of Insurance Legislators for 2022. Of his election, NCOIL CEO, Commissioner Tom Considine, said, "Ken Cooley has proven, at NCOIL, the NAIC, and in the California Legislature, to be one of the most insightful and thoughtful insurance minds in the country. He is the perfect leader for NCOIL at this time of unprecendented disruption in insurance public policy.

The Demotech Difference (TDD): Assemblyman Cooley, congratulations on your presidency of the National Council of Insurance Legislators. Thank you for finding time to share your experiences, expertise and thoughts with us.

Assemblyman Ken Cooley (KC): Thank you very much. I first attended an NCOIL meeting in 1989 as chief counsel to the California State Assembly Committee on Finance and Insurance, so I am especially proud to lead an organization of such long-standing accomplishment.

TDD: Given your extensive experience in the insurance industry, in addition to your public service, we may ask about each aspect of your distinguished career. What event, or events, moved you to consider the insurance industry earlier in your career?

KC: My introduction to both public service and how foresight and planning can be used to mitigate harm from a specific peril began in 1976 as an intern to a San Francisco Bay Area California Council of Governments probing that area's earthquake risk and its public policy implications. My first career job put me on an insurance track in spring 1977 when I became the top Capitol staffer to an independent insurance agent lawmaker who was an active Big "I" Member.

TDD: What event, or events, moved you to seek election into the California State Assembly?

KC: I was a founder of Rancho Cordova, California in 2003. During 10 years on the City Council, including two stints as mayor, I got active in California's municipal league. In five years — 2004 to 2009 — I went from being one of thousands of council members among the state's almost 500 cities, to the League of California Cities statewide first vice president. That quick rise burnished

Assemblyman Ken Cooley
President, NCOIL

Ken Cooley was elected to the California State Assembly in November, 2012. He started his elective public service career on Rancho Cordova's first City Council upon its formation in 2002. He was re-elected in 2004 and 2008. He also served as mayor in 2005 and again in 2010 when his city was recognized as an All-America City.

Cooley's commitment to fiscal conservatism, refined over an 18-year private sector career with State Farm Insurance, helped Rancho Cordova to thrive despite the economic recession. He has experience balancing a government budget yearly and maintaining surpluses each year as a local elected official. While fiscal strength is difficult for all levels of government today, Cooley is very proud that his city received a two-level credit rating increase in 2009, despite the recession. Rancho Cordova has grown into Sacramento County's number two job center and the city now includes a wide array of jobs that span professional, business and construction services.

In addition to creating jobs in his district, Cooley has focused his attention on important state issues such as regulatory reform. He has fought to save his state's mobile field hospitals and has been a leader in child abuse prevention and foster care issues.

Cooley and his wife Sydney have been married for 46 years and have lived in the east Sacramento County community of Rancho Cordova since 1977.

my reputation, so when an open seat emerged after the 2011 reapportionment, I decided to run for the Assembly.

TDD: What was your first full-time job in the insurance industry? What life lesson did you learn from that position?

KC: My 8 years managing legislation for my Big "I" Member boss, Assemblyman Lou Papan, enabled me to get a J.D. (McGeorge, 1984). I was admitted to the California Bar that fall and promptly recruited to take on duties as legal counsel to the California Land Title Insurers. So title insurance provided my first full-time insurance post.

The last few years the subject of wildfires has been a large concern for California, and not just environmentally. The increasing occurrence of large wildfires has threatened the availability of homeowners' insurance in many of California's rural and wildland urban interface (WUI) areas.

TDD: Did you have mentors during your insurance career? What did you learn from them?

KC: Assemblyman Lou Papan was a remarkable individual. His Big "I" background made him a powerhouse on the Insurance Committee of those days — always influential without chairing the panel. During my entire career with him he carried outsized influence throughout the Legislature as chair of the powerful Assembly Rules and Joint Rules Committees. That is specifically the path I have adopted in California as well, seeking to become Rules Chair rather than the Chair of Insurance. His duties included leading the rebuild of California's historic (1860) Capitol, and he always modeled great determination in all he did. I was by his side as he single-handedly led one of the few successful veto overrides in modern California history. He felt banks should not sell insurance products in their lobbies in competition with insurance agents. When Gov. Jerry Brown vetoed AB 580 in spring 1979 (which would have banned the practice), Papen led the rare successful override, getting the needed two-thirds vote in each Chamber. In its aftermath, Gov. Brown's chief of staff said of the experience, "Lou Papan came at us like a heat-seeking missile." He was a great person to learn the legislative process and public leadership from.

TDD: We have learned that under California legislative rules, no legislator who sits on the Rules Committee is allowed to serve as chair of any standing committee. Since you wanted to become Rules Chair (Note: Assemblyman Cooley was appointed Rules Chair on November 1, 2016) you sought out serving on that panel even though it blocked you — a lawyer with broad legislative experience — from chairing a standing committee. Since it's clear your other committee assignments, Government Organization, Public Employment and Retirement, and Insurance have been stable your entire legislative career, is there some backstory, a particular skill or strength that led you to seek appointment to these committees?

KC: Great question! The G.O. Committee covers a wide range of topics, including statewide disaster response and recovery. The peril posed by earthquakes in California is one I first touched on in my 1976 internship, as described above. When the fire-following and freeway-collapsing 1989 Loma Prieta earthquake hit, I was chief counsel to the Assembly's Finance and Insurance Committee and immediately thrust into the Legislature's response, including early conversations that in the ensuing years led to the adoption of the California Earthquake Authority. Much later, Gov. Schwarzenegger appointed me to represent all the state's cities on California's Seismic Safety Commission. So G.O. taps into this career thread for me. The Public Employment Committee correlates to my work on the Joint Committee on Public Pension Fund Investments chaired by my first boss, for whom I drafted ballot arguments on a key ballot measure that passed in 1984 and reshaped California pension law. As to the Insurance Committee, in addition to having served as legal counsel to the title industry, I was legal counsel to State Farm for 18 years, a career bracketed by running the Insurance Committees of the California Assembly (1988-1991) and Senate (2009-2012).

TDD: During your tenure as a member of the Committee on Insurance, which issues were analyzed and addressed?

KC: The last few years the subject of wildfires has been a large concern for California, and not just environmentally. The increasing occurrence of large wildfires has threatened the availability of homeowners' insurance in many of California's rural and wildland urban interface (WUI) areas. Insurers are risking potential insolvency as the wildfire risk continues to be pronounced, often with multiple fires burning throughout the state. It's an issue that we have carefully considered and attempted to strike a balanced approach to. Additionally, the COVID-19 pandemic created a marked increase in the use of state unemployment insurance. In haste to get benefits out quickly we did not hold our UI system accountable and lost billions to fraud. We then overcorrected and thousands of legitimate claims were denied, leaving people

CONTINUED ON PAGE 44

Deconstructing Hurricane Ida

By Karen Clark

Summary: More than six months since Hurricane Ida impacted the U.S., there's still market uncertainty around the insured losses. Industry estimates range from $22 billion to over $40 billion. This article breaks down what is likely to be the final tally for Ida specifically and discusses how climate change and inflation are impacting hurricane losses more generally.

Ida made landfall near Port Fourchon, Louisiana, on August 29, 2021, as a strong Category 4 hurricane with maximum wind speeds of 150 mph. Once separated from the warm ocean, Ida quickly decayed and became a tropical storm early the next morning near the Louisiana-Mississippi border. Later that day, the storm weakened to a tropical depression.

But Ida had a second act. Ida's remnants continued to the northeast, delivering heavy rainfall amounts to Tennessee, Kentucky, Virginia, and West Virginia. And as the warm, humid air associated with the weather system approached the Northeast, it encountered relatively colder air, and a warm front formed at the boundary of these airmasses.

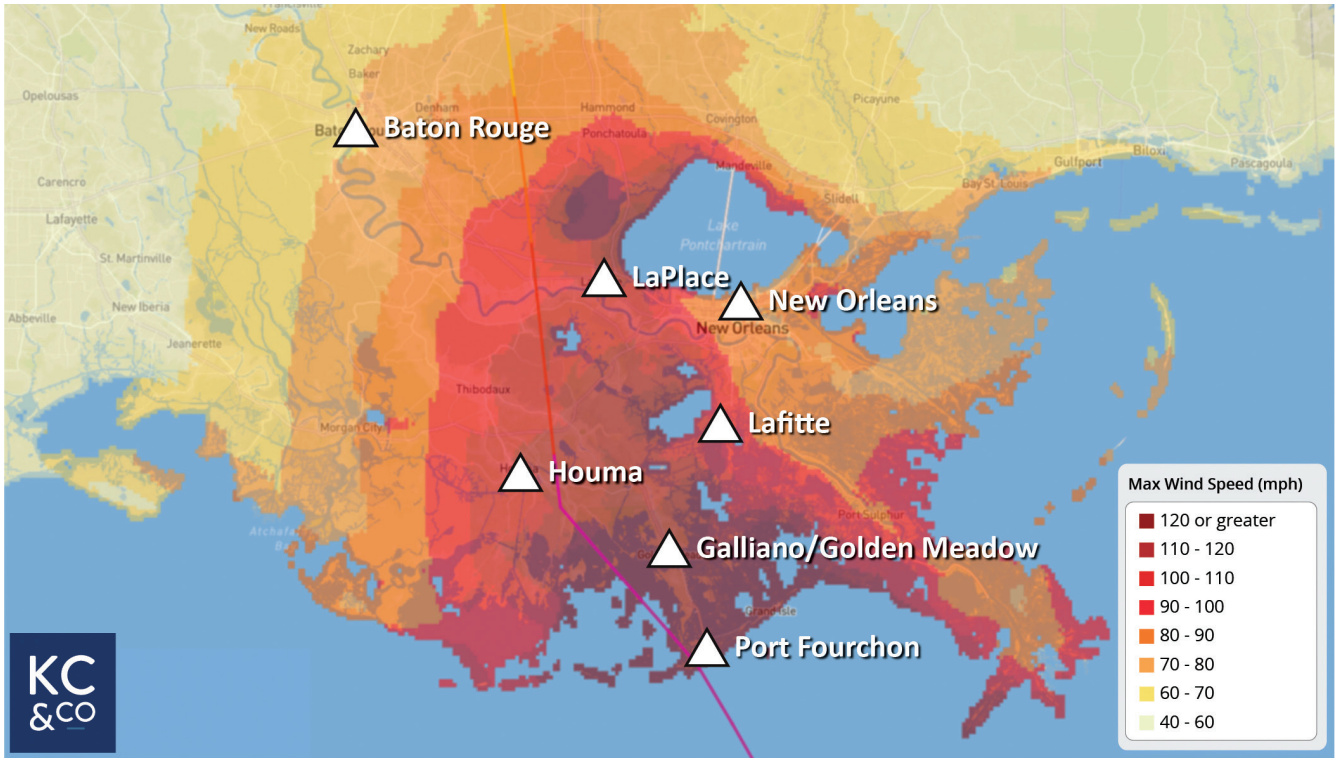
The warm front extended east from the center of the weather system through northern New Jersey and New York City, where it acted to focus and enhance the already heavy rainfall. This led to unprecedented hourly precipitation rates in New York and New Jersey and caused substantial flooding across the Northeast, impacting the major metropolitan areas of Philadelphia, Newark, and New York City on September 1-2, 2021.

Ida Act I

While Ida made landfall in Louisiana as a very powerful storm, it was tightly wound — hurricane force winds extended only about 40 miles from the storm center — and Ida lost strength very quickly after landfall.

Damage was severe near the landfall point. The small towns of Port Fourchon, Galiano, and Golden Meadow bore the

Ida Act I: Wind



The meteorological set-up created by the interaction of the remnants of Ida with the warm front that formed along the East Coast resulted in record-breaking rainfall totals in several locations.

brunt of the Category 4 wind speeds and nearly all buildings sustained damage.

Structural damage and total losses to residential and commercial properties along the coast were common due to the high winds and the storm surge.

Further inland, Houma, Lafitte and LaPlace experienced Category 2 winds resulting in extensive roof and siding damage to residential structures. Schools, small commercial and industrial structures also sustained significant damage.

