

# *Difference* the Demotech

Fall 2023/Vol.9, No.4

Werner Kruck



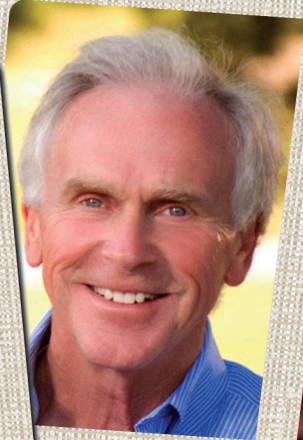
AAIS

Rick Lindsey



Prime Insurance

Frank Nutter



RAA

Jim Donelon



Commissioner,  
LA DOI

## Four Leaders in the Insurance Industry

Werner Kruck  
Brings Decades  
of Experience to  
Role as President  
of AAIS

Page 10

Under Experienced  
Leadership of  
Rick Lindsey,  
Prime Insurance  
Fills Void in the  
Market

Page 12

Multi-Faceted  
Leader Frank  
Nutter Served  
as President  
of the RAA

Page 14

Louisiana  
Commissioner  
of Insurance Jim  
Donelon Served  
as President of  
the NAIC

Page 16





# 2023 Global Excellence Awards

**WINNER**

## Demotech, Inc.

Best Independent Insurance Rating Agency  
2023 - USA

### About the Global Excellence Awards

Launched in 2018, the AI Global Excellence Awards provide Acquisition International Magazine with an opportunity to celebrate and draw attention to innovative companies, teams and individuals who are driving change, and surpassing expectation.

Dedicated to keeping our corporate readers informed so as to remain ahead of the curve, the AI Global Excellence Awards present the most prominent leaders and organisations from a diverse range of industries.

Recipients are selected through a merit-based system, via research carried out by AI Global's impartial team rather than external nominations. Criteria require that there is evidence of significant achievement and a clear commitment to innovation in a given field.

# Contents

Fall 2023/Vol.9, No.4



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Photo:Darren Carlson

## Cover Features

- 10 **Werner Kruck Brings Decades of Experience to Role of President of AAIS**
- 12 **Under Experienced Leadership of Rick Lindsey, Prime Insurance Company Fills Voids in Markets**
- 14 **Multi-Faceted Leader Frank Nutter Retires as President of the Reinsurance Association of America**
- 16 **Louisiana Commissioner of Insurance Jim Donelon Served as President of the NAIC**

## In This Issue

- 8 **Summer 2023 State Regulatory Update**
- 18 **Ins and Outs of Pharmaceutical Insurance**
- 20 **ABIR Celebrates 30 Years of Commitment to Consumers and Communities Around the World**
- 22 **(Un)Civil Procedure Update: Recent Supreme Court Ruling on Personal Jurisdiction Has Significant Potential To Impact Insurers**

## Departments

- 4 **Editor's Notes**
- 6 **From the President's Desk**
- 36 **Industry Updates**

## More

- 24 **Announcing the 2023 Stakeholder Team Accomplishment Recognition™ Award Winners**
- 26 **Couple Demonstrates Bison Ranching and Environmentally Regenerative Practices in Central Ohio**
- 28 **The Challenge of Fraud: Taking a Broader View for Effective Fraud Prevention in the Insurance Industry**
- 30 **Emotional Value and Its Link to Bad Faith Allegations — So Why Emotion and What is the Link With Claims?**
- 32 **Since 1948, SHRM Has Advanced HR Around the Globe**
- 34 **A Perspective on Immigration in the U.S.**

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## Seasons of Transitions Bring Positive Changes

By Barbara Albert

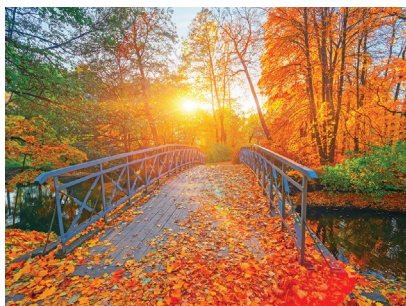
No cute quotes about pumpkin spice or falling leaves, but I have a genuine wash of relief that a summer with weather challenges, among other taxing situations, is over, and is transitioning into autumn. I know many regions do not have a marked difference between summer and fall, but I love when transitions are this welcome.

On the cover of this issue are four leaders in the insurance industry who have weathered changes and transitions over the decades. Werner Kruck, president and CEO of American Association of Insurance Services, talks about his long career and the changes he's seen over the years.

CEO of Prime Insurance Company Rick Lindsey views the industry from the many aspects he's had experience with, and has unique perspective on insurance and the consumer.

Frank Nutter, president of the Reinsurance Association of America, states that advocacy has been the aspect of his career he has enjoyed the most, and the thought leadership RAA has provided on climate issues.

Louisiana Commissioner of Insurance Jim Donelon, formerly elected president of the National Association of Insurance



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Commissioners, talks about changes the organization have influenced, as diverse as the driving age for young drivers to the coastal exposure in property and casualty in the Gulf states.

We are announcing our annual STAR Award winners. Twenty-two companies earned this year's award for running a profitable business while satisfying all stakeholders and that is a great accomplishment.

Demotech, itself, again earned the Acquisition International 2023 Global Excellence Award for Best Independent Insurance Rating Agency.

We are recognizing two anniversaries in this issue. The Society for Human Resource Management celebrates 75 years as a thriving HR firm and a part of this profession's journey to be a vital necessity for the workforce.

The Association of Bermuda Insurers and Reinsurers celebrates 30 years with a reputation as a leading provider of global property catastrophe insurance and reinsurance capacity.

And finally, in an article about raising bison, Ohio Bison ranchers model environment-friendly methods of regenerative practices as a transition from traditional livestock ranching, and describe why the methods are so effective on a small scale and are better for the environment.

May all your transitions this season be smooth!

*Barb Albert*



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## From the President's Desk

By Joseph L. Petrelli

### What can I do? I feel so helpless.

Each of us has uttered or thought this when attending the celebration of life of a spouse, significant other, relative or friend. Some of these experiences hit harder than others. On Aug. 20, 2023, the passing of Samuel J. Halkias resulted in me saying those words and having those feelings. Attending his celebration of life on Aug. 25, it struck me that a former Bowling Green University football player, who had a career in finance and insurance and, for 50 years, pursued the checkered flags of the Sports Car Club of America, including the 2009 National Championship in the SCCA E-Production class, would know when “something was wrong” or “something was off.” Yet, Sam passed due to a rupture of a brain aneurysm. According to the Brain Aneurysm Foundation ([www.bafound.org](http://www.bafound.org)), ruptured brain aneurysms cause bleeding into the space around the brain: a subarachnoid hemorrhage. The rupturing may cause sudden symptoms.

**The Brain Aneurysm Foundation is the nation's only nonprofit organization dedicated to providing awareness, education, support and funding of research to reduce the incidence of brain aneurysm ruptures.**

According to the Foundation, the symptoms listed are the most common sudden symptoms. Because of the gravity of the situation, the Foundation's site indicates that you should not have a family member or friend take you to the hospital in a passenger vehicle. This is a high-stress situation where first responders often use lifesaving procedures in an emergency vehicle. Since time may be of the essence, the expertise of emergency medical responders is needed.



Samuel Halkias

The most frequent signs of an unexpected rupture of a brain aneurysm are:

- Sudden and severe headache.
- Nausea or vomiting.
- Stiff neck.
- Blurred or double vision.
- Sensitivity to light.
- Seizure.
- Drooping eyelid.
- Dilated pupil.
- Pain above and behind the eye.
- Loss of consciousness.
- Confusion.
- Weakness and/or numbness.

The Foundation's site notes that unruptured brain aneurysms usually have no symptoms. Often, these aneurysms are small, and found incidentally when tests are done to screen other conditions.

In rare circumstances, unruptured aneurysms become large and press on nerves in the brain, causing the symptoms noted above as well as others not listed. If you experience these types of symptoms, seek medical attention at the



earliest possible time. Because Sam was active and healthy, he never needed to undergo the type of screenings or tests that might have diagnosed the unruptured brain aneurysm that burst unexpectedly.

Here is my thought on how we can do something to mitigate the feeling of helplessness that sets in when a spouse, significant other, loved one or friend predeceases you. You can pick the educational and research foundation of your choice and donate your time or your money to create awareness, further research or otherwise eradicate an illness or affliction. I made a donation to the Brain Aneurysm Foundation in Sam's memory. The Brain Aneurysm Foundation is the nation's only nonprofit organization dedicated to providing awareness, education, support and funding of research to reduce the incidence of brain aneurysm ruptures. If you are interested in donating online, you can find that link at [www.bafound.com](http://www.bafound.com). I did it the old-fashioned way by mailing the donation to The Brain Aneurysm Foundation, 269 Hanover Street, Building 3, Hanover, MA 02339. You can also contact them via [office@bafound.org](mailto:office@bafound.org), (781) 826-5556 or (888) 272-4602.

There are many silent killers that can afflict us or have afflicted those who passed. Frequency of the affliction aside, brain aneurysms seem as deadly as any of the more prominent threats. They are also "sneaky," as healthy people rarely receive the testing that could incidentally expose them.

**There are many silent killers that can afflict us or have afflicted those who passed.**

To leverage his love of racing and driving, Sam was an instructor at the Mid-Ohio School for years. No one will ever know how many of the students avoided a collision due to his training or prevented one through defensive driving skills and techniques that Sam taught them. My point is this — none of us need to feel helpless and each of us can find some way to help, whether by donating time or donating to a research effort. 🌐



**BRAIN ANEURYSM  
FOUNDATION**

**SAVE THE DATE**



**2023 Annual Membership Meeting  
December 7 & 8  
Crystal Gateway Marriott,  
1700 Richmond Hwy, Arlington VA**



# Summer 2023 State Regulatory Update



***By Mary Jo Hudson, Doug Anderson, Pat Hatler, and Bevan Blake***

## **NAIC Moves Forward With Regulations for Investments**

The National Association of Insurance Commissioners moved forward with their work to update regulations related to insurer investments at their recent Summer National Meeting and publicly announced they do not intend on stopping their work anytime soon, despite objections expressed by many stakeholders. Over the last couple of years, the NAIC has initiated several workstreams to address what they term as “gaps in the regulatory framework for insurer investments.” These workstreams include projects addressing the role of the NAIC’s Securities Valuation Office in evaluating insurer investments, risk-based capital charges for certain structured securities including collateralized loan obligations (CLOs), and SVO’s newly-granted authority to review affiliate and related party transactions and agreements. These changes are occurring through various Financial Condition (E) Committee Task Forces and Working Groups, including the Risk Focused Surveillance (E) Working Group, the Valuation of Securities (E) Task Force and the Risk Based Capital Investment Risk and Evaluation (E) Working Group of the Capital Adequacy Task Force.

The NAIC has initiated these projects in response to the increase of insurer investments in alternative investments throughout the prolonged period of low interest rates over the last several years. The work has generated a lot of attention and criticism from related parties who have voiced concerns especially around the process that the NAIC has used to approach these initiatives. Superintendent Beth Dwyer of Rhode Island, chair of the E Committee, acknowledged stakeholder concerns during the Summer National Meeting while introducing a new document titled “Framework for Regulation of Insurer Investments — A Holistic Review.” Superintendent Dwyer was clear that all workstreams within the E Committee will continue and that there will be no pause on the initiatives outlined in the framework document.

## **NAIC Increasing Role of SVO To Reduce Reliance on Credit Rating Providers**

In order for an insurer to obtain credit for its investments as part of its reserves, the insurer must hold investments that have higher NAIC investment designations. The SVO designates investments, either after SVO analysis or, in many instances, the NAIC has exempted investments from SVO review if the securities have been rated by a Nationally Recognized Statistical Organization. These so-called “Filing Exempt” securities are assigned an NAIC designation based

**In order for an insurer to obtain credit for its investments as part of its reserves, the insurer must hold investments that have higher NAIC investment designations.**

on their credit rating, thus saving both the NAIC and the insurer from the time-consuming and costly process of the SVO conducting a separate evaluation of the securities in order to assign an NAIC Designation to the security.