Fortunately, New Orleans barely experienced hurricane force winds and Baton Rouge to the west was well outside the area of high winds, so the damage in these more populated areas was minimal, keeping the insured losses lower than they could have been had the storm been larger or faster moving.

Interestingly, Hurricane Katrina (which occurred 16 years earlier to the day) was a weaker Category 3 hurricane at landfall but the wind damages in New Orleans were much greater and included significant damage to façades of high-rise buildings.

In summary, the wind damage from Ida was severe but localized. According to the Louisiana Department of Insurance data call as of January 31, 2022, insurers had paid out $10.5 billion on personal and commercial claims and 83 percent of claims were closed. Publicly announced insurer loss figures and KCC confidential client data confirm total privately insured losses will likely be around $20 billion in Louisiana.

Ida Act II

The meteorological set-up created by the interaction of the remnants of Ida with the warm front that formed along the East Coast resulted in record-breaking rainfall totals in several locations. While heavy rainfall impacted the entire Mid-Atlantic region, much of the associated flooding was localized surface inundation in areas not considered flood zones or high hazard.

Getting accurate industry loss figures from the flooding is challenging because of the uncertainty around how much

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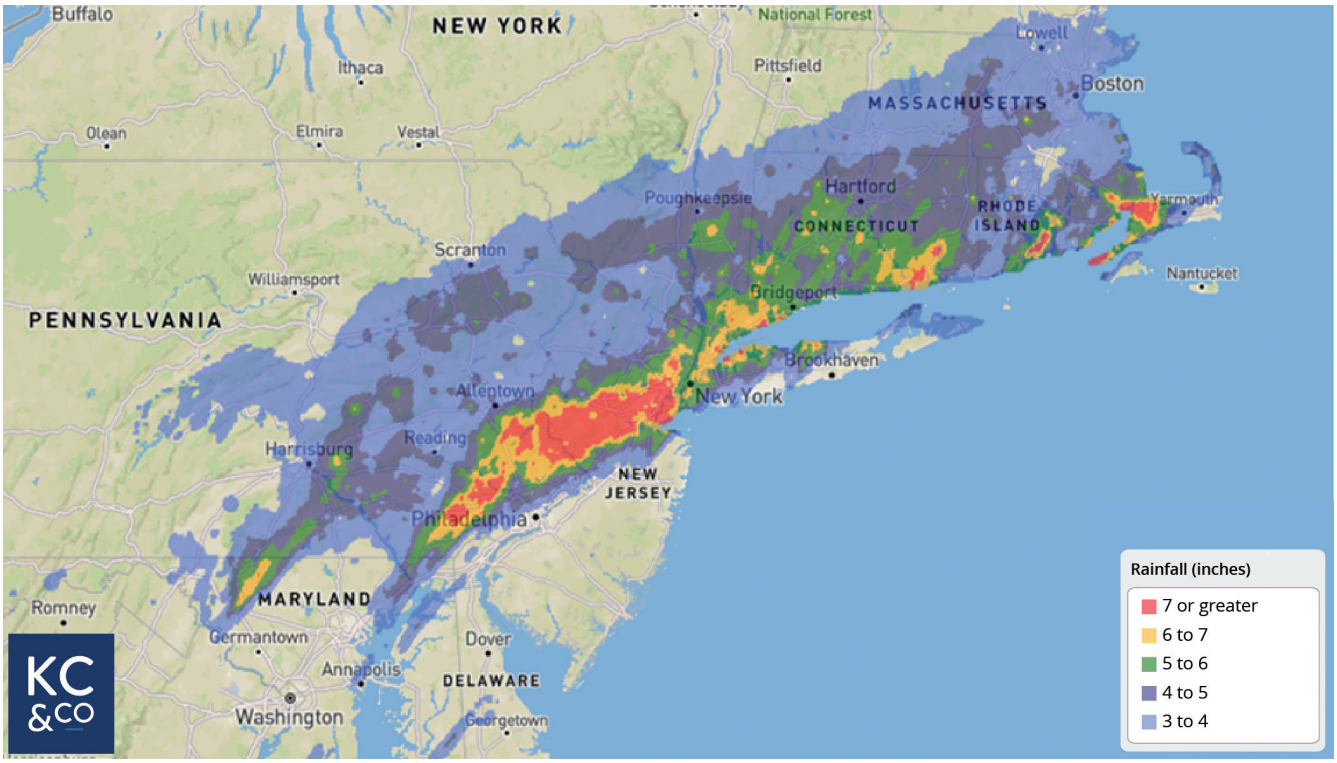
Ida Act II: Rain



Fairness and Transparency at the Heart of Long Service to the Insurance Industry

An Interview with Former Maine Insurance Superintendent Eric Cioppa

The Demotech Difference had the opportunity to speak with Maine Insurance Superintendent Eric Cioppa. After 33 years at the Maine Bureau of Insurance, including 10 as superintendent and 13 as deputy superintendent, Cioppa retired on April 1, 2022. Cioppa joined the Bureau in 1988 as a statistician, and then served as supervisor of the Workers' Compensation Section, prior to becoming deputy superintendent in 1998 and then superintendent in 2011. Cioppa also served the National Association of Insurance Commissioners as an officer from 2016 to 2022.

The Demotech Difference (TDD): With your long commitment to the insurance industry, what moved you to consider the insurance industry early in your career?

Eric Cioppa (EC): That's a good question. I started at the bureau as a statistician. I'll be honest with you — after a month, I was miserable, but I was fortunate to have a very kind boss named Dick Johnson, a P&C actuary who was understanding, and said, "Give the job six months." And here I am 34 years later. The more I got into it, it was fascinating. I like people, I like working on issues and trying to solve problems. I'd like to say I had a grand plan, but I didn't.

TDD: What did you learn from that position?

EC: I learned that insurance matters. It's something people don't think about, but everyone has some form of insurance. Virtually my whole career was as the regulator, so it's from that perspective, and what we do every day matters for every citizen in our state. It's really impactful.

TDD: Could you identify a couple of the mentors you had over the years and what you learned from them?

EC: I'll start with Dick Johnson. He was a P&C actuary for a number of years. He was very patient. When I first started and encountered incurred but not reported (IBNR), I asked what that meant, and how that could be real. He was patient explaining that and other things to me, and I'm forever grateful.

There were others. Al Juppa gave me opportunity as a deputy. He took a chance on me. Brian Atchinson was another, as well as Andy Beal at the NAIC. You have to have the opportunity, as well as the opportunity to make mistakes. Each of them encouraged me to reach out to

Eric A. Cioppa, Past Superintendent
Maine Bureau of Insurance

Eric A. Cioppa served as superintendent of the Maine Bureau of Insurance, one of five agencies within the state's Department of Professional and Financial Regulation. He joined the Bureau in 1988 as a statistician, then served as supervisor of the Workers' Compensation Section prior to becoming deputy superintendent in 1998. He was unanimously confirmed as superintendent in 2011, and in 2017 he was reconfirmed to serve another five-year term.

Cioppa served as president of the National Association of Insurance Commissioners (NAIC) in 2019, having previously served as president elect in 2018, vice president in 2017 and secretary in 2016. In September 2018, Cioppa was appointed by his peers at the NAIC to serve a two-year term as the state insurance commissioner representative on the Financial Stability Oversight Council and was re-elected for another two-year term in 2020. He is also currently vice chair of the NAIC's Financial Stability (E) Task Force.

Cioppa holds a B.A. from Potsdam State University and an MBA from Clarkson University.

them and to make decisions. I was very fortunate to work for people like that. Not everyone is.

TDD: You've served in each of the officer positions at the NAIC. What is one insight you've gleaned from each of those positions?

EC: The treasurer position is learning what being an officer at NAIC is all about. The same with vice-president. As president-elect, it becomes much more intense. There are more demands on your time, and you have to prepare the budget and things for the upcoming year.

Then, you're president. It's like parachuting down into the presidency. Even though the NAIC does a marvelous job preparing you, you really have to understand the obligations and commitment.

TDD: When you had to fly across the country frequently as superintendent, you had to have staff who were up to the task of covering for you.

EC: You couldn't be an officer if you didn't have a good staff at home. It would be impossible, because your day job is what gives you the opportunity to be involved with the NAIC, and things need to keep moving smoothly and efficiently.

> **There's no greater consumer protection than having safe and solvent companies pay for the promises they've made. That's extraordinarily important, ...**

I can't say enough about my staff. I worked with these people for years and years. We grew up professionally together in a lot of things. They knew if an issue needed my attention, and they could call me wherever I was in the world at the time. It wouldn't have worked without a good staff at home.

TDD: Each of the positions you had with the NAIC were in addition to your duties as superintendent of Maine's Department of Insurance. What words of encouragement do you have for other directors, commissioners or superintendents to take the plunge and seek officer positions in organizations?

EC: You really need to have the support of your boss, which was the governor and commissioner, in my case. It's very important that your day job not only gets done, but gets done well. You need the support from your staff, and

from the executive or governor's office. I was fortunate to have the support of both.

TDD: During your presidency at the NAIC, in your opinion, what was the most important initiative that the NAIC completed?

EC: Most things have a continuum, however, the long-term care initiative that was number one is still not completed, but it is underway. We elevated it because it was such a serious issue. We gave it more visibility.

Also, the international matters. The Insurance Capital Standards agreement in Abu Dhabi was another one that happened during my year as president. I had a small part in it. There's still a lot of work to be done, and there's still disagreements. I'm not declaring success, but I think it created a foundation from which we can hopefully achieve success.

TDD: The mission statement of the Maine Bureau of Insurance says it regulates the insurance industry to protect and serve the public. How is that mission executed on a daily basis?

EC: It starts with solvency regulation. There's no greater consumer protection than having safe and solvent companies pay for the promises they've made. That's extraordinarily important, but other than that, you have to set guard rails up for companies that still allow competition, because most insurance markets in Maine are competitive and consumers have choices. That's the best outcome.

At the same time, you need to have the guard rails set so you're able to detect the outliers from a market conduct perspective and take action if necessary. I will say I've always been fair. If a company makes a mistake, self-reports, and comes forward with a solution fix it, as long as I'm satisfied with it, we recognize it and move on. The vast majority of companies want to do the right thing.

TDD: With your background in mathematics and analysis, you may be unique among the commissioners

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Understanding Worker Motives Is Essential to Surviving the Great Resignation

By Johnny C. Taylor Jr.

While the pandemic and its ensuing economic turmoil have presented a myriad of challenges for business, a closer look reveals opportunities for many organizations to make strides to enhance their operations and stave off the effects of the next calamity. Even in the face of daunting economic trends, firms can still transform the employer/employee dynamic. Surviving today's labor market crisis will require more than reacting to economic trends. Armed with the right insights and strategies, businesses can begin to reshape the economic landscape. To truly thrive, business must cause the effect they want to manifest in the world of work.

In response to a surge in workers leaving their jobs at an unprecedented pace, dubbed the Great Resignation, many businesses have aggressively mined the same talent pool to depletion.

As organizations moved through this prolonged economic upheaval, they were rightly focused on protecting their people and their operation's viability. Workers experienced personal and career trauma stemming from health risks, financial uncertainty and mental distress. Organizations and the workforce have both been fundamentally changed as they simultaneously navigated a gauntlet of obstacles. To survive the fluctuating economic landscape, organizations were forced to drastically and repeatedly alter operations at a moment's notice. A constant stream of federal, state, and local recommendations and regulations slowed productivity and diminished revenue. Wildly fluctuating demand made it even more difficult for businesses to plan production.

As businesses were wrangling with this barrage of challenges, a large portion of the workforce was either dealing with widespread unemployment or an overburdened and drastically altered work experience. The unstable job market influenced those still employed to endure unfavorable working conditions for fear of losing stable income. The pandemic delayed and suppressed normal job turnover. Society for Human Resource Management data reveals nearly half (45 percent) of workers stayed at their current job longer than they wanted to because of the pandemic.

Workers Changed and We Missed It

For many workers, it was a time to rethink what they wanted for their careers and lives. With work/life balance upended, many reconsidered their life priorities, including how they defined professional success. How they viewed the employer-employee relationship fundamentally changed, but with employers' attention diverted, they just did not see it. Businesses focused on surviving the pandemic lost touch with the workforce and missed the seismic shift in worker expectations and preferences. The workers we modeled our enterprises around no longer existed. The only thing keeping them in our employ was a cratered job market. So, they hung on month after month until the threats began to subside, and the economy roared to life. It was clear: businesses needed more workers to fulfill rising consumer demand. Unfortunately, employers' outdated assumptions on the workforce made them vulnerable to the impending sea change.