The NAIC claims that it has been reevaluating its relationship with credit rating providers (CRPs) since the 2008 financial crisis. Initially, the Securities and Exchange Commission’s development of the NRSRO registration process seemed to satisfy the NAIC and the SVO for non-mortgage securities. Starting in 2009, the SVO began review of all mortgage-backed securities. In the last few years, regulators have raised concerns over insurer’s investments in structured



securities, along with the involvement of private equity firms serving as investment advisors for insurers. To address these concerns, regulators have made revisions to statutory accounting rules in order to increase their ability to review these arrangements, providing the SVO with their proxy to conduct such reviews. This year, VOSTF and the E Committee have introduced a number of proposals that would materially change the filing exempt framework and the role of the SVO in evaluating insurer investments.

First, as discussed in our prior article, VOSTF is proposing to add “notching” within the definition of NAIC Designation to authorize SVO to assign a special “Subscript S” designation to investments that it determines may include “non-payment risks” including potential “tail risks” for default such as interest rate/volatility, prepayment, extension and liquidity risk, or for irregular interest or other irregular payment terms. Regulators are in favor of the proposal and industry representatives are opposed. At a VOSTF meeting in July, the ACLI and other interested parties expressed concerns that the proposal greatly expanded the power and role of the SVO without proper oversight. In response, Iowa regulator Carrie Mears, VOSTF chair, stated that she was strongly in favor of regulators being privy to the information about the “non-payment” risks of investments but was open to changing how they received the information and what they could do with it. Mears then indicated that the ACLI was having active discussions with the SVO to develop an updated proposal that is expected to be released this fall.

Second, VOSTF released a new proposal that would give the SVO discretion to challenge ratings from CRPs that they do not believe are appropriate to limit its “blind reliance” on CRP ratings. The VOSTF proposal empowers SVO to select any security for review and would grant the insurer (as opposed to the issuer) an appeal process to SVO’s determination that could take up to two to three years to complete. The proposal generated a lot of criticism from interested parties that included, but was not limited to, the following concerns: (1) the SVO would be required to select a security to challenge based on incomplete information, meaning that the challenges would be based more on the SVO’s preconceived concerns with certain investments, insurers, or CRPs rather than on quantitative analysis; (2) the proposal would be a radical change in the role of the SVO without any accompanying changes to the governance of the SVO to provide checks and balances on their newfound authority; (3) a lack of transparency into the methodology that the SVO would use to review securities, in contrast with NRSROs; and (4) the chilling effect in the market that would result from the proposal, with insurers hesitant to purchase securities similar to a security being challenged without knowing the result of the SVO review. Interested parties warned that given the multi-year timeline for any

appeal to be resolved this would have material impacts on the capital markets.

In response to the comment letters, members of VOSTF and SVO gave staunchly defensive prepared remarks at the Summer National Meeting. Regulators defended the proposal, emphasizing that regulators ultimately have the authority to determine the appropriate NAIC designations for securities without relying on CRPs. In their comments, regulators stated that the SVO proposal would be used “narrowly.” However, the SVO proposal is worded broadly and provides little comfort for the capital markets so heavily relied upon by insurers.

**The NAIC claims that it has been reevaluating its relationship with credit rating providers (CRPs) since the 2008 financial crisis. Initially, the Securities and Exchange Commission’s development of the NRSRO registration process seemed to satisfy the NAIC and the SVO for non-mortgage securities.**

Overall, there is a significant divide in fundamental understanding between regulators and the insurance industry/capital markets regarding the enormous chilling effect the SVO proposal could have on future capital markets. The SVO is seeking sweeping authority to review issued investments, even if they are rated by an NRSRO. Providing SVO with the ability to halt insurer use of investments pending a multi-year review, with little voice for capital markets underwriters or managers during the appeal process, would bring great uncertainty to insurance company portfolios nationally. The SVO works on behalf of regulators but operates as a for-profit entity that is not subject to the transparency or ethics accountability of a state insurance regulator. VOSTF will need to add checks and balances to this proposal in order to avoid costly litigation and to maintain the SVO’s neutral stance as a representative of state insurance regulators.

Last, the E Committee introduced a proposed enhancement to the SVO in its Framework Document to facilitate the new vision of the SVO contained in the VOSTF proposals. The proposal involves modernizing the SVO by both increasing its staffing and modeling capabilities to support its “due diligence” on CRP ratings and building out a broad policy

CONTINUED ON PAGE 39



# Werner Kruck Brings Decades of Experience to Role of President of AAIS

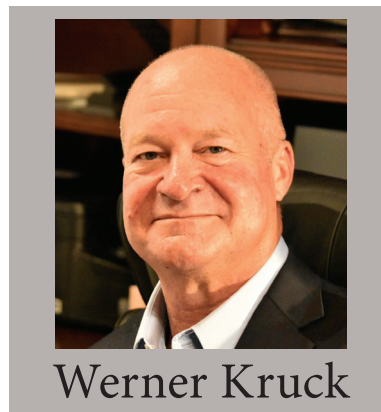
*The Demotech Difference had the opportunity to speak with Werner Kruck, president and CEO of AAIS, the only national not-for-profit advisory organization governed by its member insurance carriers. He has more than 45 years' experience in the property & casualty insurance industry including leadership roles at Foremost Insurance, Bankers & Shippers (Travelers), Markel, and American Modern Insurance. Werner also spent four years with AIG in New York and Manila as regional manager for Personal Lines and Agency Distribution. More recently, he has specialized in the Florida homeowner market, as a consultant and as chief operating officer of Security First, and has shared some of the insights gained through his experience.*

**The Demotech Difference (TDD):** We're here with the newly installed president of American Association of Insurance Services, to have him share with the readers of The Demotech Difference. Werner served in a variety of progressively responsible leadership positions in the insurance industry. He served on the board of the American Association of Insurance Services, and he has been named president and CEO effective June 26 of this year. Thank you for sharing some of your thoughts with us today.

**Werner Kruck (WK):** Appreciate it. My pleasure.

**TDD:** You've had a distinguished and extensive career, including technology, before that was something that most people gravitated to. So, any thoughts on how AAIS will be harnessing technology to assist their members and stakeholders to make better decisions going forward?

**We're not necessarily focused on new technology for technology's sake, but we keep abreast of what's possible and look for ways to do things better or to do new things that we haven't done before.**



**WK:** We currently utilize technology internally to enhance our ability to perform our core services. There's been a lot of change in how we create rules, forms, and loss costs, handle statistical reporting for our member companies. And so, we have that internally. We also have created the OpenIDL insurance data link network. This is a data platform for secure data exchange between entities in the insurance space.

Technology allows us to do things that we might not have been able to do in the past and accomplish objectives in new ways. It's not the goal, but rather, the tool. We're not necessarily focused on new technology for technology's sake, but we keep abreast of what's possible and look for ways to do things better or to do new things that we haven't done before.

**TDD:** As you and I are talking today, wildfires are raging in Hawaii, and Hurricane Dora is passing Hawaii, and fueling those flames. You can't escape worldwide disasters, whether it's national or international. What has AAIS been doing over the last several years to reflect the cost and the impact of natural disasters in its loss costs and pricing methodology?

**WK:** Well, I think the industry as a whole is coming to grips with pricing. Years ago, you basically had your loss experience, and as an actuary, the past was going to be indicative of the future. For hurricane, earthquake, wildfire and flood, we now have models because we know that we don't have a long enough or indicative enough experience period to really get confident about what the future is



going to be. Even with the models, we're not necessarily comfortable, but that's the way we have to approach it.

Recently, we've got the secondary perils or the severe connective storms that have increased in frequency and severity. The past is no longer a reliable predictor of future loss costs. I think we have a role assisting our member companies in integrating models into their pricing, and also to work with insurance departments to get comfortable with this approach. I mean, we see where it breaks down right now in California, which limits the use of models. The companies are not able to use historical data to get accurate rates, so, the game is changing. The technology is changing. How we manage and quantify risk is changing. For our member companies, we have to provide leadership to address that.

**TDD:** I mentioned your distinguished career and the variety of experiences you've had, so let's go back. What was your first job as a teenager? What did you learn from that that you've carried throughout your career?

**The companies are not able to use historical data to get accurate rates, so, the game is changing. The technology is changing. How we manage and quantify risk is changing. For our member companies, we have to provide leadership to address that.**

**WK:** When I was age 11, I acquired a paper route. A friend of mine had one that was too big, so he gave me half of his. What I really learned was customer service. Different customers had different requirements about where we put the paper, and how often we could collect. I had difficult customers. I learned how to build an effective relationship with all my customers and, when things went bad or things didn't work, how to make it right.

**TDD:** Interesting. It's funny now that paper routes for young people are not as common as they used to be, and they're mostly done by adults now.

**WK:** That's right. And they just throw the papers out the window.

**TDD:** At age 11 for your first job, I don't know that you'd call your friend a mentor, but were there mentors during

**... you can't compromise integrity. It puts you in tough situations, but if you compromise your integrity, then nothing else is meaningful.**

your career when you look back? Are there specific people and responsibilities, things they taught you that jump out at you still today?

**WK:** Absolutely. I think there are really three that stand out. The first one was my father. I learned from him at an early age, watching him work, watching his life, the importance of integrity. To do the right things, and depend on God, even when doing the right things will cause trials in the short term. That you can't compromise integrity. It puts you in tough situations, but if you compromise your integrity, then nothing else is meaningful.

The second mentor was a guy named Bob Wright, who's a good friend of mine still. He hired me as an intern in 1974 at Foremost. I went to work for him after college in '78. He taught me several things — how to think strategically, the fundamentals of price theory, and how to develop and price a product, looking at both the loss costs and the competitive situation. He also taught me as a young guy how important it was to appreciate that when you have a team, you have different styles of thinking, and to appreciate those different ways that people approach problems and situations.

The third mentor was a guy named Don McMillan, who passed away in January. I was originally sent to work with him because I needed some rough edges smoothed when I was younger. He became a lifelong friend and mentor. He constantly challenged me to read. He worked with me on a lot of ways to become a more effective leader, a process that continues without him today.

**TDD:** You mentioned some of the stakeholders who are in the role of an advisory organization, and you mentioned your members, and departments of insurance. During your time on the AAIS board, how do you view and weigh the diverse perspectives of the multiple stakeholders? What are some of the key factors in that?

**WK:** I think that's actually a very good question. Historically, we've been predominantly focused on our members, the insurance companies that own us. It's in our

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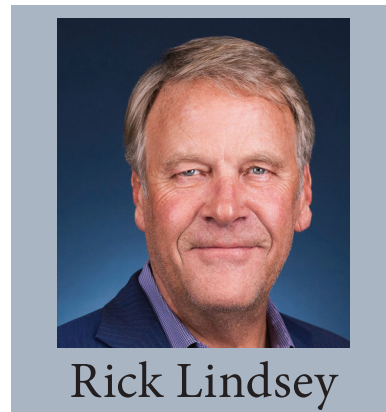
# Under Experienced Leadership of Rick Lindsey, Prime Insurance Company Fills Voids in Markets

*The Demotech Difference had the opportunity to speak to Rick J. Lindsey, who for the past three decades has led Prime Insurance Company and before it, Prime Insurance Syndicate. Before Prime Insurance Company, Lindsey rose through the ranks while working in nearly every imaginable insurance industry job. As an entrepreneur, specialty lines underwriter, claims specialist, risk manager, and a licensed surplus lines broker, Rick Lindsey is highly skilled in all levels of leadership and execution. He started Prime Insurance Company and became the newly formed entity's CEO. Rick has enabled his company to fill a void in the market.*

**You need people who are going to stand and fight with you and do the right thing. That feels good when everybody does their job.**

**The Demotech Difference (TDD):** Thank you for agreeing to speak with us. To start, you've learned almost every aspect of the insurance industry by being on the front lines of doing it. What aspect of your training do you think you've enjoyed the most and why?