Employee turnover exploded as workers sought new opportunities just as businesses began to ramp up hiring. It became a large-scale game of musical chairs with too many seats and too few players. In the 4th quarter of 2021, more than 18 million U.S. workers quit their jobs. Job openings hovered between 10 and 11 million for months. The Great Resignation was upon us. A SHRM study identified a widening skills gap as 7 in 10 executives report seeing less qualified people applying for jobs compared to pre-pandemic times.

The ultra-competitive talent market and a surplus of financial capital generated significant wage inflation. Elevated salaries perpetuated even greater turnover as workers witnessed others receiving significantly higher pay. Employers did all they knew to do and still, workers would leave. Many workers left for more money, but some even left for no money. According to a McKinsey and Co. survey, 36 percent of workers who had quit in the past six months did so without having a new job in hand. These trends defied what we knew about workers. Employers were looking at today's workforce through the lens of yesterday.

The 2022 SHRM State of the Workplace study reveals insights on today's workers. Workers identified better compensation (53 percent), work/life balance (42 percent) and benefits (36 percent) as their top reasons for seeking a new job.

The pressing challenge for today's businesses is to re-establish a connection with workers to understand worker motives. Worker motivations fall into two major categories: transactional and experiential. Think of transactional motivation as the explicit compensation people receive for the work they perform: salary, bonuses and benefits all make up the transactional elements. Experiential elements are intrinsic components underlying the workplace. Think of them as more human-centered components like culture, work environment or engagement. Notably, inclusion and empathy resonate with workers' experiential preferences.

Traditionally transactional elements were seen as the primary driver for worker motivation. We are becoming aware of the powerful role the environment workers are immersed in every day plays in their job satisfaction. Conversely, the deterioration of the human elements of work during the pandemic has made them a greater priority for workers looking for a job. According to the 2021 SHRM Empathy Report 92 percent of workers acknowledge that when looking for a job, they will specifically look for empathetic organizations. In addition, workplace and schedule flexibility have become key drivers in fostering better work/life integration.

Listen and Keep Listening

This reset of worker preferences has become a significant opportunity for organizations to redefine the employer/employee relationship. To facilitate this transformation, organizations must start by listening. The most direct way of acquiring feedback from workers is simply listening. However, to get the clearest picture of what workers think requires empathetic listening. In addition to improving the employee/employer relationship, empathy is key to gathering critical information about workers. Empathy calls for listening to understand another's lived experience from their viewpoint. Empathy calls for people to set aside their judgment and perspective to hear someone else's view. This approach cultivates trust in the listener and leads the speaker to share deeper, more meaningful insights from their perspective.

Organizations' leaders usually don't have the bandwidth to have an in-depth dialogue with every worker. Thus, having good People Managers is essential. People Managers act as a proxy for leadership and are how most workers experience the organization. People Managers can have a much broader reach into the organization to assemble nuanced information about worker preferences.

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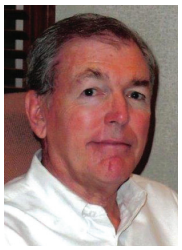
Empathetic listening is ideal for gathering qualitative information about the workforce. But getting a significant number of metrics also requires the implementation of formal surveys. Workplace surveys can gather information from a broad swath of workers. Exit interviews are especially useful because they can elicit candid responses on worker preferences from people who have exercised their inclinations in making recent career decisions. For this same reason, candidate surveys extend organizations' source of worker expectations. Third-party researchers can also collect macro-data on workers in relevant industries, sectors and competitors. A complete spectrum of data from internal and external workers can paint a picture of what the labor force expects in terms of compensation and workplace experience. Listening should not be a one-time initiative or periodic effort. To be effective for the future of work, listening should be robust and continuous.

Work performance relies on the commitment of people. Understanding those people is key to structuring compensation, benefits and culture to attract, retain, and engage the right people to perform their best work. We must be better in tune with the shifting expectations and needs of today's workforce to survive The Great Resignation. Reconnecting with workers will ensure we will be equipped to engage tomorrow's workforce.

To be prepared for the future of work, enterprise must always anticipate change and recalibrate operations accordingly. This first requires us to endeavor to know about the people doing the work. Being flexible in perspective and in operation will allow organizations to maintain a productive and mutually beneficial relationship with an ever-changing workforce. Preserving the employer/employee relationship empowers organizations to "Cause the Effect" in the world of work.

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."



After the COVID-19 War: How Business Will Operate Differently

By Tom Harvey

Choices made during a crisis can chart a course that shapes things for years to come. Here are a few realities we could be facing if, and when, the COVID-19 crisis is in our rear-view mirror.

Two-Tier Work Force

A recent survey of 10,000 Americans found that 25 percent of white-collar workers want to be in the office full time and one-third prefer to work from home full time, with the rest selecting one to four days a week at home.

> **A recent survey of business owners found companies are struggling to fill vacant positions. Rising wages and signing bonuses are not as effective as they once were.**

Given the prospect of a hybrid workplace, with some employees in the office and some working from home, many companies will likely evolve into two-tier organizations. Predominately on-site workers will probably receive the bulk of the promotions. Every manager trying to spot indications of the most committed and motivated will be tempted to allocate a majority of raises to those most visible in the office versus those working from home. On-site employees will likely get first look at new opportunities. Face time will matter and remote workers will be at a disadvantage.

Employee Turnover

Pre-COVID-19 turnover rates were already on the rise. Monster.com surveyed 4000 workers in late 2021 and found 82 percent are considering changing jobs. Forbes contributor William Vanderbloemen sounded a warning in a recent article. He foresees a tidal wave of unparalleled employee turnover hurting profitability and impacting customer retention. For management positions, recruiting costs can easily exceed $12,000 to $15,000 per employee.

Labor Shortage

A recent survey of business owners found companies are struggling to fill vacant positions. Rising wages and signing bonuses are not as effective as they once were.

About 30 percent of business owners believe the labor shortage is a long-term challenge. This finding is supported by another study that highlighted two other relevant long-term trends: older workers retiring in greater numbers than expected and fewer qualified younger workers to replace them.

Hire Fast

The old adage "hire slow and fire fast" won't work. Companies can't drag out hiring with the usual multi-week process. The better candidates are fielding several offers and won't wait around for multiple interviews interspersed with days of silence. With many prospects moving to freelance and contract work because they like the flexibility of working from home, the pool of candidates is shrinking.

Companies must have a streamlined hiring process. Get offers out fast. The potential boss should be in frequent contact with promising candidates throughout the process. Don't delegate candidate communications or reference checks to consultants or HR. Companies need to do more to sell candidates than they have in the past. Offer a career, not just a job. That includes touting the company work environment and the unique growth opportunity the employer can provide. Explain how working for this manager will develop their skill set and enhance future growth opportunities.

Increased Poaching

Employee poaching is the deliberate recruiting of those working at a competitor. Poaching will become more common as the need for workers with specific expertise grows. Landing proven talent can spring-board business growth. However, should the new employee bring confidential company information, e.g., a list of customers, the hiring company risks competitor legal action. While

several states have restricted their use, companies continue to use non-compete agreements. These usually restrict an employee from taking jobs with direct competitors for a specific period. There have been cases of companies suing ex-employees for joining the competition, as well as suing the competing company for luring employees.

Command and Control is Dead

Expect to see several key changes in the way teams are led and inspired. Informal communication will increase to avoid feelings of isolation. Small talk may end up being big talk as individuals need to feel more valued. Discussions will be more candid, so expect both good and bad news to get out fast. Goals will be clearer as people are measured on results rather than time spent. Employees, especially millennials, desire work that provides a sense of meaning. Leaders must speak enthusiastically about the company mission. To flourish after the pandemic, companies will need to heavily commit to training.

Today's employees want a leader invested in their growth and development. This includes frequent feedback and the chance to do more. Employees need to believe they work for more of a coach than a boss.

Outside of work, teams will be encouraged to gather to serve local charities with relationships spilling over to the workplace. Smart managers will shift toward more trust, empowerment, and a lot more delegation.

Marketing Becomes More Digital

With prospects becoming more digitally savvy, expect a shift away from in-person selling, though in-person selling will still be critical with complex offerings. Technology will rise to fill some of the direct sales tasks such as helping the prospect define their problem and pointing to a solution. As prospects and clients have become comfortable with virtual communications, more in-person sales tasks will be done remotely. Many sales organizations will shift from predominantly outside sales to inside sales.

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Digital shopping is here to stay, for almost every type of product or service. The result is that brand loyalty is eroding. One survey found 50 percent of clients were trying out competitive offerings. A growing volume of online ratings and reviews provide a rich reservoir of data about product options. Prospective buyers and existing clients are better informed than ever as they consider alternative products and services.

Today's employees want a leader invested in their growth and development. This includes frequent feedback and the chance to do more. Employees need to believe they work for more of a coach than a boss.

Constant communications with your customer base will be required to identify potential defections. More live chat, video, texting, email, social media and phone conversations will be needed to tell clients about upcoming promotions, new products, tips to make their user experience more satisfactory, and inquire regarding client satisfaction.

Online marketing will accelerate. More web traffic, email opens, social media engagement and other tactics will be measured in real time, allowing adjustments in messaging and budgets in hours, something that used to take days.

Customer service will assume a more important marketing function. Clients and prospects will expect their questions, concerns and complaints to be answered quickly. As queries grow and patterns develop, self-service options will respond to the growing volume of people who expect an answer immediately.

Outsourcing Will Increase

Rather than paying high salaries and fighting to find full-time people, companies will outsource jobs into the growing gig economy. The gig economy is where contractors and

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Athletes Do Not Look Alike —
Size is important to some c

Women's Gymnastic Olympic Event

International competition including vault, uneven bars, balance beam, and floor exercise.

Typical age — 19.5 years old
Typical height — 5 feet 1 inch
Typical weight — 103 pounds

Training — Up to 40 hours a week, including strength training, drills, cardio, and routines.

Men's Pole Vault Olympic Event

An international track and field event, with the objective of clearing a crossbar on two uprights.

Typical age — 26 years old
Typical height — Over 6 feet
Typical weight — 163 pounds

Training — Full body workouts daily. Can take 15 years to reach elite status.

Insurance companies
The size of the balance sheet
Business Models and the Execution

Demo

– Athletes Do Not Train Alike.
of them but not all of them.

Women's Swimming
Olympic Event

International competition including multiple events requiring backstroke, breaststroke, butterfly, freestyle, and medleys.

Typical age — 22 years old
Typical height — 5 feet 9 inches
Typical weight — 137 pounds

Training — More than two hours in the water daily.

Men's Weightlifting
Heavyweight — Olympic Event

International competition requiring athletes lift the barbell two specific ways — the snatch and clean and jerk.

Typical age — 24 to 27 years old
Typical height — 6 feet to 6.5 feet
Typical weight — can range from 200 to 300 pounds

Training — Six to 10 workouts a week, more than once a day.

s need not look alike.
does not always matter ... but
of Business Models ALWAYS Matter.

otech, Inc.

The Two Foundation

By Shari Hunter

The Two Foundation was established in 2013, followed by the opening of The Two Cafe & Boutique in 2015. We're located at 8578 E. Washington St. in charming Chagrin Falls, Ohio.

Our Mission

The Two Foundation exists to create a movement of full integration in the local workforce for individuals of all abilities. We do this by bridging the gap between individuals and local business partners. We prepare, place, and support our job seekers, and do all we can to ensure long-term success in the workplace.

The "Two" is a small place with a big dream. We want to change the face of the workplace across America. We actively support families to build stronger family units, and we influence and support schools to allow students to thrive in education and the future workplace. We create diverse, inclusive and exceptional workplaces by raising the expectations of all employees. All of this helps unify communities for a brighter future.

Two Foundation serves individuals 16 years of age and older who have mild to moderate exceptionalities that may limit their capacity to obtain or maintain a job.

Our Values

- Names not labels.
- Excellence in all we do.
- Celebrate strengths and diversity.
- Better when we do life together.

Our Principles

- Individuals with exceptionalities deserve our very best.
- Existing employees become the natural supports for individuals of all abilities.
- The "Two" seeks out great people who create great companies with a heart to hire and support our job seekers.
- When modifications are made and tools are provided, all employees benefit.
- We attach meaning to our self determination curriculum when working in the Two Cafe and Boutique.

Two Foundation serves individuals 16 years of age and older who have mild to moderate exceptionalities that may limit their capacity to obtain or maintain a job. We exist to fill a gap in our society where our clients are left without appropriate jobs/careers upon completion of high school or exiting a sheltered workshop. The "Two" provides support for our clients and their families as they walk through the process of job training and job placement. After a time of assessment and training at the Two Cafe & Boutique, a match/placement at one of our business partners is our desired outcome. The existing employees become the natural supports. The "Two" stays involved by providing ongoing support to our business partners and job seekers. All applicants must attend an intake interview as part of the pre-screening process to ensure that our services match their needs. Applicants must have the ability to care for their personal hygiene independently, be self-medicating, and behave in a manner that is not a risk to themselves or others. We partner with the Department of Developmental Disabilities — they oversee statewide systems of supportive services that focus on ensuring health and

Two Foundation Job Seekers

Two Foundation Job Seekers

safety, supporting access to community participation, and increasing opportunities for meaningful employment, and with Opportunities for Ohioans with Disabilities — a state agency that empowers Ohioans with disabilities through employment, disability determinations, and independence.

The "Two" + Schools = Success

The Two Foundation assists in meeting the Individualized Education Program (IEP) transition statement by providing an appropriate work experience for students, ages 16-22, with mild to moderate exceptionalities. We bridge the gap between the school and the workplace. Our goal is to provide an avenue that ensures as smooth a transition as possible into the workplace for students. We provide a two-week job readiness camp for high schoolers ages 16 and up. The "Two" supports the Employment First Initiative that seeks to successfully and fully integrate our students into the workplace, just as our schools strive for full integration.

The "Two" + Businesses = Success

The Two Foundation serves the employer community by providing hardworking, motivated and well-trained job-seeking individuals with exceptionalities. For employers with the heart for our mission, we partner with them to:

- Meet business staffing needs.
- Make a difference by being part of the movement to help these individuals reach their full potential through meaningful and sustained employment.
- Provide tools, training, and ongoing support to ensure successful integration and outcomes for all in the workplace.
- Enrich work environments by providing new meaning, purpose, and a deeper sense of pride and satisfaction for work teams.
- Improve team engagement, productivity, quality and innovation.
- Cultivate and celebrate a workplace culture of diversity, inclusion, respect and belonging.
- Positively impact company brands, value propositions, customer satisfaction, and contributions to surrounding communities through hiring and corporate sponsorship.

Corporate Sponsorship

Corporate sponsorships are critically important to our mission, as they help fund all we do.

What's in it for companies?

- Improve brand awareness and image.
- Earn social responsibility, recognition, and awards.
- Improve employee engagement and morale, as well as customer loyalty.

We bridge the gap between the school and the workplace. Our goal is to provide an avenue that ensures as smooth a transition as possible into the workplace for students.

- Broaden customer base and access to new audiences.
- Receive free promotion and advertising from Two Foundation on our fundraising materials, communications, website, annual report, etc.
- Benefit from potential tax incentives.

To join us in this WIN-WIN mission, or to learn more, contact Shari Hunter at shari@twofoundation.com, or by calling 440-384-3236.

Shari Hunter, CEO and founder of Two Foundation, is a northeast Ohio native. Wife and mom of three to Christian, Tiffany and Derek. She has degrees in education and special education. She has been in the business world for over 25 years. An entrepreneur at heart, Shari started the Two Foundation with her son, Derek as inspiration. Derek was born with Downs Syndrome and she saw a need for barriers to be broken and mindsets to be changed for those with exceptionalities. The Two Foundation/Two Café and Boutique has created a fully integrated environment that proves that individuals with exceptionalities have much to add to the workplace and society as a whole. "We are all just people who belong together and when we do life Twogether, we all benefit."

two foundation

Mutual Insurance Companies Association of Indiana, Inc. to Celebrate 125 Years of Service

By Philip A. Overmyer

In 1752, in Philadelphia, Pennsylvania, Benjamin Franklin and his fellow firefighters founded the Philadelphia Contributionship, a mutual insurance company that is still in operation today. It was certainly one of the first mutual insurance companies formed. By the mid-to-late 1800s, many farm mutual insurance companies were formed by farmers looking to give and receive mutual aid in the event of damage or loss to property.

In Indiana, the first insurance company to be chartered was the Lawrenceburg Insurance Company in 1852. In 1879, farm mutual insurance companies in Indiana formed the Mutual Insurance Companies Association of Indiana Inc., known as MICAI. For 125 years MICAI has served to facilitate and promote the common interests of farm mutuals and their members. MICAI gives a collective voice to all of its members regarding political issues pertaining to the insurance industry. It also acts as a liaison between the Department of Insurance and Farm Mutuals. Perhaps most important is the idea that Farm Mutuals across the state have a network of like-minded professionals with which to compare and share ideas.

Another benefit includes ongoing opportunities for required continuing education, networking opportunities, and current industry information. MICAI also conducts a Congressional Contact Program which facilitates face-to-face interaction with state and federal legislators regarding issues pertinent to our industry.

In 1879, farm mutual insurance companies in Indiana formed the Mutual Insurance Companies Association of Indiana Inc., known as MICAI.

But let's take a closer look at this business of farm mutual insurance companies. Why were they needed? What are they? Why were there so many, and why do now fewer and fewer remain? Are farm mutuals still relevant in today's society?

In the mid-1800s insurance was readily available but only to those living in metropolitan areas. People living in rural areas, and farmers in particular, had no options available to purchase insurance. Obviously, losses still occurred in the country just as they did in the cities, so there was definitely a need.

Enter the farm mutual concept: neighbors helping neighbors. Small groups of farmers, all across Indiana, formed associations for the purpose of mutual aid. Imagine, if you will, the amount of trust involved here. There was no written insurance policy. The Indiana Department of Insurance wasn't created until some 70 years later in 1945, so there was no state governance. Farm mutuals were self-governed by a board of directors elected by the policyholders. Policyholders paid their premium and the monies collected were held in trust to pay claims as they occurred. Originally, all that was insured was the policyholder's home and barn. Just the structure itself. No contents, no livestock, no coverage for theft, and no crop insurance, whether in the field or in the barn. All of those additional coverages came along over the years with careful consideration, foresight and due diligence by the board of directors serving at that time. They had to figure out how to insure things like electricity and the associated electric plants (fuse panels). Farming went from horse-drawn equipment to steam power, then to oil- and gasoline-powered machinery. The production of the automobile changed the landscape forever.

Did you know that originally cars and trucks were insured on the farm policy? And all of this business was conducted with a handshake, your word, and perhaps your signature. Just neighbors helping neighbors. Was it perfect? Of course not, but the concept continued to be improved upon. Groups of people bought into the idea that mutual aid is not only the right thing to do but can be done in a way that is fair, equitable and sustainable. Farm mutuals are not in business to secure large profits. There are no stockholders to answer to and no profit margins to be met. No, we simply exist to hold in trust the monies collected as premiums to pay the claims for losses incurred by our policyholders. It's a pretty simple concept. And yet many of our members have been in business for well over 100 years.

Today, where once there were nearly 90 farm mutuals operating in the state of Indiana, now fewer than 30

remain. Some have merged with other mutuals and others have gone by the wayside for various reasons. Certainly, farming has changed dramatically. The days of the 80-acre farm have been long over. Machinery and processes have become increasingly more complicated and more expensive. Land prices have skyrocketed in recent years, and the number of acres farmed per family is in the 2000-3000 range and up. A single poultry barn today for a contract grower exceeds 1 million dollars. And yet farm mutuals are still here doing what we've always done — helping our members when the need arises.

But with our numbers in membership dwindling and farm mutuals falling by the wayside, what is to be done? There are some who believe that our numbers will continue to fall until there are only just a few mutuals left. I believe MICAI Executive Vice-President Rick Pitts summed it up accurately when he said, "The ship is not sinking, but we are taking on water." The time for action is now. We need a reinvestment into the association that binds us together. We need to apply the same principles to our association that have served our mutual companies and policyholders for over a century — neighbors helping neighbors for the purpose of mutual aid.

As the incoming president of MICAI, I want our mutuals to know that I am committed to reviving this association and vow to work daily to that end. With only two short years in this position, I hope to move quickly. Initiatives that are already in process include disaster planning for mutuals. This will be a template for guidance provided by MICAI that will allow each mutual to tailor a plan that will address the individual abilities of the mutual to serve its members in a variety of disaster scenarios such as tornados, floods, insurance office fires and grid-down situations. How will you efficiently service your customers in these types of interruptions? Communication with your staff and customers, writing checks, and access to insureds' policy documents could all become challenging. The intent here is to simply ask these types of questions and provide workable solutions. This is not intended to be a one-size-fits-all, but rather a thought-provoking conversation starter that will generate ideas to help you apply individualized problem solving.

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In addition, I believe there is a need for us to conduct an anonymous wage and benefit survey among farm mutuals in the state of Indiana. One question that always comes up is how we can attract and keep top talent. Opinions vary greatly on these topics, but to at least be sure you're in the ballpark, the results could reveal areas needing improvement.

Something that should prove interesting as well as fun is an idea for next year's state convention. I hope to be able to schedule a session where no more than one person from the same company is seated at a table. The group will then be given a topic such as succession planning, claims management, company by-laws, technological challenges, etc. The idea here is to facilitate the sharing of information. Some will have thought of an approach that perhaps will ignite another's creative process and lead to more ideas about each issue. Networking is so vital to all of us today, and my hope is that we will all become more comfortable reaching out to our counterparts for some serious thought-provoking conversations. We are going to call this process "Mutual Speed Dating." The moniker was selected by MICAI's assistant director, Taralyn Gallahan. Gallahan is a willing and capable person with whom every mutual manager should develop a working relationship. She is the "glue" that keeps all of us informed and connected. We are extremely lucky to have her.

As the incoming president of MICAI, I want our mutuals to know that I am committed to reviving this association and vow to work daily to that end.

Finally, and perhaps the most ambitious initiative, is this: I intend to visit every farm mutual company who belongs to MICAI in the coming months. The purpose is simply to reconnect and open the lines of communication. I want to know what areas are a challenge to your company. I want to know what you need to be successful, and more importantly, how can MICAI help you meet that goal. Together, we will revitalize, reenergize, and make new our commitment to each other. You will be asked to engage and commit to participation in our association. MICAI

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Boundary Blunders

By Jessica Seale

Al was a disheveled and downtrodden shoe salesman who lived with his wife and two children next door to his nemesis and his wife's best friend, Darcy Mercie, a prim and proper perfectionist. One day, as Al was leaving the house for a guys' weekend fishing trip, Darcy stopped him and asked if he had any objection to her installing a koi pond in her front yard as a beautification effort for the neighborhood. Desperate to avoid another lecture on how he too could be a better citizen and improve his community, Al quickly dismissed Darcy with a "sure, do whatever you want" and scurried off to the lake.

When he arrived home that Sunday evening, he found that Darcy had wasted no time at all and had constructed her koi pond, right at the property line! In fact, it appeared that a portion of the new pond actually crossed the property line and intruded onto Al's lot. Incensed, Al stormed up to Darcy's door and demanded that she immediately reconstruct the pond so it did not cross the property line and repair the damage to his property. Darcy refused, claiming she had used the legal description of her property from the act of sale when she purchased the property, measured out the dimensions exactly, and constructed the pond accordingly to ensure her pond did not cross onto Al's property. "If you hadn't been in such a rush to go on your fishing trip, I would have showed you where I planned to install the pond!" shouted Darcy. Al stormed off, muttering over his shoulder, "If I wasn't in a rush to go fishing?! I'll show you fishing!" Although angered by Al's accusations of imperfection and a bit confused by his cryptic departing message, Darcy was confident that she had taken every precaution in the pond's placement and construction. She decided to let him cool off tonight and go speak with Al's wife and her best friend, Peg, in the morning.