**Rick Lindsey (RL):** It's the relationships with people I've done business with for 30 or 40 years. Back in the day when I met them, they were in the land of the misfit toys, which is what I call insureds when they get canceled or declined, and the standard industry says they're misfit toys. I think at that time, prior to that, somebody wrote their insurance, took their money, and then all of a sudden, they end up canceled and in the land of the misfit toys. That's when people kind of get reality, and you can have a good honest relationship with them. Most of those people I still insure, and I'm getting older, they're getting older and you're dealing with new owners of companies or the kids of the



Rick Lindsey

original owner. I think the trend is back to buying cheap insurance. You know, it's just insurance. We're not going to have a claim.

Insurers need to realize that when you're older, like me, things happen, and if you don't have a plan for it, life's going to be a lot different than if you do have a plan. The relationship is the best part and the biggest wild card. If you don't have those relationships, the lawyers are like linebackers in a football game. They can shoot the gaps. You can't take somebody's money. It's like you can't be half pregnant. If I insure your building down here in Florida, I have to give you flood. Legally I can, where before you had to buy FEMA flood primary insurance. We've been arguing about flood and wind for 50 years, making lawyers rich and creating confusion for insurance people and insurance buyers.

So just do it right. Do the whole job. Make happy customers and bench the lawyers. That's hopefully what the relationships I've had for a long time have proven. It's kind of like war. You need people who are going to stand and fight with you and do the right thing. That feels good when everybody does their job. As I talked about earlier, it's like going to the Super Bowl and being on the one-yard line. You can win, but you've got to have a plan and a play. In most cases, you practiced it, everybody's comfortable, or you show up like a bunch of little leaguers playing in the Super Bowl and you can't execute and you lose. That's not fun at all. I've been there, so I know the difference.



**TDD:** Tell us a little bit about how you built Prime Insurance, and how you got started in it.

**RL:** Basically, I was an agent broker, became an MGA, and then had an A-rated company give me their pen. I wrote outfitters and guides, helicopter-ski guides, rafting. My family did roofers and other classes of business. We managed the claims as a TPA. I think we've always had that desire to do the right thing and fight frivolous lawsuits. I think we were seen as stupid. "You can't fight that. This is when you should settle." Early on I wanted to start an insurance company. I started trying to raise \$20 million to form a syndicate on the Illinois Insurance Exchange because that was the easiest way to get in 40-plus states and you really need to be in all 50 if you want to do a national program.

It became obvious that you spend all your time trying to talk companies into doing what you want. Then on the claims side, you're always trying to talk lawyers into doing what you want, or doing the right thing, in my opinion. As an agent or broker, an employee of someone else, you can't tell people what to do. So owning the insurance company was the solution for me.

**I remember when Lloyd's used to say property was short tail. It's not short tail anymore because litigation starts probably two or three years after most storms.**

**TDD:** You focused on what the industry might call hard-to-place risks. What attracted you to that aspect of insurance that others seem to avoid?

**RL:** I think in anything where people need a solution, they're more realistic. Either they're a really good partner because of the need for a solution, or they're not as good a partner as they want to represent. You learn that through experience. If some lawyer sues you frivolously, and I mean I recall saying to one guy, who said, "The lawyer says we should settle this case because we could lose." "Well, is the lawyer risking any of his money?" I said, "I'm risking my own money and you're risking your own business." At some point, we actually have to make the decision and stop listening to the lawyers. I think homeowners in Florida, if you polled them, obviously make unhappy customers. That's why people go to lawyers. Yet, where do you go when

a lawyer makes you unhappy? There is no place to go. I've tried to hire lawyers to sue lawyers, but they don't do that.

We're at a disadvantage. If you could poll people who were involved in an auto accident down here or had a homeowner's claim and they would be honest with you about how long it took, how much time was sucked out of their lives going to a chiropractor or being deposed, and still getting a bad result and only so much money, most plaintiffs would say they didn't end up where they thought they were going to.

I remember when Lloyd's used to say property was short tail. It's not short tail anymore because litigation starts probably two or three years after most storms. It doesn't happen initially. The lawyers let it build up, and people start getting mad at their insurance company and then they start advertising. After Katrina, I had 1200 claims, which is where I cut my teeth on property insurance. That's how I know how to do it right. When you write it, you've got to give them everything they need. When you have to talk about a claim, and they get a mudslide, you pay them, but they're not going to be able to build back there. The plan's got to be to go somewhere else and relocate. This is going to be a long, litigious thing where you see the county, the builders, and everyone getting involved.

Most companies exclude mudslide. As an insurance consumer, I wouldn't like that. I would be shocked. I'd say to homeowners that your policy ought to do the whole job and we really shouldn't be looking at government to be the ones who pay. I was talking to somebody yesterday, they're like, well, FEMA pays whatever. That's a bad precedent, too. Do you think the government's going to be a good solution for anything? I don't. I think it's something the government ought to look at in the insurance industry and say, "You do the job or don't take people's money, and don't count on Federal Flood." You have a \$5 million house and you get \$2 million Federal Flood and then you buy excess flood. How do you think those three policies are going to work together? It's not going to end up in a place where anybody's happy. We've been seeing it for 50 years. It's not like this isn't a reoccurring thing.

**TDD:** A little bit of history — what was your first job as a teenager?

**RL:** I worked in equipment, old-fashioned equipment, you know, where they rented chainsaws and pumps and lawnmowers. I washed the equipment.

**TDD:** What did you learn from that?

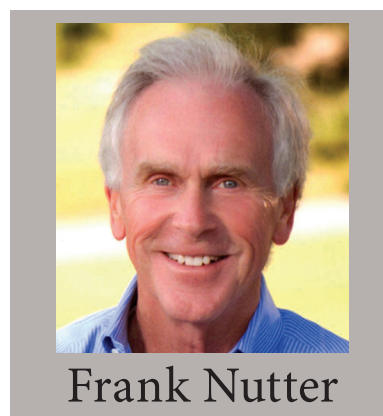
**RL:** I apply it to insurance. You have to make sure that equipment's serviced, dried, and documented. Do you want to rent chainsaws? That might be a little bit dangerous.

CONTINUED ON PAGE 43

# Multi-Faceted Leader Frank Nutter Served as President of the Reinsurance Association of America

*The Demotech Difference had the opportunity to speak with Frank Nutter, president of the Reinsurance Association of America. Nutter currently serves on the Advisory Board of the Organization for Economic Co-operation and Development's International Network for the Financial Management of Large-Scale Disasters, the RAND Center on Catastrophic Risk Management and Compensation, and the University of Cincinnati's Carl H. Lindner III Center for Insurance and Risk Management Advisory Board. He agreed to share his insights and experiences in the industry with us.*

**The Demotech Difference (TDD):** Thank you for agreeing to share your time and thoughts with The



Frank Nutter

**What I've always thought was important is that I speak clearly about the position that the reinsurance community has and explain why the industry is doing what it's doing as it relates to public policy issues.**

Demotech Difference. After your storied career at the Reinsurance Association of America, I'm hoping that not only will we be enlightened, but maybe we'll get some future leaders in insurance and reinsurance to read your article and understand that this is a great industry. I think you've studied and participated in every aspect of the reinsurance industry. You're on the front lines. What aspect of your experiences would you say you enjoyed the most, and why?

**Frank Nutter (FN):** Advocacy. I've enjoyed the opportunities to speak on behalf of the industry, provide testimony in Congressional hearings, speaking at NAIC meetings and with commissioners, discussion panels within or outside the industry, particularly where there have been points of conflict, and in academic and research forums.

**TDD:** When you were advocating, how did you counter or respond with people with an opposite position? How does one do that and yet maintain open communication?

**FN:** It's a fair question. Most of these forums that I've referenced are forums that do have some differing points of view. What I've always thought was important is that I speak clearly about the position that the reinsurance community has and explain why the industry is doing what it's doing as it relates to public policy issues. Conflict is fine. It helps you think through what positions you should have and can open your mind to the perspectives of others. You have to recognize that in a legislative, regulatory and public policy context, there will likely be competing points of view. You need to make sure that, as in my case, the reinsurer's point of view is thoughtful, well-considered and, where appropriate, backed by research and data analytics. Conflict is the nature of the political process.

**TDD:** Most people think reinsurance is synonymous with all sorts of natural disasters. You have tremendous experience with the OECD International Network for Financial Management, Large Scale Disasters, the RAND Center, Catastrophic Risk Management and Compensation, and the Council of American Meteorological Society. It's likely that no one has seen catastrophes and disasters from the perspective you have. In terms of how the reinsurance community might look at or advocate for catastrophe risk, how's that changed during your three decades at RAA?



**FN:** Three ways. First, I came to the conclusion some time ago, that continued education about the science associated with catastrophe perils was very important, particularly the science from research communities outside the risk-bearing community of insurance and reinsurance. We started a program in the early or mid-1990s to bring together the catastrophe modeling community. It's designed to be a forum for continuing education about catastrophe risk with a heavy focus upon research developments in the science community. It is designed to bring together research with applied risk assessment professionals to better understand trends in weather and climate perils, droughts, wildfires, hurricanes, tornadoes, as well as earthquakes.

Secondly, where the insurers cannot or do not choose to take on catastrophe risk, government is inclined to create a vehicle so that consumers have an option for insurance coverage. It's not something we encourage, but we recognized that there are going to be times when government may have to take on a risk-bearing role. Florida Citizens, Louisiana Citizens, residual markets are examples of ways for insurance to continue to be offered in an area. Our role, the reinsurance role, is to make certain that there are risk transfer opportunities from government initiatives. The National Flood Insurance Program and the state programs that I mentioned are good examples of public-private partnerships with the reinsurance sector that have helped to serve insurance communities. It's just not in the insurance industry's

**What the RAA has provided is thought leadership around climate change and the consequences affecting extreme weather and related losses.**

interest to have uninsurable communities, but it is important that the reinsurance community recognize that a government role may be inevitable in some cases.

The third insight relates to climate change. The RAA, like several of its member companies, has been fairly progressive about matters related to climate change. I was quoted in 1994 about the need for the industry to better understand the science around climate change, and to be more deeply involved with that research community. The Reinsurance Association adopted a policy on climate

change in 2008. Currently it's a very prominent issue, and seems widely accepted, but if you go back to that period of time, it wasn't widely accepted that climate change needed to be better understood in the insurance community. What the RAA has provided is thought leadership around climate change and the consequences affecting extreme weather and related losses. The industry needs to be forward looking about matters related to catastrophe risk and not just build upon the actuarial business model of insurance.

**TDD:** Looking back, what was your first job that you had as a child or a teenager, and what did you learn from that job?

**FN:** The first job I had in high school was the summer I worked for the State Road Commission. Our role was cutting brush, pushing dirt off of roads behind a road grader, and once a week, we would pick up roadkill. What I learned from that is that I was not suited for manual labor. It was a great learning experience. Do well in school and look for professional opportunities.

**TDD:** As you moved into professionalism and into white collar work, were there people in your career that you would characterize as mentors or those who shaped your career path?

**FN:** I would say not so much mentors, but people and organizations that gave me an opportunity. My first position in the insurance industry was as the general counsel of the then National Flood Insurers Association, which was an organization of insurance companies under contract with HUD, managing the National Flood Insurance Program. I was 29 years old, and a year out of law school. That started me on the path of insurance. I was general counsel of the RAA at 32. I was the president of the RAA at 35. So, I view the RAA as having given me an opportunity early in a career and having taken a chance on me. At the Alliance of American Insurers, which later merged with the NAI and then the AIA to become the APCIA, I was selected as president when I was 38 years old. It was a national organization of primary insurers doing advocacy work.

The other organization I would mention, which is outside the industry but related to my work was the Center for Health and the Global Environment. It's affiliated with the Harvard School of Public Health. I have no background in medicine whatsoever, but they were focused on climate change and environmental risk as it related to human health. I was placed on the advisory board there for a number of years. I viewed that as another one of those opportunities that helped shape my thinking and broadened my experience outside the insurance sector.

CONTINUED ON PAGE 45

# Louisiana Commissioner of Insurance

## Jim Donelon Served as President of the NAIC

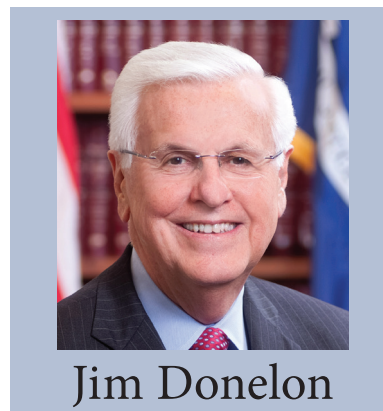
*The Demotech Difference had the pleasure of speaking with Jim Donelon, who has served as Commissioner of Insurance for the state of Louisiana for 17 years. He was first appointed as Insurance Commissioner in February 2006 when the seat was vacated by the incumbent. He was later elected to fill the unexpired term in 2006 and has been re-elected to four consecutive full terms in 2007, 2011, 2015 and 2019. His current term will expire in 2024, and he has decided not to seek reelection. Jim was elected as the president of the National Association of Insurance Commissioners' in 2013 and currently serves as chairman of the Surplus Lines Task Force and the Reinsurance Task Force of the NAIC and on its Executive Committee.*

**Although we're not home to many large national life insurance companies, we do have one international company that's over a hundred years old and a major player in Central and South America ...**

**The Demotech Difference (TDD):** Thank you for speaking with us. Let's start with your presidency at the NAIC. Tell us a bit about working your way through the chairs.

**Commissioner Jim Donelon (JD):** When I first came to the department as Chief Deputy, my boss, the commissioner prior to myself, who had hired me to be his chief deputy and tasked me with representing us at the NAIC. I was often his proxy.

I took great interest in the workings of the NAIC in the process and was recruited not long after arriving. I didn't become commissioner until 2006, and shortly after becoming that, was asked if I had any interest in running for an officer, which I did. From there, it took off and of its own momentum, led to my first running against my friend and colleague from Florida, Kevin McCarthy, and losing in that first venture. Just after I assumed a new term as full-time commissioner for four more years, I went to Kevin and said, "If you will support me next year, I will step aside for your friend and wait a year to run for secretary-treasurer," the first of the four-step process up to president. He agreed, and I became an officer and ultimately president.



**TDD:** What would be a skill that you would recommend to future officers of the NAIC that they would take from each of those officer positions before they assume the presidency?

**JD:** That's a great question. I've seen a variety of routes taken by members to join the officer ranks. In my case, from day one, I asked the then-president of the NAIC, Walter Bell of Alabama, to appoint me to two committee assignments. One was the A committee, which is the committee with jurisdiction over life insurance. Although we're not home to many large national life insurance companies, we do have one international company that's over a hundred years old and a major player in Central and South America and now the Caribbean through acquisition of a MetLife company some 10 years ago. That's Pan-American Life. I had an interest in getting assigned to the A committee. In addition to Pan-American, we also had a number of small life companies but lost several of those to mergers and acquisitions from out-of-state companies.

Of course, the C committee was also an interest of mine, being the committee with jurisdiction over property and casualty with a lot of emphasis on the coastal exposure of the Gulf of Mexico border states and the Atlantic coastal states. I got appointed there and became a rather low-key member, but those committees were something of great interest to me and to my state. I also asked Commissioner Bell to appoint me chair of the Surplus Lines Task Force. I've been holding that position for the 17 years that I've been commissioner of Insurance in Louisiana and have been actively involved in matters affecting the surplus market. Little known is the fact that for most of those 17 years, we were the fifth-largest premium-paying state in the surplus lines market and specifically in Lloyd's of London U.S. premium paying states we were fifth, behind only the four big ones of New York, California, Texas, and Florida. I went to London again this past fall and pitched our market to the Lloyd's folks, and then the next day to the Association of Insurance Underwriters, the other part of the London market, and did so as chairman of the NAIC Surplus Lines



Task Force. I was joined by the general counsel for Lloyd's USA for that visit, as well as by Ronnie Johnson, the Lloyd's attorney representing them in our state. In that visit, I lamented the fact that we had slipped from number five to number seven or eight in the U.S. market per Lloyd's. They comforted me and supplied me a substitute talking point, which was that although we had dropped a bit in the state rankings, we were still larger to Lloyd's than France and also Germany, which are significant markets for Lloyd's in the European arena.

**TDD:** From your perspective, the confluence of Ida and reinsurance pricing, what are your thoughts on Louisiana Citizens and the amazing response that the state put together?

**JD:** If I may, let me start back at Katrina, which, until Ian hit Florida last year, was the most expensive hurricane event, not even adjusting for inflation, over the past 17 years. In pure dollars, \$23.3 billion was paid to Louisiana policyholders alone for wind damage, not counting \$16 billion of NFIP payments for flood damage for the combination of Katrina and Rita, both of which brought horrific flooding events to our state. On a wind basis, on an insured basis, Katrina set the record, breaking our previous record for our part of Hurricane Andrew in 1992, which cost insurers a half a billion. Katrina broke that record 50 times plus, and three weeks later, Rita cost private insurers \$3.3 billion more. Thereafter, we had a relatively quiet 15 years up to Laura on Labor Day weekend in Lake Charles, Louisiana, bringing the most powerful winds to ever make landfall — 150 miles an hour in downtown Lake Charles. The weather service says it's the second most powerful. The record, they say was set in 1856 by what's called the Last Island hurricane. I've asked the weather service folks who thought that the record was a Category 5, with 156 mile an hour winds, "Who was there?" First off, where is Last Island, if it still exists? And secondly, who was there to document that the winds were 156 miles an hour when it made landfall in 1856. Regardless, Laura was close to that all-time record, and clearly was the second most powerful to ever hit our state, and was tied one year and one day later by the landfall of Hurricane Ida, also 150 mile an hour winds with Port Fourchon as the epicenter, in the center of the 200 miles of coastline that Louisiana has on the Gulf.

Katrina and Rita generated 1 million claims to pay out that \$26.6 billion that Katrina and Rita cost insurers. Katrina and Rita at landfall in our state had 115 mile an hour winds, a Category 3 hurricane. Laura with her 150 mile an hour winds was a Category 2, and it and Ida combined generated 800,000 claims being filed. For Laura, it cost private insurers \$9 billion, and for Ida one year and a day later, it cost insurers an additional \$14 billion, a combined \$23 billion. Laura and Ida were the second most powerful, and tied for second behind Katrina, second and third most expensive hurricanes to ever make landfall in our state. That was challenging and very stressful to our market. Citizens, which had 173,000 policies in its book of business when Katrina hit, had been downsized to just 35,000 policies, from 10 percent of our property insurance

market to one half of 1 percent, by the time Laura hit Lake Charles 15 years later.

With the combination of Laura, Delta, Zeta and Ida in a two-year period, plus the failures that we experienced as a result of those hurricanes and the crisis in the Florida market impacting Florida insurers licensed in Louisiana, the book of business at Citizens mushroomed, from 35,000 to 130,000 policies. We had taken the steps of the incentive program I outlined before, asking the governor to call a special session just one month before the regular session started last April. The original question I was asked by the governor and the legislative leadership was, "Jim, why do we have to do this in a special session? Why can't we just wait one more month until the regular session starts?"



Commissioner Donelon presented with a Dodgers jersey by California Insurance Commissioner Ricardo Lara at the 2023 Summer National Meeting in recognition of his service to the NAIC.

I pointed out two things to them. Number one, the reinsurance market was wide-open and selling and placing reinsurance for the upcoming hurricane season that was just three months away from its start, and reinsurance would be necessary in order to depopulate Citizens through the incentive program as we hoped to accomplish. Number two, because that book of business at Citizens had exploded to 130,000 policies from a year before when it was already stressed, going up from 35,000 when Laura hit to 60,000 six months later, again because of Laura, Delta and Zeta, but more so because of the failures of the companies that impacted our market and created a rush to get coverage from Citizens, which called for a mid-hurricane season payment of additional premium for the Citizens reinsurance program that triggered an end-of-year 74 percent rate increase for their commercial book of business and a 63 percent rate increase for their growing book of residential policyholders.

A rate increase required by law to keep it as the market of last resort, not competitive with the private sector, but impacting those then 120,000 policyholders, over 10,000 per month coming up for renewal, being hit with that huge rate increase, and the sooner we could get help to those folks, the sooner we'd stop that bleeding for those 10,000 policyholders each month, many of whom were turning in their keys and saying,

CONTINUED ON PAGE 47



# Ins and Outs of Pharmaceutical Insurance

By Caleb Powell & Kevin Standen

There are multiple facets of insurance, such as deductibles, tiers, how each one operates, and many others. Before diving into these, we must ask, “What is insurance and what types apply to the patient?” We can reduce basic forms of insurance into two categories: government sponsored and employer provided/private insurance. A patient who is over 65, disabled or below the poverty line qualifies for government sponsored insurance, which is 37.3 percent of the U.S. population. Any other patient has to pay for their own insurance, have an employer provide one, or is uninsured. We will specifically look at the 62.7 percent of patients who are not eligible for government sponsored insurance.

Within each insurance plan, there are multiple factors that should influence a decision on which plan to pick. The three main components are deductibles, copay and/or coinsurance, and what the out-of-pocket maximums (OOP) are. For deductibles, some patients will have separate deductibles for pharmacy, medical and dental, while some have integrated deductibles where there is one large, combined deductible for all three. For patients who choose not to visit the doctor, dentist or do not take prescription medication regularly, having a separate deductible for each is beneficial because they would, hypothetically, be spending less money for healthcare. For patients that take full advantage of healthcare, have regular visits with their physicians, and stay up to date on medications, an integrated deductible would be more advantageous for them. If a patient does not use services, they will likely not hit their deductible, meaning every service would be out-of-pocket, making it illogical for them to choose an integrated plan.

**To determine what a patient has to pay for prescription medications, all companies use a formulary. This is a comprehensive list of prescription drugs that are covered by the plan.**

Another aspect of pharmaceutical insurance is copay and coinsurance. A copay is a set dollar amount a patient must pay before their deductible is met (in most cases), whereas a coinsurance is a percentage a patient must pay for medications or services after they have met their deductible. Some plans may only have copays, which means the patient would pay for medications year round and there is no deductible to reach. Other plans may only have coinsurance, which means the patient will pay 100 percent of medications and services until their deductible (or a percentage of it) is met. At that point, the patient will then pay for a percentage of the total cost for treatment

**There are many options for coverage of prescriptions in today's atmosphere. It takes time and investigation to determine what is the best fit for the patient.**

until the OOP is met. After the OOP is met, the insurance company will pay for 100 percent of medical bills. In certain situations, plans may have both, where the patient pays a co-pay until the deductible is met and then coinsurance will be used until the OOP is reached. A patient may strictly want a copay plan when they do not receive much medical treatment or medication; that way their coverage is a flat rate. Patients that receive more intense or consistent care may want a coinsurance plan because they will reach their OOP at a faster rate.

The last part of a plan is the out-of-pocket maximum. This consists of the total amount (deductible amount plus coinsurance once a deductible is met) a patient will have to pay before insurance begins paying the full cost of all covered medications and services. If a patient has a \$5,000 OOP, then they will have to spend \$5,000 on medical services, treatment or medication before insurance covers 100 percent for the rest of the year.