The agent explained that much like automobile insurance, a title insurance policy allows you to select the coverage the policy provides. If you decline certain endorsements, the policy will not provide coverage for those events.

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However, in the morning when Darcy left her home, she was greeted by an unimaginable scene. There was Al, fishing in her koi pond! "Morning Darcy! Fish are really biting today." Darcy responded, "What do you think you're doing?! You can't fish in my koi pond!" Al responded, "I believe I can if it's on my property." Irate at Al's juvenile reaction, Darcy contacted her attorney and explained the situation. Her attorney advised Darcy that she have a boundary survey performed by a licensed surveyor to confirm the pond did not intrude upon Al's lot.

Upon the completion of the boundary survey, Darcy was mortified. The surveyor said Al was right and the pond intruded on his lot! But how could that be? She was so careful when she measured the property. The surveyor explained that measurements were made based upon iron rods that are staked into the ground. It appeared that she measured the boundaries beginning from her other neighbor's fence, which encroached upon her property by a foot and resulted in her pond encroaching upon Al's property by a foot. Darcy didn't remember ever being told that her neighbor's fence encroached upon her property. She contacted the title company to see what coverage her owner's policy would provide.

The agent informed her that unfortunately the policy would not cover the encroachment. The last survey in the public record was dated June 26, 2002. However, a storm had ravaged the area in 2005. The neighbor's fence had been rebuilt shortly thereafter, resulting in the subject encroachment. When she purchased the property in 2006, Darcy didn't believe a new survey was necessary as the last survey was so recent, and so she had declined survey coverage. The agent explained that much like automobile insurance, a title insurance policy allows you to select the coverage the policy provides. If you decline certain endorsements, the policy will not provide coverage for those events. When asked how much the endorsement would have cost, the agent replied $50 and the cost of the new survey.

Darcy was devastated. In addition to incurring the cost of installing her beautiful koi pond, she would now be forced to incur the cost of its removal and relocation as well as the cost of litigation to address the encroachment of her other's neighbor's fence. Worst of all, she would have to live with Al's smug condescension that he was right and she was wrong, all because of $50 …

Jessica Seale is a partner with the law firm of Yorsch Law Group LLC and the primary closing attorney for NOLA Title Group LLC. Seale also works with clients in matters involving title insurance for distressed properties, possession and ownership disputes, foreclosures, sales and contracts, and quiet title lawsuits. Seale can be reached at jseale@yorsch.com.

NOLA Title is a full service real estate title company and a leading source and authority on title insurance for tax sale and adjudicated real estate. Licensed and staffed to handle all aspects of real estate transactions throughout Louisiana, our principal services include title abstracting, title examinations, title opinions, defective title curative work, title insurance, notary public services, escrow, settlement and closing services. For more information, go to: www.nolatg.com.

On Florida

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In the summer of 2020 edition of The Demotech Difference, I wrote that Florida's residential property insurance marketplace had reached the Point of No Return. If one applies an 18 month response period to the impact of legislative change on rates, perhaps we can apply that period to my observation of summer 2020. Eighteen months from my article was (about) March 2022. When there was no action in the March 2022 legislative session, Demotech corresponded with Speaker Chris Sprowls, Senate President Wilton Simpson, and Gov. Ron DeSantis, i.e., those with the ability to call a special session. I outlined our opinion of the initial actions needed to begin to move Florida's residential property insurance marketplace in the right direction.

Absent meaningful and significant legislative reforms, the operating losses will continue. These are not undercapitalized carriers; they are heavily reinsured carriers. They are carriers that have demonstrated the ability to serve consumers by purchasing sufficient reinsurance to pay meritorious claims. They survived dozens of named events over decades of service. These carriers have demonstrated their willingness to fund operating losses through capital infusions, year after year since the Johnson, Joyce, and Sebo cases, with the expectation of meaningful and significant legislative action in the future.

The carriers that have paid for Florida's currently incredulous ratio of open claims versus litigated open claims, and sought to reduce the 650 percent differential in litigation and move toward the national average, are being abandoned by today's Legislature. This is ironic, in that many of them were formed under the courageous and entrepreneurial legislation passed in the mid-1990s. The legislation passed by that Florida Legislature in an effort to depopulate the (then) Florida Residential Property Casualty Joint Underwriting Association was the singular, defining reform of the insurance industry in Florida's history.

To postpone the obvious need for aggressive, significant, and meaningful legislative reforms to begin to address the staggeringly disparate level of litigated homeowners insurance claims in Florida by deferring another six months to assess the impact, if any, of the eviscerated remains of SB 76 will not mitigate the need for large rate revisions to consumers. Nor will this delay provide the shadow of SB 76 that remains in place with the opportunity to generate much needed relief for carriers from yet another increase in the cost of reinsurance.

The issue facing these carriers is not undercapitalization. They were formed knowing that they needed to purchase substantial amounts of reinsurance in order to protect the most highly developed yet catastrophe-exposed jurisdiction in the world. They can secure reinsurance. What they have been unable to secure is legislative relief. Effective legislative relief to fix a litigation ratio that is 650 percent of the national average will take time to formulate. Sustaining the status quo exacerbates the problem.

[Editor's note: April 18, 2022 — As we go to print, Florida Gov. Ron DeSantis has indicated that he will call a special session on property insurance in May.]

Second Annual Bermuda Risk Summit Scheduled For March 6-8, 2023

Hamilton, Bermuda, March 16, 2022 — The sold-out Bermuda Business Development Agency's Bermuda Risk Summit was declared an immense success, with over 80 overseas delegates in attendance.

The immediate economic impact of the event, which had a total of 350 delegates, including lodging, transportation, food and beverage, retail, and recreation was estimated at over 1 million dollars, and supported around 200 jobs. Based on market feedback, dozens of additional visitors flew to Bermuda for business meetings around the event, bringing additional economic impacts to the island.

The Hon. Jason Hayward, JP, MP, Minister of Economy and Labour, who attended the event said, "Congratulations to the BDA for organising such a successful inaugural event which had a positive impact on Bermuda's economy and community. Bermuda remains the world's risk capital, and for decades, Bermuda-based insurers have been leaders in the global reinsurance industry. It was a pleasure to meet and hear first-hand updates from some of the world's foremost risk and regulatory experts. The government, along with the Bermuda Monetary Authority plays a critical role in the success of Bermuda's Insurance Industry and remains a partner, committed to supporting the growth of the industry."

David Hart, BDA CEO said, "We received fantastic feedback for taking a leadership role in organising the first in-person risk event since 2019. A running theme across the event was how great it was to get off Zoom and see each other again in person after such a long absence. Our hope was always that this event would provide an opportunity for Bermuda's risk industry to start charting a way forward together and meet prior to mid-year renewal season. We look forward to building on this success by making our second annual event on March 6-8, 2023, even bigger and better next year."

The Risk Summit was kicked off by a 'sea-side' chat between Bermuda's Premier, the Hon. David Burt, JP, MP, and Mr. Hart. In his remarks, Premier Burt said, "Thank you to all those who are visiting but thank you also to our risk industry who throughout this pandemic has been a bedrock of support inside of the community … The objective of this government as we move beyond the pandemic is to make sure that Bermuda maintains its leadership across the board and remains the most competitive place to deploy capital."

The seaside chat was followed by a panel made up of global CEOs, including Albert Benchimol, president & CEO, Axis; Stephen Catlin, chairman & CEO, Convex; Marc Grandisson, CEO, Arch Capital Group; Chris Schaper, CEO, AIG Re; and Megan Thomas, CEO, Hamilton Re. In his remarks, CEO panel moderator John Huff, CEO of the Association of Bermuda Insurers and Reinsurers, welcomed the three ABIR-sponsored Bermuda College students in the audience. Also in the audience was a contingent of risk and insurance students from Eastern Kentucky University who flew down especially for the event and to learn about Bermuda's globally important risk industry.

Day two started off with a breakfast keynote on terrorism risk from Julian Enoizi, CEO Pool Re, and was followed by panels featuring rating agencies, brokers, life, and a Florida Legislative update. Day two was rounded off by an incredible keynote lunch featuring Aon President Eric Andersen.

The final day began with a keynote on Florida risk by Joseph Petrelli, president, Demotech, with panels on captives, cyber, insurtech, and Insurance Linked Securities (ILS) following. Day three was closed out by remarks about an upcoming Bermuda ESG benchmarking survey by Miqdaad Versi, head of ESG, Oxbow Partners, UK.

The BDA thanks our diamond sponsors, ABIR, Aon and EY, our gold sponsor Appleby, and our silver sponsors Ariel Re, Kirkland & Ellis, KPMG, and SiriusPoint. We were also fortunate to have Bermuda Brokers, Florida Insurance Council, Kettle, Meenan P.A., and Goslings as additional event sponsors. The media partner was The Insurer. The Bermuda Risk Summit was a SafeKey event.

Demotech at the National Council of Insurance Legislators in Las Vegas, Nevada

Demotech had the pleasure of attending the spring meeting of the National Council of Insurance Legislators in Las Vegas, Nevada in March. The legislators at NCOIL, as well as the state regulators and other industry participants, again displayed their diligence and commitment to addressing the issues facing the industry. We offer a few thoughts on some highlights from the conference.

To open the conference, NCOIL president, Assemblyman Ken Cooley (CA), and NCOIL vice president, Kevin Cahill (NY), provided remarks about the conflict in Ukraine. NCOIL adopted a resolution in support of Ukraine stating, in part, "NCOIL urges Members of Congress to condemn the Russian attack on Ukraine and stand with the United States and its allies, President Joseph Biden, the people of Ukraine, and Ukrainian President Volodymyr Zelensky in opposition to this war …"

The Joint State-Federal Relations & International Insurance Issues Committee discussed the importance of insurance agents and other licensed financial professionals maintaining their status as independent contractors and introduced a resolution Supporting Independent Contractor Status for Insurance Agents and Other Licensed Financial Professionals, stating that "NCOIL supports the continued presence of licensed, independent contractors in insurance" and encouraging state and federal entities to exempt licensed insurance agents from strict independent contractor or other worker classification laws to allow independent insurance agents to remain classified as independent contractors, not employees.

The Property & Casualty Insurance Committee discussed the development of a model act for Delivery Network Companies, such as Uber Eats and DoorDash. Legislators and interested parties expressed support for using NCOIL's Model Act to Regulate Insurance Requirements for Transportation Network Companies and Transportation Network Drivers as basis for the new model act.

The Financial Services & Multi-Lines Issues Committee continued discussion on an NCOIL Insurance Regulatory Sandbox Model Act and decided to move forward with development of a model act. Regulatory sandboxes allow for insurers to develop and test new products and business models in a controlled environment with some relief from existing regulations that may dissuade such innovations. Several states, including Arizona, Kentucky, North Carolina, South Dakota, and Utah currently have various versions of a regulatory sandbox for insurance. While some parties expressed concern about the appropriate regulatory oversight for insurance sandboxes, a lack of transparency, and the inadvertent creation of "unlevel playing fields" for insurers who are the "first to enter" the sandbox, NCOIL endeavored to move ahead and address these concerns with an eye towards promoting innovation in insurance.

In a general session, several presenters addressed the interrelationship between climate change and insurance. Connecticut Insurance Commissioner and NAIC Vice President Andrew Mais discussed the NAIC Climate Risk Disclosure Survey that some states have used to survey their domestic insurers about how they incorporate climate risk into their risk management and investment plans. Other presenters discussed the need for insurers to account for climate risk in their operations.

Additional discussion was had throughout other sessions about the impact of COVID-19 on workers' compensation; the use of telematics, advanced technologies, and data in underwriting; the NAIC's efforts to address issues with race and insurance; and state adoption of the NAIC Credit for Reinsurance Models.

Demotech looks forward to NCOIL's summer meeting in Jersey City, New Jersey, and our continued participation in NCOIL's efforts to address the emerging issues impacting the insurance industry and consumers.

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Demotech Attends 124th Annual Mutual Insurance Companies Association of Indiana Conference

By Marissa Dimond

On February 21 through February 23, Joe Petrelli, president of Demotech, and Marissa Dimond, client support assistant, attended the 124th annual conference of the Mutual Insurance Companies Association of Indiana. Coordinated by Rick Pitts, executive vice president, and Taralynn Gallahan, assistant director, MICAI has a rich history of over a century of service to the mutual insurance industry in general, and the farm mutual insurance community in particular. Today, MICAI continues its mission to serve and support its mutual insurance company members — the companies owned by policyholders, not shareholders — as well as the insureds they protect.