To determine what a patient has to pay for prescription medications, all companies use a formulary. This is a comprehensive list of prescription drugs that are covered by the plan. Companies utilize formularies to provide high-quality care using the most cost-effective drugs. A formulary works based on a tier system that is designed by the insurance company where the tiers separate different medications. Based on the separation, the patient is charged varying amounts based on what tier a medication falls into.

Most companies use a five-tier system that allows them to encompass all drugs used in the prescription world. Those five tiers consist of tier 1 being a preferred generic drug, tier 2 being a non-preferred generic drug, tier 3 being a preferred brand name drug, tier 4 being a non-preferred brand name drug, and tier 5 being specialty drugs. Each of those tiers are associated with a defined cost for the medication. On average the cost is \$3-5 for a tier 1 medication, \$7-11 for tier 2 and \$35-45 for tier 3. The last two tiers use a percentage of the average cost. For tier 4, it's typically 50 percent of the average cost of the medication and for tier 5 it's 30 percent of the retail cost of the medication that is owed by the patient.

We can further explain this by using Lipitor (name brand) or atorvastatin (generic). Atorvastatin would be in tier 1 or 2, depending on if the insurance company prefers it or another medication in the same class (such as rosuvastatin). Lipitor would be in tier 3 or 4, depending on if it was preferred or not. Some companies can choose to put it in a preferred tier, making it cheaper, while other companies can put it in a non-preferred tier, making it more expensive. This system encourages patients to look at what medications they're on and what tier they fall into for different companies' formularies, in order to determine the most cost effective plan.

For a patient that doesn't want to pay for an insurance plan, there are other options to avoid paying the full cost of medications at the pharmacy. This can include discount cards and manufacturer coupons. Discount cards are used frequently by pharmacy staff to avoid high costs for patients, but how do you know when to use one or not? Most discount cards, when they are applied to a prescription, act as an insurance plan and take off a certain amount of the cost. It becomes tricky because patients see "up to 80 percent off your prescription," but that rarely happens. For example, if a patient has pre-existing insurance and wants to use a discount card on top of the insurance, given the idea it would further reduce the cost, they would be incorrect. While in some cases, a discount card may provide a cheaper cost than insurance, it usually does not. So, how do they utilize discount cards in the most effective way? Look up the price of the prescription on the discount cards website or app. GoodRx allows the patient to input their pharmacy, medication name and quantity to determine what the cost would be. If the cost is less than their copay or coinsurance, the patient may request to use a discount card instead of insurance. Another benefit of discount cards is



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that they can be reused an unlimited amount of times for a patient, on one or multiple prescriptions. The downside of using discount cards is that they can only be applied to prescription medication or vaccinations, not OTC medications, doctor visits or appointments.

Lastly, there are coupons coming from drug companies that can be used to lower the cost of medications. Ozempic, which is a diabetes medication, offers a manufacturer coupon that allows the patient to get the pen for as little as \$25 per month, while a pen can be \$900 per month for an uninsured patient. These coupons are often listed on the manufacturer's website where the patient can print and bring them to the pharmacy. It is typical that the manufacturer requires the patient to be insured or that the medication be partially covered by insurance to get the best results or to be used at all.

There are many options for coverage of prescriptions in today's atmosphere. It takes time and investigation to determine what is the best fit for the patient. Some may want their insurance to cover everything and some may want to use discount cards or manufacturer coupons. If they take usage, total cost and what they want from their insurance into consideration, they'll be able to find a plan that suits their needs. 🌐

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CONTINUED ON PAGE 46



# ABIR Celebrates 30 Years of Commitment to Consumers and Communities Around the World

By John Huff

Bermuda today is a global, diversified insurance and reinsurance hub. Home to some of the industry's brightest minds, the market has a reputation as the best place in the world to put capital to work quickly, efficiently, and smartly to help manage the largest and most complex global risks.

That status has been hard earned. When the Association of Bermuda Insurers and Reinsurers was formed to represent the public policy interests of Bermuda's leading international carriers 30 years ago, the island was undergoing a growth spurt as a result of nine new reinsurers that incorporated in response to the gaping hole in property insurance capacity left by Hurricane Andrew in 1992. The Category 5 storm caused unprecedented devastation in Florida and rendered 11 U.S. insurers insolvent.

**Indeed, Bermuda insurers and reinsurers have long been providers of protection against disaster losses to communities across the U.S. and beyond.**

Before Andrew, Bermuda was already an important captive insurance domicile, and home to ACE and XL Capital, two insurers formed in the mid-1980s to provide the commercial liability insurance coverage that had become either unavailable or unaffordable.

Their success put Bermuda on risk investors' radars and the Class of 1993, capitalized to the tune of \$4.8 billion, confirmed the island as the place to deliver solutions to insurance market dislocations. In the decades since, Bermuda's responsiveness to the evolving risk landscape has led to new waves of companies after major loss events, including the 2001 terrorist attacks on the United States, the devastating Atlantic storm season of 2005, and the outbreak of the COVID-19 pandemic in 2020.

The market's growth is founded on the trust and credibility earned from a decades-long track record of delivering on the promise to pay. Since 1997, Bermuda insurers and reinsurers have paid out more than half a trillion USD to policyholders and cedents in the U.S. alone. For example, they bore a 30 percent share of insured losses from hurricanes Harvey, Irma and Maria in 2017 and an estimated 25 percent share — or \$13 billion — of insured losses from last year's Hurricane Ian.

Indeed, Bermuda insurers and reinsurers have long been providers of protection against disaster losses to communities across the U.S. and beyond. For example, their share of reported liabilities was 37 percent from the European Windstorm Xynthia in 2010, 29 percent from the Japanese earthquake of 2011, and 20 percent from the Tianjin explosion in 2015.

ABIR member companies do business in more than 150 countries and wrote \$145 billion in global gross written premium in 2022. Their business models are built on pooling global risk, diversifying by geography and risk category. The capacity they provide helps to stabilize insurance markets around the world to the benefit of the consumer.

A.M. Best shed light on the significance of the Bermuda market in a 2018 analysis which found that Bermuda represented 36 percent of the global reinsurance market by property and casualty net premiums earned. ABIR member companies alone provide 44 percent of the capacity for the Lloyd's of London market and 32 percent of terrorism reinsurance capacity to the UK's Pool Re.

Since the post-Andrew reinsurers brought a more measured and scientific approach to the industry 30 years ago, Bermuda has earned a powerful reputation as a leading provider of global property catastrophe insurance and reinsurance capacity and expertise. Essentially, it has all the tools to lead the world in managing climate risk, one of the greatest challenges faced by businesses, governments and communities everywhere.

However, the market has evolved into much more than a one-trick pony. Name almost any defined risk and you are likely to find a Bermuda insurer and reinsurer offering



coverage. Today, Bermuda's business mix includes a significant proportion of casualty coverage and in recent years the island has emerged as a specialty market of choice. Among the fastest growing segments are cyber, mortgage and legacy.

Bermuda has quietly become a significant player in helping Americans achieve the dream of home ownership. Bermuda reinsurers provided more than 50 percent of the reinsurance capacity of U.S. mortgage insurers in 2020, according to annual financial statement filings approved by the NAIC.

The compounding of capital and industry talent over time in Bermuda has created an unmatched insurance and reinsurance ecosystem in which carriers, brokers, risk modelers, data analysts, lawyers, accountants and auditors are situated within walking distance of each other in downtown Hamilton. Business visitors often remark that they can have in-person meetings with all the markets they need without even taking a taxi.

The economic cluster effect has fostered a dynamic, problem-solving culture. Key to this entrepreneurial environment is the collaboration between government, industry and regulators that enables new ideas to be tested and new products activated much more quickly than is possible elsewhere. Innovators and investors find Bermuda's "speed to market" highly attractive.

This world-class market could not have been built without a globally recognized regulator that meets the highest international standards. The Bermuda Monetary Authority is just that, and it has the credentials to prove it.

Bermuda is one of only two countries to have earned full Solvency II third country equivalence, meaning the BMA's regulatory standards are deemed to be on the same level as those of the European Union. The National Association of Insurance Commissioners, the U.S. standard-setting body, has also recognized Bermuda's regulatory regime, by granting the island both Qualified Jurisdiction and Reciprocal Jurisdiction status. These recognitions allow Bermuda insurers and reinsurers efficient access to EU and U.S. markets.

ABIR's part in the Bermuda market's ongoing evolution has been one of advocacy and education. Ensuring Bermuda's role in global markets is well understood by all stakeholders as a high priority. ABIR has a physical presence in Washington, D.C., to enable regular dialogue with U.S. policymakers. We also meet frequently with members of the International Association of Insurance Supervisors and the NAIC, and our principals appear as guest panelists at influential industry conferences to tell the Bermuda story.

**Bermuda reinsurers provided more than 50 percent of the reinsurance capacity of U.S. mortgage insurers in 2020, according to annual financial statement filings approved by the NAIC.**

We advocate for fair and well-regulated global insurance markets that deliver accessible and affordable coverage to consumers. And we highlight opportunities for the private insurance and reinsurance market to take on risk currently borne by taxpayers.

We also support hazard mitigation measures to keep insurance affordable in the most risk-prone situations, including legislation that would provide people with incentives to storm-proof their homes. In 2021, ABIR signed on to the Insurers' Principles for Climate Change Adaptation drawn up by the Insurance Institute for Business and Home Safety, a raft of resilience measures.

ABIR and our member companies are committed to Bermuda and its people. We have meaningful economic substance on the island, amounting to an aggregate contribution of about \$8.5 billion to the domestic economy over the past decade, according to surveys of our members' payrolls, local spending and charitable donations.

ABIR companies' Bermuda-based workforce has consistently been close to 70 percent local (Bermudians, spouses of Bermudians and permanent resident's certificate holders) in recent years, reflecting our continuing commitment to attract and develop Bermudian talent from diverse backgrounds.

To support these efforts, for the past three years ABIR has partnered with Bermuda College and St. John's University's Maurice R. Greenberg School of Risk Management to provide an insurance foundation course. This summer, ABIR members hosted a record number of 103 paid interns, giving students a taste of the industry, networking opportunities, and a platform from which to pursue a career.

Bermuda has come a long way in 30 years. With its exceptional talent base, entrepreneurial energy, and world-class regulator, there is every reason to expect that the island will continue to lead in finding solutions to the world's emerging risks for many years to come. And ABIR

CONTINUED ON PAGE 46



# (Un)Civil Procedure Update: Recent Supreme Court Ruling on Personal Jurisdiction Has Significant Potential To Impact Insurers

By Michael Mullaly

Among the many controversial decisions of the United States Supreme Court issued this term is a civil procedure case with outsize potential to affect litigation against insurers. The decision, *Mallory v. Norfolk Southern Railway Co.*, held that the Due Process Clause of the United States Constitution is not violated by a Pennsylvania statute that requires an out-of-state entity registering to do business in Pennsylvania to submit to the personal jurisdiction of Pennsylvania courts in *any lawsuit* initiated there against the registrant — whether or not the lawsuit is related to the registrant’s activities in or contacts with Pennsylvania.<sup>1</sup> The decision fractured the Court across unconventional lines. Although Justice Gorsuch delivered the judgment of the Court joined by Justices Thomas, Alito, Sotomayor and Jackson, Justice Alito declined to join most of Justice Gorsuch’s opinion and wrote separately to address independent constitutional concerns under the Dormant Commerce Clause not presently before the Court.

**The recent holding in *Mallory* establishes that the Due Process Clause cannot prevent a state legislature that is so inclined from removing the important requirement of claim-relatedness from statutes of this type.**

Justice Barrett authored a vigorous dissent, joined by Chief Justice Roberts and Justices Kagan and Kavanaugh. Interestingly, the federalism concerns animating Justice Alito’s concurrence align, in substance if not in form, with similar concerns expressed by the dissenting justices. This augurs the possibility of the case returning to the Supreme Court after further proceedings before Pennsylvania’s state courts — and, perhaps, of the Supreme Court ultimately reaching the opposite conclusion based upon Norfolk Southern’s separate Dormant Commerce Clause challenge to the Pennsylvania statute.

<sup>1</sup> *Mallory v. Norfolk S. Ry. Co.*, 143 S. Ct. 2028, 2037 (2023).

The dispute is of significance to insurers because state insurance statutes require insurers not domiciled in the state but that wish to conduct the business of insurance in the state to, among other things, appoint an agent for service of process within the state (or to accede to statutory designation of the superintendent of the state’s department of insurance as such an agent). At present, these statutes typically limit the scope of the designation to lawsuits that arise out of or are related to the insurer’s activities within the state. For example, New York’s statute reads: “No ... insurer ... shall be or continue to be authorized to do an insurance business in this state unless there shall be filed in the office of the superintendent a power of attorney, executed by such insurer, appointing the superintendent ... as its true and lawful attorney in and for this state, upon whom all lawful process in any proceeding against it on a contract delivered or issued for delivery, or on a cause of action arising, in this state may be served.” N.Y. Ins. Law § 1212(a). The recent holding in *Mallory* establishes that the Due Process Clause cannot prevent a state legislature that is so inclined from removing the important requirement of claim-relatedness from statutes of this type. Put another way, a state could — without offense to the Due Process Clause — pass a statute requiring insurers, as a condition of conducting any business in the state, to subject themselves to personal jurisdiction in the state’s courts irrespective of whether the lawsuit relates to or arises from the insurer’s activities in that state. Needless to say, such legislation would create vast potential for adversaries of insurance companies to engage in rampant forum shopping.<sup>2</sup>

The facts in *Mallory* provide a compelling example (albeit not in an insurance context). For nearly 20 years, Mr. Mallory worked as a freight-car mechanic for Norfolk Southern. He performed his duties first in Ohio and then in Virginia and, allegedly, was exposed to asbestos and industrial chemicals. After his diagnosis with cancer and while a resident of Virginia, Mr. Mallory sued Norfolk Southern in a Pennsylvania state court located in Philadelphia. Norfolk Southern was headquartered in Virginia at the time (though its headquarters later were relocated to Georgia). Although Norfolk Southern admittedly had substantial operations in Pennsylvania, they were unrelated to Mr. Mallory’s claims. The Pennsylvania Supreme Court agreed with Norfolk Southern that it would violate the

<sup>2</sup> See *id.* at 2049 (Alito, J., concurring) (“[W]e have never held that the Due Process Clause protects against forum shopping.”).



Due Process Clause for Pennsylvania courts to exercise personal jurisdiction over Norfolk Southern under these circumstances. Mr. Mallory then appealed to the United States Supreme Court.<sup>3</sup>

The Supreme Court held that Mr. Mallory's case was governed by *Pennsylvania Fire Ins. Co. of Philadelphia v. Gold Issue Mining & Milling Co.*, 243 U.S. 93 (1917). There, an Arizona policyholder sued a Pennsylvania insurer in connection with a loss sustained in Colorado — and brought the suit in Missouri state court. *Pennsylvania Fire* held that Missouri's exercise of personal jurisdiction over the insurer comported with the Due Process Clause because the insurer, as a condition of doing business in the state, had appointed a state official as its agent for service of process in any lawsuit brought against it.<sup>4</sup>

The portions of Justice Gorsuch's opinion that Justice Alito did not join essentially underscore that Norfolk Southern, by registering to do business in Pennsylvania, consented to personal jurisdiction in Pennsylvania — even in suits unrelated to its activities in Pennsylvania. The opinion posits that, by virtue of this consent, the watershed Supreme Court decision on personal jurisdiction, *International Shoe* (decided in 1945, after *Pennsylvania Fire*), is inapplicable because that case only establishes the standard for evaluating unconsented exercises of personal jurisdiction<sup>5</sup>. Justice Gorsuch's opinion also relies upon the existence of consent to dispose of federalism-related concerns, reasoning that “personal jurisdiction is a personal defense that may be waived or forfeited.”<sup>6</sup>

For his part, Justice Alito concludes that — although the issue is not presently before the Court — “there is a good prospect that Pennsylvania's assertion of jurisdiction here — over an out-of-state company in a suit brought by an out-of-state plaintiff on claims wholly unrelated to Pennsylvania — violates the Commerce Clause.”<sup>7</sup> Justice Alito bases this possibility upon the Dormant Commerce Clause, a doctrine that draws negative inferences from the Commerce Clause establishing that “one State's power to impose burdens on ... interstate market[s] ... is not only subordinate to the federal power over interstate commerce, but is also constrained by the need to respect the interests of other States.”<sup>8</sup>

Justice Barrett's dissent disputes that the Pennsylvania statute secures any meaningful “consent” from an out-of-state registrant and argues that a hypothetical long-

arm statute that simply provides “any corporation doing business in this State is subject to general jurisdiction in our courts” could be equally presumed to secure consent given the rule of presumed knowledge of the law — even though such a statute would flagrantly violate the contacts-based framework established in *International Shoe*.<sup>9</sup> The dissent also invokes precedents holding that “the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment” and concludes that “Pennsylvania's effort to assert general jurisdiction over every company doing business within its borders infringes on the sovereignty of its sister States in a way no less ‘exorbitant’ and ‘grasping’ than attempts we have previously rejected.”<sup>10</sup> The dissent criticizes Justice Gorsuch's reliance upon consent to dispel these federalism concerns, arguing that his position proceeds from the flawed premise that, “because a defendant can waive its personal jurisdiction right, a State can never overreach in demanding its relinquishment.”<sup>11</sup> Finally, the dissent argues that *Pennsylvania Fire* does not survive what earlier decisions have called the “Court's transformative decision on personal jurisdiction in *International Shoe*” that “abandoned ‘consent,’ ‘doing business,’ and ‘presence’ as the standard for measuring the extent of state judicial power over [out-of-state] corporations” and replaced these “legal fictions” with a contacts-based test used to assess the existence of specific jurisdiction.<sup>12</sup>

In sum, there will clearly be significant litigation in this developing area, especially if other states join Pennsylvania in making general jurisdiction a condition of lawfully conducting business in the state. In the meantime, insurers sued in a forum entirely unrelated to the claim based upon the recent holding in *Mallory* should consider invoking the defense of lack of personal jurisdiction on Dormant Commerce Clause grounds in order to avoid waiving the defense. 📍

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*Michael Mullaly is an experienced litigator who focuses his practice on representing insurers in high-exposure or novel coverage matters, disputes alleging bad faith, and other insurance-based litigation. In addition to representing clients in state and federal courts, Michael routinely advises life, health and casualty insurers on controversy-driven regulatory matters. Before entering private practice, Michael clerked for the Honorable David A. Mills of the Massachusetts Appeals Court.*

<sup>3</sup> Id. at 2032-2033.

<sup>4</sup> Id. at 2038; see also id. at 2035-2036.

<sup>5</sup> Id. at 2039.

<sup>6</sup> Id. at 2043.

<sup>7</sup> Id. at 2053 (Alito, J., concurring in part).

<sup>8</sup> Id. at 2051-2052 (Alito, J., concurring in part), quoting *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 571 (1996).

<sup>9</sup> Id. at 2057 (Barrett, J., dissenting).

<sup>10</sup> Id. at 2058 (Barrett, J., dissenting), quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 294 (1980).

<sup>11</sup> Id. at 2059 (Barrett, J., dissenting).

<sup>12</sup> Id. at 2062-2063, quoting *McGee v. International Life Ins. Co.*, 355 U.S. 220, 222 (1957) and *BNSF R. Co. v. Tyrrell*, 581 U.S. 402, 412 (2017).

# Announcing the 2023 Stakeholder Team Accomplishment Recognition™ Award Winners

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

Demotech understands that each of these stakeholders participates in or contributes to the financial results reported by an insurance company. In 2013, Demotech created the Stakeholder Team Accomplishment Recognition™ (STAR) Award to recognize property & casualty companies that satisfied all stakeholders by meeting or exceeding our objective criteria for each stakeholder category. The 2023 award criteria is listed in the column on the right.

## Using the Demotech Company Classification System

Demotech classifies insurance companies into one of 11 different categories based on objective financial criteria. When examining the recipients of the 2023 STAR Awards, it is important to note that 10 of these 11 categories are represented, affirming the assumption that stakeholder satisfaction is independent of size or corporate structure. Included is a list of the STAR Award winners for 2023, as well as each company's classification in the Demotech Company Classification System and how many times they have received the award since its inception in 2013.

### Preliminary Eligibility Criteria

- The company was active as of May 15, 2023.
- The company was assigned a Demotech Company Classification.
- The company had positive surplus as regards policyholders as of Dec. 31, 2022.
- The company had positive net loss and LAE reserves as of Dec. 31, 2022.
- The company had positive gross premium written in 2022.

### Regulatory and Consumer Stakeholder Criteria

- The company had a Risk Based Capital ratio greater than 300 percent in all years 2017 through 2022.
- The company had two or fewer exceptional IRIS ratio results for 2022.
- The company's IRIS reserve ratios 11, 12, and 13 did not exceed 5 percent in any of the years 2017 through 2022.

### Producer and Employee Stakeholder Criteria

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

Commission and compensation from Page 11, Column 4 of the 2022 Annual Statement, Underwriting and Investment Exhibit Part 3 includes the following:

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

### Reinsurer Stakeholder Criteria

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

### Claimant Stakeholder Criteria

The company's gross loss and LAE ratio for accident year 2022, as shown on Schedule P Part 1 Summary, was above the median for its Company Classification.

### Owner Stakeholder Criteria

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



## The 2023 Stakeholder Team Accomplishment Recognition™ Award Recipients



Based on statutory financial statements submitted to the NAIC and obtained through our data vendor, S&P Global, only 22 companies qualified for a 2023 STAR Award. This group of 22 insurers, comprising less than 1 percent of the 2,647 eligible property & casualty carriers, earned our STAR Award by addressing the needs of the entire spectrum of stakeholders: regulators, consumers, producers, corporate employees, reinsurers, claimants, and owners. Demotech believes that carriers that earn a profit while simultaneously addressing the needs of their constituents deserve recognition for satisfying all stakeholders.

Of the 22 recipients of the 2023 STAR Awards, five also received the award last year, with a total of seven companies earning the award at least once before. One company has earned the award seven times since the award's inception. It is Demotech's privilege to recognize this elite group of companies that were able to satisfy regulators, consumers, producers, employees, reinsurers, claimants, and owners.