The Renaissance Indianapolis North Hotel, Carmel, Indiana, was the site of the meeting. The facility was beautiful and had a wonderful water display in the lobby, creating a relaxing and welcoming event space for the conference. Kicking off this event was a welcome reception. This was a great time to learn more about the numerous sponsors of the event.

Premium Sponsors
- Grinnell
- Mutual of Indiana Insurance Company

Diamond
- Oakwood Mutual.

Platinum
- Ferdinand Farmers Insurance Group

Gold Level
- Farmers Mutual Insurance Co. of Tipton County
- Mid State Farmers Mutual Insurance Company

Silver
- Farmers Mutual Insurance Co.
- MSD
- Franklin County Farmers Mutual Insurance

Bronze
- Nederveld

General
- Lewis & Ellis
- Big I Indiana
- Insurance Institute of Indiana

We were welcomed by Phil Overmyer, MICAI president. He serves as secretary, treasurer and manager at Farmers Mutual Insurance Company in St Joseph and Marshall Counties. Amy Beard, commissioner, Indiana Department of Insurance, was a featured speaker. Beard began her position as commissioner for the Indiana Department of Insurance in June of 2021. Most of her career has been in public service, as she was a healthcare consultant and administrative law judge. Her service at the department includes chief deputy commissioner and general counsel.

From left; Trace Lawless, Bill Fulk, and Sawyer Garriques, from Grinnel Mutual, and Jeff Menary, president and CEO of Grinnel Mutual.

The first day featured many exciting speakers. Paul Sylvester, business leadership coach, was the keynote speaker and educated everyone on the butterfly effect.

Next, Steve Duff, CEO, Independent Insurance Agents of Indiana, shared his legislative update. He shared information on key legislative issues.

Joe Petrelli, president, Demotech Inc., shared his opinion on the farm mutual insurer as a business model. Petrelli broke down the intricate details of business models and concluded that having a strong foundation is the only way to build a strong business.

The afternoon began with Brian Jones, solutions consultant, sales engineering, BriteCore, informing us about his view on how to automate, accelerate, and grow your business. Following Jones was Andy Roe, EVP & COO, Arlington/Roe, to discuss working with surplus lines insurers. Roe is a third-generation member of the family-owned business and has been working with the company for over 20 years.

In the evening, the banquet included a performance by Cecelia Strings, a female band featuring (you guessed

From left; Phil Overmyer, MICAI president, with Jeff McCorkle and Marilyn Arnold.

it) stringed instruments. They were a wonderful accompaniment to dinner, as they played softly in the background and we didn't have to talk over one another, instead enjoying both conversations and music. Dinner was wonderful — a networking opportunity to learn about other companies in Indiana.

For the second day, MICAI also recruited incredible speakers. Bill Wilson, founder and CEO, Insurance Commentary, discussed "When Words Collide: Resolving Insurance Coverage and Claims Disputes." He did a masterful job examining policy construction and interpretation. Although Steven Silver, chairman of the National Association of Mutual Insurance Companies, and president & CEO of Mutual Benefit Group, was unable to attend in person, his presentation was broadcast. We also heard from Neil Aldridge, president & CEO, NAMIC.

Patrick Deem Sr., CIC, PADSE Inc. discussed what can happen when coverage expectations are not met. This was an interesting viewpoint and very educational.

The 124th annual conference was so amazing, we decided to follow Phil Overmyer's efforts leading up to the 125th annual conference throughout 2022 and 2023. His companion article is included in this issue.

Frederick Mutual Insurance Company Introduces Frederick Mutual Secure® Home

A new year has brought new personal lines products at Frederick Mutual Insurance Company. The newly released Frederick Mutual Secure® Home and Personal Umbrella policies offer an array of coverage options and extension endorsements, a simple quoting process for agents which incorporates the e2Value dwelling replacement cost estimator, and ISO loss reporting. "Frederick Mutual has transformed its homeowner product and partnered with PL Rating, a comparative rating platform, that will allow our independent agents to have direct access to the Frederick Mutual quoting platform through the comparative rater process," says Nancy Newmister, president & CEO of Frederick Mutual Insurance Company. "The brand-new Frederick Mutual Secure® Home policy is available to qualified homeowners in Maryland, Pennsylvania, and Virginia."

"I am very pleased with the new Frederick Mutual Secure Home Product. The coverages and features of the policy are very updated. Our clients like all of the features and extra coverages offered, such as the Service Line coverage and Matching Siding and Roofing coverages." Anne, General Insurance Group (Maryland).

"Our agency is fairly new to Frederick Mutual and the Secure Home product. We find it to be incredibly competitive in our market with additional coverage options that we previously did not have. The UW process is reasonable and the customer service, exceptional." Jon, Tobash Insurance (Pennsylvania).

"I deal with multiple quoting platforms, and I have found that Fredrick Mutual has one of the most user-friendly systems!" Kristin, Steve Love Insurance Agency (Virginia). Founded on December 15, 1843, Frederick Mutual (FMIC) has continuously operated for 179 years as a mutual insurance company serving policyholders in Maryland, Pennsylvania, Virginia, Delaware, D.C., and North Carolina. FMIC works with respected local independent agents who share the company's values. For more information on Frederick Mutual visit www.frederickmutual.com.

Frederick Mutual Joins Trusted Choice®

Maryland-based carrier is latest Big "I" consumer brand company partner

Frederick Mutual Insurance Company is the newest member of Trusted Choice®, the Big "I" consumer branding program for independent insurance agents and brokers. Frederick Mutual, based in Maryland, joins 50 other leading companies nationwide as a Trusted Choice company partner.

"Trusted Choice is excited to welcome Frederick Mutual as a company partner," says Kevin Brandt, Trusted Choice executive director. "A stalwart of the independent agency system, Frederick Mutual is committed to offering outstanding products to agencies. We look forward to working with its team to serve the needs of Trusted Choice agents and their clients."

Founded in 1843, Frederick Mutual is the ninth oldest insurance company in the U.S., primarily serving the state of Maryland. Frederick Mutual has recently grown to offer insurance services in Pennsylvania, Virginia, Delaware, North Carolina and Washington, D.C. The company works with independent agents across the mid-Atlantic and Southeast region to keep consumers' homes, businesses and communities safe.

"We look forward to deepening and growing our relationships throughout the region with our network of independent insurance agents," says Nancy Newmister, CEO of Frederick Mutual. "We value the Trusted Choice brand and are excited about the partnership. With our common goal to strengthen independent agencies as they serve as trusted advisers for insurance consumers, we are excited to grow Frederick Mutual distribution with Trusted Choice independent agents."

Founded in 1896, the Independent Insurance Agents & Brokers of America (the Big "I") is the nation's oldest and largest national association of independent insurance agents and brokers, representing more than 25,000 agency locations united under the Trusted Choice® brand. Trusted Choice independent agents offer consumers all types of insurance — property, casualty, life, health, employee benefit plans and retirement products — from a variety of insurance companies.

Trusted Choice® is the national brand representing Big "I" members. Trusted Choice independent agents offer consumers all types of insurance — property, casualty, life, health, employee benefit plans and retirement products — from a variety of insurance companies. There are over 25,000 agencies nationwide offering customized advice and solutions to families and businesses. Learn more at trustedchoice.com.

Frederick Mutual Launches All-New Digital Risk Protection Service for Policyholders

At a time when risk management is more important than ever, Frederick Mutual has introduced a service to protect their policyholders' most vital interests. Business Risk Protection, a service from Epoq Inc., is designed to help small businesses stay compliant and reduce legal liability.

"We recognize that the insurance market is changing rapidly and that our products must keep pace with policyholder expectations. Therefore, we are introducing technology-led services that are high quality, accessible, and address the needs of our policyholders," said Nancy Newmister, president and CEO for Frederick Mutual.

The Business Risk Protection bolt-on service protects small businesses from liability and legal threats by offering real-time drafting of smart documents, such as construction contracts, subcontractor agreements, non-disclosure agreements, formal notices, and leases. For insurers, the service helps them differentiate by providing value that goes beyond coverage. This helps them engage policyholders with high-value digital services they can benefit from immediately and throughout their policy term.

These innovative online services are powered by Epoq, a pioneer in the development of real-time, intuitive legal document drafting services. The Epoq platform uses unrivalled technology that is smart, affordable, and available 24/7. Depending on the complexity of a policyholder's needs, it could take just 20 minutes to create a valid business agreement that is tailored to their unique circumstances.

Founder of Epoq, Grahame Cohen, says, "Legal is an important part of the life cycle of needs for every business and can be used to innovate insurance products to give an extra layer of protection to the insured and mitigate risk for the insurer."

For more information on Business Risk Protection visit www.businessriskprotection.com.

Founded on December 15, 1843, Frederick Mutual has continuously operated for 179 years as a mutual insurance

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Frederick Mutual Insurance Company Leader Honored With Women in Insurance Award

Frederick Mutual Insurance Company Leader Honored With Women in Insurance Award recognizes president & CEO for visionary leadership in driving modernization, accelerating growth, and delighting agents and policyholders.

Frederick Mutual Insurance Company is pleased to announce its president and CEO, Nancy Newmister, has been recently recognized by Digital Insurance with the Women in Insurance Leadership Award. Nancy was selected as an honoree for this prestigious recognition based on her resounding success transforming FMIC into a modern, thriving insurance company.

For nearly 20 years, Digital Insurance's Women in Insurance Leadership program has honored women in insurance leadership roles who innovate to propel their companies, industries and communities forward. When Nancy took the helm as president and CEO of FMIC in 2016, she aimed to break through old notions about insurance by taking a fresh, modern look at insurance products and packages. In less than five years, she transformed FMIC into a well-positioned organization with increased brand awareness and shareholder value, while charting a transformational business and technical roadmap for the company to double its size. She further modernized the company by going fully paperless. As further illustration of Newmister's leadership, her collaborative management style also helped win FMIC a Frederick County Best Places to Work Award in 2020.

Newmister, a consummate team player, said, "I believe our success is in the team's commitment and their level of consistency and care; they hold themselves accountable. It takes all of us to make these things work."

"Nancy has been able to bring a century-old insurance company into the modern day with savvy digital investments and decisions," says Nathan Golia, editor-in-chief of Digital Insurance. "It's an honor to bring her into our Women in Insurance Leadership pantheon."

Newmister was nominated by one of FMIC's partners, BriteCore, a leading provider of cloud-based core policy administration systems for P&C insurers. Echoing the praise, BriteCore CEO Ray Villeneuve remarked, "Nancy is a transformational leader. She and the Frederick Mutual

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Building From the Ground Up With the Consumer at the Center

The Demotech Difference (TDD) had the opportunity to catch up with Kyle Nakatsuji, CEO and co-founder of Clearcover, as well as Kaitlyn Taylor, director of agency accounts, Clearcover. This piece summarizes our communication.

Nakatsuji's education includes a Bachelor of Sciences in political science from the University of Wisconsin at Oshkosh and a law degree from the University of Wisconsin Law School. Subsequent to passing the bar, he secured an MBA in supply chain management and finance from the University of Wisconsin at Madison.

Prior to forming and joining Clearcover in 2016, Nakatsuji was a venture capital principal at American Family.

Taylor has served as director of agency accounts for more than a year. Her previous experience includes field sales and support positions at Allstate, plus a corporate relations intern position at Allstate. She graduated from the University of Illinois Champaign with a Bachelor of Arts in communication.

TDD: Kyle, before we discuss the significant phases of your journey, please share with us how Clearcover received its name.

Kyle Nakatsuji (KN): We were in the car traveling with friends on our way to another friend's house. We were interested in selecting a name that would be consumer-facing and build trust. We selected Clearcover as a working name and then decided to keep it.

TDD: To build your brand and secure the trust of consumers, what strategic steps has Clearcover taken?