For further information on the Stakeholder Team Accomplishment Recognition™ Awards, visit [www.demotech.com/star-awards/](http://www.demotech.com/star-awards/)

## The 2023 Stakeholder Team Accomplishment Recognition™ Award Recipients

Company Name	Classification	Times Receiving Award
Adriatic Insurance Company	Surplus Lines Carrier	1
Arizona Automobile Insurance Company	Coverage Specialist	1
Chesapeake Employers Insurance Company	State Specialist	3
CM Regent Insurance Company	State Specialist	3
Consumers Insurance USA Inc.	State Specialist	1
Cypress Insurance Company	Super Regional	1
Federated Mutual Insurance Company	National	1
Housing Authority Risk Retention Group, Inc.	Risk Retention Group	4
Hudson Insurance Company	Near National	1
Maine Employers Mutual Insurance Company	State Specialist	1
Medmarc Casualty Insurance Company	Regional	7
Mt. Hawley Insurance Company	Surplus Lines Carrier	2
New Jersey Indemnity Insurance Company	State Specialist	1
OASIS Reciprocal Risk Retention Group	Risk Retention Group	4
Pinnacol Assurance	State Specialist	1
Safety National Casualty Corporation	National	1
Stillwater Property and Casualty Insurance Company	Strategic Subsidiary	1
The Doctors Company, An Interinsurance Exchange	Coverage Specialist	1
The Mutual Risk Retention Group Inc.	Risk Retention Group	2
U.S. Insurance Company of America	Regional	1
Warranty Underwriters Insurance Company	State Specialist	3
Wayne Mutual Insurance Company	State Specialist	1

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

# Couple Demonstrates Bison Ranching and Environmentally Regenerative Practices in Central Ohio

By Barbara Albert

Standing beside a fence, a crowd watched a peaceful herd of bison grazing in a rolling pasture surrounded by trees and a winding creek. Young, old, and families all came to the property on a hot summer day in Thornville, Ohio, for the National Bison Association Regenerative Ranching Field Day at Cherokee Valley Bison Ranch.

Field Day at the Ranch provided participants information on the day-to-day care of bison from Jarrod and Carie Starr, owners of the Ranch, covering safety, handling, and proper facilities for bison, as well as the methodology of regenerative ranching, a best practice for environmental conservation and care. The Starrs were joined by a number of representatives from the NBA, as well as others representing agricultural groups and financial assistance for ranchers.

Jarrold and Carie Starr spoke to the gathering about their experiences starting their first herd back in 2008, on land that belonged to Carie's grandparents. The bison "bug" hit Carie first several years earlier, when she experienced a meal of bison at Ted's Montana Grill. The dream to raise bison formed, and continued until she met Jarrod. Together the search for their first herd was realized when they found a classified ad for 14 bison in a local newspaper. After six weeks of furious preparation, that herd came home to the ranch.

Fast forward to today, when over 50 bison thrive on 50 acres of land, and reflect the knowledge the couple has gained through experience and networking with other ranchers. The Starrs sell bison cuts from their herd at a store located on the property as well as some select grocery stores and markets. They continue to share their love of bison and appreciation for nature by giving farm tours, and offering camping sites on the ranch.



**Carie and Jarrod Starr**  
**Cherokee Valley Bison Ranch**

"When we hatched the dream of raising bison, I never imagined it would evolve into what it is today," said Carie. "I am thankful for the opportunity to not only raise bison but to be an advocate for bison by serving on the Board of the National Bison Association and serving as President of the Eastern Bison Association. Educating other folks with the dream of raising bison by sharing our story and mistakes helping them get off on the right foot with bison is something I am passionate about. Hosting this year's field day was like the cherry on top."

Austen and Presley Mundell, from New Paris, Ohio, came to the Regenerative Ranching event to gain valuable information from experienced bison ranchers in order to start their own herd.

"I knew I wanted to raise bison," Austen said. "When I was in college, I visited a bison ranch, and actually got to hand-feed one, and it was like electricity. I knew I wanted to raise bison the rest of my life."





Austen went on, though, to enter the Air Force, but after eight years, he and his wife Presley determined that it was time to follow his original dream.

“The thing I really appreciate about bison is that they are indigenous to North America,” Austen said. “They evolved on this land, as did the grasses and vegetation. They know what to eat, and what not to eat. Bison is more like eating wild game meat, like elk. The meat is nutrient dense because of the native pastures they feed in.”

To replicate that natural environment for bison, many practice the managed integration of trees, forage, and livestock, called “silvopasture,” utilizing planning, resources, and pasture rotation for the health and benefit of the land and animals.

Environmental concerns regarding the sustainability of livestock production continue to grow overall, citing that these processes generate greenhouse gas emissions, and contribute to biodiversity loss and water pollution.

**“I also raise beef, and like the bison ranching here, we’re managing them in a way that is actually fighting climate change, because it’s putting carbon from the atmosphere into the soil.”**

**Molly Sowash**

Molly Sowash, manager with Rural Action in Ohio’s sustainable agriculture program and speaker at Field Day, defined her program’s goals and addressed environmental concerns.

“Rural Action is a community development organization, working across sectors to build this region’s assets in environmentally and economically sustainable ways,” Sowash said. “We support farmers, first and foremost. We pair established farmers as mentors to encourage farm businesses that are able to sustain themselves into the future, like Cherokee Valley Bison Ranch.

“There’s pushback against livestock raised industrially, like concentrated animal feeding operations, where animals are fed grain from monocultures. That puts a lot of methane into the atmosphere. But if animals are on pasture like they are in nature, they actually sequester carbon into the soil. They stimulate plants to grow really deep roots, and their manure and hooves work into the soil. I also raise beef, and like the bison ranching here, we’re managing them in a way that is actually fighting climate change, because it’s putting carbon from the atmosphere into the soil.”

CONTINUED ON PAGE 49

## Nutritional Benefits of Bison

Over the past decade, bison has been making its way onto supermarket shelves marketed as a leaner, healthier alternative to other sources of red meat. However, there is more to the story. Despite popular belief, most bison you find at major grocers is nutritionally similar to beef in its protein, vitamin and mineral content. The fact is, it’s not the bison meat itself that is healthier, it is the way in which the bison were raised.

The saying, “You are what you eat,” is no exception for bison. A bison is a wild animal whose natural diet consists of 100 percent native grasses and forage. Despite this, many bison are raised similarly to cattle — in confinement and fed grain. This type of model does not affect the quality of bison protein but does negatively affect the fatty acid composition of their meat. Animals allowed to roam and graze on grass are naturally leaner and higher in anti-inflammatory omega-3 fatty acids, CLA and vitamins A and E. CLA and Omega-3’s anti-inflammatory properties make grass-fed and finished bison meat exceptional for heart, brain, joint, and immune health, blood sugar control, weight loss, mood and more.

To source grass-fed and finished bison we should be looking to smaller, local bison producers. Not only will you be supporting a small, local business, but you will receive meat that is nutritionally superior and is made with healthier, happier animals and environmental sustainability in mind.

**Presley Mundell, RN and Nutritional Therapy Practitioner/Coach**, Restoring Roots Wellness LLC. For more information on regaining health through nutrition, go to <https://restoringrootswellness.online>



Photos: Darren Carlson



# The Challenge of Fraud: Taking a Broader View for Effective Fraud Prevention in the Insurance Industry

By Sandy Ferrer

## Introduction:

Fraud has become a pervasive threat in today's society, posing significant challenges for insurance carriers across various lines of business. Whether it's insurance, telecommunications, banking, or e-commerce, fraudulent activities are on the rise, undermining business integrity and causing financial losses. To effectively combat this menace, insurance carriers must adopt a broader view of the fraud landscape and implement comprehensive strategies that go beyond traditional approaches. This article explores the complexities of insurance fraud and highlights some key issues such as: impact on consumers, detection and prevention, investigation, deterrence, and the need for a comprehensive approach from carriers.

## The Evolving Nature of Fraud:

One of the main challenges carriers face in combating fraud is the constantly evolving nature of fraudulent activities. Fraudsters adapt their techniques and exploit vulnerabilities to stay one step ahead of detection. Traditional rule-based systems and manual investigations are no longer sufficient to keep pace with these dynamic tactics. Carriers must embrace advanced technologies like artificial intelligence, machine learning, and predictive analytics to detect patterns, anomalies, and suspicious activities in real-time. Utilizing advanced technologies is essential to avoid being left behind and to effectively address emerging fraud trends.

## The Financial Implications of Fraud:

Fraud poses severe financial implications for insurance carriers. According to the Association of Certified Fraud Examiners, businesses lose an estimated 5 percent of their annual revenue to fraud. This loss stems from direct financial theft, reputational damage, operational inefficiencies, increased expenses for fraud prevention measures, and legal consequences. The Coalition Against Insurance Fraud reports that fraud costs consumers and businesses \$308.6 billion a year. These staggering numbers underscore the urgent need for carriers to develop proactive strategies that address fraud comprehensively. The impact of fraud is not limited to financial losses; it can also lead to erosion of customer trust and loyalty, further damaging a carrier's bottom line.

## The Ripple Effect of Fraud on Consumers:

While carriers bear the direct burden of fraud, the repercussions extend to their customers as well. The FBI

estimates that the average U.S. family pays between \$400 to \$700 per year in increased premiums due to insurance fraud. The cost of insurance fraud is usually passed on to consumers through higher premiums. Residents of states like Florida, Michigan, California and Nevada, where fraud is rampant, experience skyrocketing premiums. Fraud can also result in unauthorized charges, compromised personal information, and identity theft, causing significant distress

**One of the main challenges carriers face in combating fraud is the constantly evolving nature of fraudulent activities.**

to individual consumers. Customers often face time-consuming processes to rectify fraudulent transactions and restore their identities, leading to frustration and mistrust. Ultimately, this affects the customer experience, weakening the relationship between carriers and their clientele.

## Leveraging Technology and Data Analytics for Effective Detection:

Embracing advanced technologies and data analytics plays a vital role in fraud detection. Machine learning algorithms and artificial intelligence can analyze vast amounts of data in real-time, identifying anomalies and suspicious patterns that may indicate fraudulent behavior. These technologies continuously improve their accuracy by learning from historical data, enabling carriers to detect fraudulent activities with greater efficiency and effectiveness. By implementing these tools, carriers can proactively detect and mitigate fraud, ultimately reducing financial losses and protecting their customers.

## Strategically Investing in Prevention for Long-Term Impact:

Taking a proactive approach to fraud prevention is another vital aspect for carriers. Rather than solely relying on reactive measures after a fraudulent incident occurs,

carriers should prioritize comprehensive risk assessment, fraud awareness training, and continuous monitoring. By identifying potential vulnerabilities within their systems and educating their employees and customers about fraud risks, carriers can foster a culture of vigilance that also acts as a deterrent against fraudsters. This investment in fraud prevention should extend beyond external fraud detection to include internal fraud as well. According to the 2022 “A Report to the Nations” by the Association of Certified Fraud Examiners, a typical occupational fraud case lasts 12 months before it is detected, and can cause a median loss of \$117,000 to an organization. By investing in these measures and promoting awareness, carriers can also deter fraud from occurring within their own organization.

Empowering customers with knowledge is an essential component of fraud prevention. Carriers should allocate resources to educational initiatives aimed at raising awareness about different types of fraud, highlighting red flags to watch out for, and providing best practices for handling potential losses. By equipping customers with necessary information, carriers can significantly reduce vulnerability and establish a more resilient defense against fraud.

#### **The Vital Role of Investigation:**

To effectively combat insurance fraud, carriers must commit to playing a proactive role in investigating suspicious activity and claims. By meticulously scrutinizing policy applications and claims, insurers protect their financial stability, maintain affordable premiums for policyholders, and uphold the trust of their customers. Unchecked suspicious claims intensify the financial burden, leading to increased premiums for policyholders. Through thorough investigations of suspicious claims, insurers can detect and prevent fraudulent activities, safeguard their resources, and ensure that legitimate claims are appropriately processed and paid. Establishing robust investigative procedures sends a clear message that fraudulent applications and claims will not go unnoticed or unpunished. This deterrent effect helps reduce the overall occurrence of insurance fraud and promotes a standard of integrity within the industry.

#### **Enhancing Deterrence Through Robust Collaborations:**

Addressing fraud requires collaboration among carriers, industry regulators, law enforcement agencies and other stakeholders. By sharing information about known fraudsters and emerging threats, a comprehensive and up-to-date fraud detection and prevention system can be established. Collaboration enables carriers to learn from each other's experiences to identify common vulnerabilities and develop best practices for fraud mitigation.