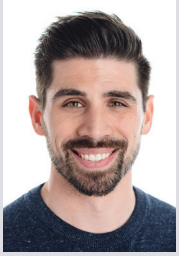
KN: Our ultimate goal is to build the next generation of insurance. We view that effort as building the insurer from the ground up while keeping the customer at the center of the process. We recognize that this is not an effort you can achieve in a short period of time. It's not something you do in two or three years.

TDD: Kyle, Demotech reviews and rates several insurtechs. What we have seen in many periodicals is that the term "insurtech" is actually a term that has broad application. Any response?

KN: I tend to agree that "insurtech" is an overly broad term. It might refer to products, markets or consumers. It seems to me the "tech" should be reserved for those who are building from the ground up.

TDD: Let's discuss implementing new technology — keep it simple for us. Give us two key thoughts.

KN: When you leverage technology to lower your cost structure, it may mean you stop doing some old things and introduce a new way to obtain the desired outcome. Second, you need to seek interoperability, the seamless interaction of old stuff and new stuff. You do not need to reject each and every legacy process.



Kyle Nakatsuji is the co-founder and CEO of Clearcover, the smarter car insurance company. Under Nakatsuji's leadership, Clearcover has raised more than $300 million to date and currently operates in 15 states with more on the way. Before founding Clearcover, Nakatsuji was a founding member of American Family Ventures where he was responsible for sourcing, evaluating and structuring over 50 equity and debt venture capital investments in nationally-based tech startups. Prior to this role, Nakatsuji was a corporate attorney focused on emerging company business matters at AlphaTech Counsel. Nakatsuji has a law degree and an MBA from the University of Wisconsin.

Kaitlyn Taylor is the director of Agency Accounts at Clearcover, the tech-driven car insurance company. She currently oversees the distribution of Clearcover's product through Clearcover's growing independent agency channel.

clearcover®

TDD: Essentially, what I hear is, keep what works and be able to integrate that with the new. How about an example?

KN: Look at the claims process. At larger companies, the status quo implies safety. At Clearcover, we utilized machine learning and artificial intelligence to process payments on eligible claims in less than 10 minutes. At many larger insurers, a claim payment [in that time] would be unheard of.

TDD: Great point; at traditional insurers, it might take 24-48 hours to enter a claim into the processing system. This [Clearcover's approach] is obviously customer-centric.

> **When you leverage technology to lower your cost structure, it may mean you stop doing some old things and introduce a new way to obtain the desired outcome.**

KN: By staying customer-centric, we are always focused on our core principle. Similarly, the interoperability of the functionality within Clearcover keeps us from becoming siloed. Our focus is not on any given process or department. It's on the customer's experience.

TDD: Share one observation of a challenge within established insurers that needs to be addressed prior to them being more competitive.

KN: I think it goes back to "safety" — to retain the status quo is to retain safety. As such, the corporate culture may not embrace change management.

TDD: For a new insurer to make assumptions because they do not have data is a high wire act without a net.

TDD: Let's address statutory insurance accounting versus generally accepted accounting principles. How have you educated your investors on the key difference?

KN: It's finance people versus insurance people. We educated the investor base; however, they also educate us upon customer acquisition cost (CAC). CAC reflects the resources and costs incurred to acquire an additional customer. Finance people also focus on customer lifetime value (CLV).

TDD: Your corporate mascot is a turtle with a rocket strapped to its back. Would you explain that to us?

KN: It's not our official mascot, but our rocket turtle is an internal motivation mascot. There's two ways to die in the insurance business. You can go too slow, or you can go too fast. The mascot reminds us that each decision we make must balance the two extremes.

TDD: Balance is critical. If there have been bumps in the road, what might have caused them?

KN: Being in a hurry is problematic. [There's a] tradeoff of impatience versus speed versus need.

TDD: We wish you continued success. Enjoy the ride! Kaitlyn, you currently serve as director of agency accounts. How does your role support the customer-centric experience at Clearcover?

Kaitlyn Taylor (KT): We view Clearcover as a digital brand. We can refer people to a local agent. Our relationship with agents and customers is symbiotic and complementary. We do not have minimum dollar premium thresholds.

TDD: Are there any requirements on the customer?

KT: The agent can qualify customers; however, the consumer must be "digitally enabled."

TDD: What distinguishes your support of agents?

KT: We get most agents onboarded within seven to 10 days. We also provide daily agency information versus monthly updates. We also support agents through in person events as well as digital support. QSR codes emphasize the need for consumers to be digitally enabled.

TDD: Customers of Clearcover can go directly through a call center, have an agent, or contact you through a partnership. You are customer-centric in all ways.

KT: Post COVID-19, insureds seek digital solutions more than ever. We support our agents with agency accounts managers who meet periodically to stay current on the support and services available from Clearcover.

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Ida

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of the damage will be insured. Most auto damage is covered, but it's unclear how many residential and commercial properties are insured for flood in specific locations.

Insured losses are likely lower than expected because many of the flooded areas from Ida were not in defined flood zones or high hazard areas. Again, by piecing together available information, it's difficult to get a number higher than $3-4 billion for the privately insured flood losses.

As a benchmark, NFIP losses paid as of March 2022, totaled $810 million in Louisiana and $780 million for all other states, including New York and New Jersey. In comparison, the NFIP paid out $9 billion for Superstorm Sandy.

Even adding $1-2 billion for potential offshore energy insured losses, Hurricane Ida will likely not cost the industry more than $25 billion.

Impacts of Climate Change and Inflation

Ida was the second strong Category 4 hurricane to impact Louisiana in two years. In 2020 Hurricane Laura made landfall near Lake Charles and caused nearly $10 billion worth of damage. The important question is how frequently should insurers expect these types of moderate-sized hurricane losses today?

While it's not possible to fully attribute specific storms to climate change, hurricanes are becoming more intense, according to the latest scientific consensus. KCC and other scientific studies have shown that the proportion of major hurricanes (Category 3-5 on the Saffir-Simpson scale) has been increasing as global temperatures have risen.

Increasing hurricane severity is having the impact of changing the shape of the exceedance probability (EP) curves. The lower return period losses are rising faster than the probable maximum losses (PMLs), so insurers should expect a higher frequency of moderate-sized hurricane losses.

Under current climate conditions a $20 billion hurricane loss should be expected every five years and a $10 billion loss every other year on average somewhere along the U.S. coast.

A 10-year return period hurricane loss in the U.S. is now over $40 billion and a 50-year loss is over $100 billion.

Along with climate change, increases in property replacement values driven by rises in the costs of construction and social inflation have and will continue to put upward pressure on the hurricane EP curves. Removing more extreme short-term fluctuations, residential construction costs have risen 26 percent over the past two years and commercial and industrial costs about half that amount. While future increases will be tempered as supply and labor shortages ease, insurance-to-value will remain an important issue for insurers.

Given the speed of change today, hurricane — and other catastrophe — models need to be updated more frequently and transparently than in the past. It must be a seamless and continuous process for insurers to embrace the latest science and data in their pricing, underwriting, and risk management decisions.

Karen Clark is co-founder and CEO of Karen Clark & Company (KCC) and a leading global authority on catastrophe risk assessment and management. The probabilistic catastrophe modeling techniques and innovative technologies Clark pioneered decades ago revolutionized the way insurers, reinsurers, and other financial institutions assess and manage their catastrophe risk. Clark continues to drive innovation and under her leadership, KCC has taken the powerful invention of the catastrophe model to the next level of sophistication by introducing more transparent and accurate models along with the first open loss modeling platform, RiskInsight®.

Karen Clark & Company provides advanced models, innovative software, and comprehensive consulting services for deeper insight into catastrophe risk. KCC professionals are globally recognized experts in catastrophe modeling and risk management who work with (re)insurance company executives to enhance business strategies, competitive advantage and financial results.

Policyholders

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company serving policyholders, initially in Maryland, and subsequently expanding its operating territory into Pennsylvania, Virginia, Delaware, D.C., North Carolina and South Carolina. FMIC works with respected local independent agents who share the company's values.

For more information on Frederick Mutual visit www.frederickmutual.com.

About Epoq

Formed in 1994, Epoq (www.epoqtech.com) works with insurers and financial institutions to help them innovate, differentiate, and give greater value to their customers. The company achieves this by offering pioneering digital legal and regulatory document preparation services as an enhancement to its clients' services. With offices in Massachusetts and in London, England, Epoq is respected globally and provides its unique services to over 60 major brands. For more information on Epoq Inc. and its services visit www.epoqtech.com or connect on Twitter @epoqtech and LinkedIn @EpoqInc.

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and superintendents in being able to understand the financial statements without your CFE being involved.

EC: I still rely on my CFE, with my background I like to play actuary but see the chief examiner as invaluable. One of my strengths is that I know what I don't know. For example, the balance sheet and income statement — I have a pretty good handle on that, and I can look at Schedule P in the annual statement, but I know when I need the actuary or the CFE.

I tell my staff that you need to admit when you need assistance, because the most dangerous situation, in my opinion, is a company or a regulator who's someone who doesn't know what they don't know.

TDD: Can you share specific incidents or events that show how the P&C, life, and health industry's commitments to consumers works out?

EC: Look at the industry during COVID-19, the P&C industry, the auto industry, etc.; every sector tried to work with consumers. The auto industry — I believe 98 percent of the companies operating in Maine — gave refunds. It was the right thing to do. There was no legal obligation to do it. That they did it speaks well of the industry.

In the health industry, I took some action that they didn't like but they didn't litigate. They kept in constant communication, and at the end of the day, I think we worked very effectively, especially during the first few months of the pandemic. It was difficult for all of us, but at the end of the day, they worked well with the Bureau during the pandemic.

TDD: How has your long and established tenure worked advantageously in those situations?

EC: I can only speak for Maine, of course. I think my long tenure helped because I like to think I was fair with all parties I dealt with. I don't agree with everything the industry did, but I think being fair is also being willing to admit you are transparent — I listen, and if I was wrong with my initial determination, I'm willing to admit it. Companies appreciated the access, and that I could explain my decision to them. It ends up being a predictable environment to operate in, and at the end of the day, that's what companies like — predictable regulation.

TDD: You joined the Maine Bureau of Insurance in 1988. What are your thoughts on which industry challenges are still in place today? Which have been resolved, evolved, or fully addressed?

EC: The one issue that's been resolved is the workers' compensation issue in Maine. That's why I was hired, to work with our actuary on workers' compensation. Between 1988 and 1992 were some of the most turbulent times in Maine government, largely because of workers' compensation. That issue's been resolved.

The rates have gone down by over 60 percent. The Fresh Start deficit was resolved. The Maine Employers' Mutual Insurance Company is a well-capitalized, well-run company. Other issues, by their nature, aren't going to be resolved. The P&C industry's been remarkably stable over the last 10 years. However, there are undercurrents of catastrophe losses and climate change. Sometimes carriers are one banana peel away from having an issue.

TDD: How have you shaped the Maine Bureau of Insurance for your successor?

EC: Hopefully well. I'm leaving behind an extraordinarily talented staff. Loyal to the consumer, yet they recognize that regulation is a balancing act. I think that's my biggest accomplishment — a strong team that will support whomever my successor is.

TDD: If you were talking to someone considering entering the insurance industry, whether it's P&C, life, health, or title, what would you tell them?

EC: It's very interesting and challenging. No two days are alike. It's the grease that makes the economy move. I mean, without the ability to transfer risk, both personal and commercial, things would grind to a halt.

It doesn't have a sexy reputation, but it's really interesting. The industry is probably the worst, though, in terms of marketing their self-image.

TDD: Do you have any closing thoughts on your retirement in general?

EC: My wife and I want to do things while we're still healthy. It was a very, very difficult decision. Timing played a critical role. My term was up. I'm not the type of person who would commit for a third term without seeing it through. That was a commitment I just couldn't make.

It was not an easy decision because it's been the best job I ever had. I know that's cliché, but I mean, I come to work every day handling issues that are difficult, complex, and sometimes frustrating. At the end of the day, resolving them is extraordinarily rewarding. But more importantly, who I get to work with — internal and external stakeholders, legislators, consumers, industry people — are all consistently high-quality people. I'm only as good as the people I work with.

Award

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team are a shining example of the forward-thinking mutual insurers we strive to work with. Her high level of commitment, partnership, and collaboration through Frederick's core system transformation project is a testament to the professional dedication Nancy and her team bring towards leveraging innovation and growing their business. We congratulate Nancy and FMIC on this prestigious Women in Insurance Leadership honor."

As an honoree, Newmister was recognized in front of her peers at the DIGIN 2021 Digital Insurance conference this past December. With this recognition, Newmister and her team put FMIC, the mighty mutual, on the map of regional insurance carriers.

About Frederick Mutual Insurance Company:
Founded on Dec. 15, 1843, FMIC has continuously operated for 179 years as a mutual insurance company that empowers its policyholders through shared ownership and provides peace of mind in the most trying of times. They work with top agents across the Mid-Atlantic and Southeast region to provide policyholders with products that keep their homes, businesses and communities safe.

FMIC initially served Maryland, then expanded their operating territory into Pennsylvania, Virginia, Delaware, D.C., and North Carolina. It's the third-oldest insurance company in Maryland and the ninth-oldest in the United States.

FMIC's longevity is attributed to strong financials, derived from safeguarding the interests of our policyholders and keeping pace with an ever-changing industry.

About BriteCore:
BriteCore is a cloud-native platform for P&C insurers that unlocks business growth, enhances the customer experience, and delivers great efficiency gains. BriteCore provides end-to-end support for insurance operations that includes policy administration, an agent and policyholder portal, rapid product configuration, underwriting rules and rating, billing management, claims management, document management, and reporting. As a cloud-native solution, BriteCore is continually updated for maximum security, efficiency and durability at scale.

Mutual

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needs you. We need your input, your energy and your willingness to help your neighbor, even if that neighbor is halfway across the state. If we agree to do these things I'm certain all of our respective companies will be better for our efforts. I look forward to meeting with each of you over the coming months.

Philip Overmyer is serving his 30th year on the Board of Directors of Farmers Mutual Insurance Company of Saint Joseph and Marshall Counties located in Plymouth, Indiana. The company is celebrating its 150th year in business. He has served the members as an agent, adjuster, underwriter, vice president, president and currently holds the position of secretary/treasurer/manager. His responsibilities include overseeing day-to-day operations, accounting, investments, underwriting and claims management.

Overmyer has been married 40 years, and has two children and five grandchildren. In his spare time, he cares for his land and animals, and participates in every kind of outdoor activity.

Clearcover

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TDD: It sounds like you have a significant support network for agents.

KT: We do, and we also listen to their requests for additional support. They asked for an agents' council, and we are building that capability.

TDD: How would you summarize Clearcover's perspective on agents?

KT: The agency force is evolving to meet the needs of insureds. Technology is being used to automate and keep independent agents as a relevant contributor to the customer experience. Clearcover wants to position independent agencies to succeed.

Clearcover Vision: To be the standard by which customers measure all their insurance and risk management experiences.

Clearcover Mission: To control our own destiny by building a high-growth and sustainable business that delivers customers unparalleled transparency, convenience, low prices, and superior value by using our key advantages of technology and tempo.

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freelancers are paid according to short-term assignments and tasks, rather than full- or part-time jobs. Over 50 million Americans work in the gig economy.

The number of freelancers and contract workers will grow because many learned to like the flexibility of working from home and witnessed the emerging two-tier corporate workplace putting them at a disadvantage.

Is 9-to-5 Over?

As employees juggle work and home demands, many companies will no longer be starting and ending their days at a set time. A recent survey found 25 percent of Gen Z employees claim they are most productive after typical office hours.

It will be a lot harder for employers to deny flexibility around work hours and work expectations. To have some sense of organization employers will have to set expectations for when they need everyone in the office or online for meetings and other activities.

Supply Chains Will Be Shorter

The pandemic rocked the world of logistics with shortages of almost everything; from masks to semiconductors and polymers. Companies, especially those with international suppliers, now worry more about supply uncertainties, shortages and bottlenecks. Nearby vendors will be sought, and just-in-time supply models will fade away. Rising shipping costs will also fuel the search for close-to-home alternatives. Many will seek out, and establish, nearby affiliates to meet future supply requirements and avoid disruption.

Doing "Good"

The era of social responsibility is here. Many organizations and companies will step up and commit to doing "good." More customers will consider whether companies they support are perceived as helping with causes beneficial to society. There is a broad range of options ranging from building lower income housing to feeding the hungry. Smart companies will avoid polarizing their employees and clients by supporting politicized causes.

Burst of Entrepreneurship

The COVID-19 crisis spurred many to reevaluate their personal priorities. The result was a wave of consultants, home-based retailers and newly self-employed entrepreneurs. The number of self-employed Americans recently passed 9.4 million, the highest number in a dozen years. As fugitives from the corporate world, they are experiencing not just the job flexibility they initially sought in self-employment but also new energy and self-confidence. Gone are strictly defined work hours and reporting to a hierarchy of managers overseen by distant executives.

Will These Trends Last?

Paraphrasing economist John Kenneth Galbraith, "Forecasting exists to make astrology look good." However, we have just undergone one of the largest behavior changes in the history of modern business. Which of the above predictions might survive the long run?

It's safe to say more of those working from home will migrate back to spending more time at the office as promotion and growth opportunities go to their hungrier, more visible colleagues. The prestige of being at "the home office" will return. This should minimize the two-tier work force issues. Hiring practices will return to pre-COVID-19 standards as job turnover slows and the work day will gravitate back to more fixed hours. As supply chains stabilize with on-shore providers, just-in-time inventory practices will return.

The work force has experienced a massive crash course in modern technology. These new skills and capabilities will last, driving change and enhanced efficiency. Leadership styles will continue to be more personal and objective, with goals being clearer and regular feedback common. Marketing and sales will become even more digitally driven. The population of contract employees may shrink as fewer put up with the financial uncertainties of self-employment. The harsh realities of launching a successful new business will overwhelm many, forcing them back to working for others.

While the "new normal" will appear to be different, expect many of the practices of the "old normal" to return.

Tom Harvey was president and CEO of Assurex Global, an international partnership of independent insurance agents and brokers. He then joined the business faculty at The Ohio State University.

Earlier Harvey was a partner with a venture capital firm. He began his career in sales and marketing with a Fortune 500 company after military service and graduating from Georgetown. twharvey@columbus.rr.com.

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in need without the help we should have provided. The Assembly Insurance Committee heard 28 bills pertaining to unemployment and the Employment Development Department in 2021 and conducted an oversight hearing to assess the issues plaguing the department.

TDD: In the insurance sector, please recall and share specific events or incidents that demonstrate or reinforce the P&C, and life and health [insurance] industry's commitments to consumers.

KC: The industry's response to urban wildfires — starting in Oakland Hills (1991) and burning through the hillside communities of Malibu, Pacific Palisades, and Altadena and Pasadena in the early 1990s stands out, as does the 1 billion dollars in capital contributed to stand up the California Earthquake Authority. The broadening of access to healthcare and maintaining it as affordable as possible has entailed a great partnership by many parties, with the life and health insurance industry central to that progress.

During my term as NCOIL president, I will focus on the continued growth of the organization as we navigate these unprecedented times. I will also work to promote the power of our legislative office to exercise our sound discretion via oversight to make sure the laws of our respective states remain current and are fulfilling their intended purpose.

TDD: Conversely, would you share a specific event or incident that the P&C, life, or health industry could have handled a bit better? What might have been done differently?

KC: The decade of the 1980s in California saw a 150 percent increase in auto insurance rates affecting California drivers. That spurred an outpouring of public anger that led to an unproductive 1988 ballot fight — six competing ballot propositions — and the adoption of California's prior approval rating system via Proposition 103. Proposition 103 was editorialized on by the LA Times and New York Times after its adoption as a chimerical solution, promising a solution but with no specific path to achieve it. It took hard future work by courts (discarding third-party bad faith lawsuits), lawmakers (secondary and then primary enforcement seat belt laws, anti-drunk driving laws, anti-fraud penalties) and voters (approval of no-pay, no play rules) for rates to stabilize and then drop.

TDD: During your term as president of the National Council of Insurance Legislators, how would you summarize your agenda?

KC: First and foremost, like my predecessors, I am committed to ensuring that NCOIL continues to produce sound public policy in the form of model laws for states to consider and adjust accordingly to meet their needs. 2022 promises to be a very busy year in terms of the number of model laws set for development and adoption and I look forward both to that process here at NCOIL, as well as to see those models before legislatures across the country.

During my term as NCOIL president, I will focus on the continued growth of the organization as we navigate these unprecedented times. I will also work to promote the power of our legislative office to exercise our sound discretion via oversight to make sure the laws of our respective states remain current and are fulfilling their intended purpose. I've enjoyed working with the Levin Center at Wayne State University Law School which was established in 2015 to carry on the legislative oversight legacy and vision of Sen. Carl Levin, Michigan's longest-serving senator, and I look forward to leveraging that relationship into developing important oversight sessions at NCOIL national conferences.

Also, as an organization that has historically thrived on in-person engagement, I will be determined to keep business moving despite the continued impact COVID-19 has placed on everyday life. The issues facing the insurance marketplace in the coming year will surely prove to be exciting and complex, and keeping NCOIL on the right track is very important to my fellow officers and me.

Lastly, I think it's important for NCOIL that the issues facing Ukraine right now stay top of mind. The organization departed from its traditional laser-focus on insurance recently when it adopted a Resolution I sponsored "In Support of the People and Government and Ukraine." That's not an issue one would expect to be discussed at NCOIL, but as the Resolution notes, NCOIL is the nation's premier legislator-led insurance public policy organization that works towards advising legislators on policies that affect financial institutions in addition to

insurance around the nation. Therefore, it's proper and timely that the organization be mindful of and discuss these types of issues as they arise.

TDD: What personal strengths and attributes will you need to leverage during your presidency?

KC: I will rely on my knowledge of insurance, my 45 years of experience working in legislative settings around the U.S., and my willingness to roll up my sleeves and confront unpleasant tasks that need nonetheless to be done. In my career I have learned everything eventually yields to hard work, a readiness to listen, and unflagging persistence.

Insurance is finance, insurance is planning, insurance is intellectually demanding; but it is all done with a view toward serving people today and sustaining that capacity to serve continuously and reliably across an unknown future. That is a gratifying work to be engaged in, and I strongly commend it.

TDD: For those considering the insurance industry for a career, share your thoughts on why the insurance industry can provide a rewarding career path.

KC: For this, I will quote the great Bengali poet and 1913 Nobel Prize winner Rabindranath Tagore who said:

"I slept and dreamt that life was joy. I awoke and saw that life was service. I acted, and behold, service was joy."

Insurance is finance, insurance is planning, insurance is intellectually demanding; but it is all done with a view toward serving people today and sustaining that capacity to serve continuously and reliably across an unknown future. That is a gratifying work to be engaged in, and I strongly commend it.

TDD: Follow-up question — For those considering public service, share your thoughts on why or how public service can also provide a rewarding career path.

KC: For that I need only refer to that quote by Tagore.

TDD: As we wrap up this discussion, what is the best advice you ever received?

KC: I took an idea from Peter Drucker's book "The Effective Executive" in the 1970s to the effect that one should always do one's work so that it would enable the person to whom it was handed to easily, almost effortlessly, understand and run with it. He labeled that type of professionalism "Upward Contribution." I have found it a reliable guide to my own career of work, and it is the one precept everyone who works for me or with me learns about. As that approach to work gets understood and internalized, it becomes a profound and self-directing engine for constant personal growth and improvement.

TDD: Your closing thoughts on the next several months of your presidency of NCOIL?

KC: Whoa! My term as NCOIL president just started — I don't want to think about it closing! In all seriousness, we had a great start to 2022 at our Spring Meeting in Las Vegas in March. I look forward to continuing that momentum at our Summer Meeting in July and at our Annual Meeting in November. It's my honor to preside over the organization, and in watching NCOIL grow from my first time participating in the 1980s to seeing the position it is in now in 2022 has been remarkable.

I urge anyone interested in getting involved with the organization to seize on that interest and do so. Whether you're a legislator or interested person, when you leave NCOIL meetings, you are able to walk as though you are 10 feet tall on insurance matters since you've heard from experts with differing perspectives on important insurance issues.

I look forward to continuing NCOIL's strong run of success, and ensuring that the organization remains a fierce defender of the proven state-based system of insurance regulation.

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