Engaging a third-party special investigation unit (SIU) service provider can facilitate collaboration among stakeholders. Third-party SIU service providers often work with multiple carriers, gaining valuable insights into fraud trends, emerging patterns, and evolving techniques used

**Rather than solely relying on reactive measures after a fraudulent incident occurs, carriers should prioritize comprehensive risk assessment, fraud awareness training, and continuous monitoring.**

by fraudsters. Their network of contacts also serves as a valuable asset for fostering collaborative efforts. By tapping into this collective knowledge, carriers can strengthen their fraud prevention strategies and stay ahead of evolving fraud schemes.

In addition, active participation in industry forums, conferences and working groups focused on fraud prevention is imperative for carriers. By working together, carriers can establish a robust network of trust and knowledge-sharing, making it harder for fraudsters to operate across multiple carriers. Furthermore, engaging with regulators and law enforcement agencies at all levels allows carriers to align their efforts with legal frameworks to streamline investigation processes, and increase the likelihood of prosecuting fraudsters.

#### **The Importance of a Comprehensive Approach:**

Insurance fraud presents a significant challenge for carriers across the industry, necessitating a comprehensive approach to effectively combat its various forms. Understanding the interconnectedness of different fraud types and collaborating with industry stakeholders is essential. Taking a siloed approach, focusing solely on specific fraud types, limits carriers' ability to detect and prevent fraudulent activities. By considering the wider fraud landscape, carriers can identify common patterns, share information, and develop preventive measures that address multiple fraud vectors.

Recognizing the utmost significance of scrutinizing dubious insurance claims, it becomes imperative for insurers, regulators and stakeholders to steadfastly uphold the investigation of such claims. Policyholders place their trust in insurance providers with the expectation that fraud will be diligently combated to ensure fair treatment and preserve the integrity of the system. When insurers neglect their responsibility to investigate fraudulent activities, it not only undermines confidence in the industry as a whole but also erodes trust among policyholders. Furthermore, inadequate investigation efforts inadvertently foster an environment conducive to increased fraudulent activities. Fraudsters,

CONTINUED ON PAGE 49





# Emotional Value and Its Link to Bad Faith Allegations — So Why Emotion and What is the Link With Claims?

By Scott Simmons & Alan Lambert

In previous articles, we have explored the connection location has to bad faith claims. Now we turn to specific lines of business and link policy limits in those lines to claims factors.

## Small limit, low bad faith exposure?

There is an all-too-often misunderstood thought process with bad faith allegations. It is widely conceived in our marketplace that those large excess verdicts against carriers only occur because the underlying limit exposed was of significant value. Or that the line of business is extremely high risk. These assumptions have been made repeatedly.

Whilst both have merit and logic attached to them, most bad faith allegations we have experienced historically relate to personal and commercial line sectors in which the underlying limits issued are small compared to higher exposed limits witnessed in other financial and investment related product lines.

**The award of damages against insurance companies can run in to millions of dollars and (depending upon the jurisdiction) is likely to include a multiple of punitive damages in addition to the award itself.**

The average limit an insurance company writes does not directly correlate to the quantum of a bad faith allegation. A carrier writing small personal auto, homeowners or workers compensation limits does not become immune to a bad faith allegation because the underlying case involved “only” issued \$25,000 in total policy limits.

The award of damages against insurance companies can run in to millions of dollars and (depending upon the jurisdiction) is likely to include a multiple of punitive

damages in addition to the award itself. Now, the carrier looks to its professional liability carrier for recompense regardless of the claims merit. This becomes the point at which the carrier sees the insurance company professional liability policy as a valuable financial asset.

Outside of the location of the claim, there is a significant factor that sits behind the allegation an insurance company incorrectly handled the claim.

That factor is emotion. Why? I hear you ask. Well, emotion can be caused by pain or a sense of injustice. It is natural that we fight and appeal against a decision that impacts us on a personal level. That impact could be the loss of a loved one, a significant bodily injury suffered by a loved one, or a personal economic loss caused by an investment that did not go to plan, or even a natural catastrophe that destroys everything we own.

The following are examples of business lines impacted by elevated levels of emotion that push plaintiffs to pursue bad faith allegations against their insurance company:

- Personal and Commercial Auto.
- Homeowners.
- Workers Compensation.
- Medical Malpractice.

We feel personally invested in our grievances against the insurance carrier and begin to ask valid questions such as:

- Why is the insurance company taking so long to review my claim?
- Does the carrier not understand I have medical bills to pay for?
- My home and car have been destroyed; I have lost everything. Why can't you just pay the claim?
- That's a ridiculous and unfair settlement offer, I will take this to a lawyer.
- I have a business to run, and now you are informing me my policy excludes coverage for the loss.

A high percentage of these claims will involve extreme circumstances such as bodily injury, fatalities, high medical bills, and loss of earning connections.

The clock ticks, stress and anxiety move to new levels. Eventually, and aided by expensive law firms, the above scenarios lead to the filing of a bad faith allegation on behalf of the plaintiff against the insurance company.

### The Real Story

Exploring some real bad faith claims highlights those points made above. The following are examples of matters that have led to bad faith allegations and claims against carriers:

1. Commercial General Liability claim against a manufacturer whereby a party held on business premises ended in severe bodily injury to multiple parties. Carrier denied claim on basis of bodily injury exclusion in the CGL policy. Business owner ruled to owe significant damages to injured parties. Owner utilizes a homeowner's policy to pay limits to injured parties and signs agreement to underlying plaintiffs to sue ICPL carrier for bad faith.
2. Auto accident in which serious injuries sustained by third party in accident with carrier's policyholder. Insurance company tenders' policy limit and fails to recognize serious nature of medical costs involved. Additionally, a claim file admin error occurs, and carrier fails to appoint counsel. Significant default judgement occurs (pro plaintiff location), and bad faith alleged against carrier for failure of claims handling procedures.
3. Extra contractual damages against insurance company relating to underlying auto accident

**The key is to create an environment that provides the policyholder with confidence that their insurance company is committed to handling the claim in a fair and prompt manner.**

involving insured's policyholder. Large default judgement against driver. Carrier denied the claim and failed to defend on basis of cancelling the policy due to non-payment of premium. Underlying plaintiff takes an assignment of rights against the insurance company and disputes the policy was cancelled correctly according to local cancellation guidelines.



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Emotional factors discussed in this article heighten the importance that insurance companies invest in all matters related to claims handling. Structure, experience, expertise, guidelines, processes and investment in technology all give carriers the ideal position to understand a policyholder's concerns.

In particular, it protects those carriers operating in low level limit and high transaction volume business lines against allegations of improper claims handling.

The key is to create an environment that provides the policyholder with confidence that their insurance company is committed to handling the claim in a fair and prompt manner. This reduces the levels of stress and emotion for all parties involved, ensures correct and timely claims settlements, and the reduction of bad faith allegations against insurance companies. 🌐

*Scott Simmons and Alan Lambert are partners and co-founders of Verve Risk Services Ltd., a speciality and market leading MGA set up in 2016 with a focus on professional and management liability products for the insurance industry including insurance companies, captives, risk retention groups, reciprocals, self-insurance trusts, mutuals, insurance agents, brokers and MGAs.*



# Since 1948, SHRM Has Advanced HR Around the Globe

*By Johnny C. Taylor Jr.*

**W**e've accomplished a lot in the past 75 years as an agency, and even more over the last decade as a profession. In 1948, the Society for Human Resource Management started with humble beginnings when a small group met at a hotel in Cleveland to create the American Society for Personnel Administration. The next year, we had our first annual conference with 67 attendees.

ASPA's birth was just a small part of the journey for the HR industry as they have grown into a critical and well-respected profession. But it hasn't been an easy road. In the early 20th century, we saw a primitive version of HR professionals, called "employee clerks" at the time. These workers selected daily help, primarily in factories. By 1915, only 5 percent of large U.S. companies had personnel departments. Contrast that with 1920, by which time that figure had jumped to 20 percent and "personnel administration" was becoming an accepted term. It wasn't until decades later in 1954 that "human resources" was born, adding new credibility to the profession and better encapsulating our role in the workplace.

So, where are we now? In 1989, we changed our name to the one you know and love, SHRM. Today, SHRM boasts nearly 325,000 members and has offices in eight locations around the globe, including India and Dubai. And our 2023 annual conference was attended by over 20,000 people from five continents and 60-plus countries. We take pride in this, not just because of what it means to us at SHRM, but because it is truly a reflection of how far the HR profession has come. These numbers speak — they say our industry is important and what we do everyday matters. And they show the heart and hunger HR professionals share to continue to better themselves, showing up day by day to serve their employees and organizations.

**Today, SHRM boasts nearly 325,000 members and has offices in eight locations around the globe, including India and Dubai.**

The HR profession really came into the limelight and learned to stand on its own two feet during the COVID-19 pandemic. As the world shifted practically overnight, HR professionals were thrust into the spotlight, with organizations stumbling to find ways to support remote work and maintain organizational culture amidst this new world of work. The unsung heroes of many organizations, HR professionals led the charge, showing the world what they could do as they innovated and adapted to keep their companies afloat and their employees engaged in unprecedented times.

**We are dealing with never-before-seen technological advances, such as generative AI, which is changing the way we work and even the types of jobs we need.**

And in doing so, they gained the respect of many CEOs and senior leaders. For perhaps the first time, they were truly given a seat at the table, where their voices were heard and their input counted. But the work is far from over.

As the pandemic waned and we left the moment of crisis, the question remained: will HR professionals fill the rather large shoes they created for themselves? Will they be able to maintain their seat at the table as leaders on all things work, workers and the workforce?

Today's challenges, while they may not be a global shutdown resulting from a pandemic, are just as critical to tackle with strategic clarity and diligence. We are dealing with never-before-seen technological advances, such as generative AI, which is changing the way we work and even the types of jobs we need. With these advances come new fears, new opportunities, and a whole lot of work for HR as they seek to reskill and upskill to keep their employees competitive and organizations thriving.



We are also facing a declining birth rate, with the rate decreasing since 2000. During the pandemic alone, we saw it drop 4 percent. HR must now consider how to support their organizations, even amidst labor shortages. They must look to untapped talent pools — the differently abled, the

**We are also facing a declining birth rate, with the rate decreasing since 2000. During the pandemic alone, we saw it drop 4 percent. HR must now consider how to support their organizations, even amidst labor shortages.**

elderly, and yes, those who have had encounters with the justice system are ripe for the picking. Now more than ever, we need minds who can envision how to attract and retain this talent.

And we're living in a time with one of, if not the most, diverse workforces ever. With five generations active in the workforce, and an increasingly polarized culture, how do we unite our employees around a common vision to make our businesses succeed? How do we create cultures of inclusion amidst the prevailing culture of division?

These are very real challenges and will require HR professionals who know the power they wield to effect change and create solutions. We have come a long way as an industry and have finally earned a seat at the table. The trajectory of the profession is now in our hands, and the world is waiting to see if we will take our rightful seats and lead the charge in making the workforce a better place for all. I am confident they will not be disappointed as we demonstrate the immense value we bring to our workers, workplaces and 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."*



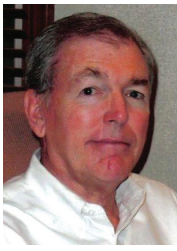
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# A Perspective on Immigration in the U.S.

By Tom Harvey

**T**he flood of people crossing the U.S. border recently raises a host of issues. Have they been properly screened and how many have sidestepped authorities? What other challenges accompany this wave, e.g., drugs, human trafficking and human misery? The U.S. border has seen a massive influx of unplanned immigrants. According to Pew Research, 68 percent of Americans are unhappy with the government's immigrant policies as illegal border crossings are apparently on the rise. It's obvious to most Americans that our immigration system is in crisis. This article, however, offers a counterpoint and serves as a reminder of the historical benefits of legal immigration.

President Kennedy pointed out the unique reality that is the U.S. "Every American who ever lived, with the exception of one group, was either an immigrant himself or a descendant of immigrants." Indigenous Americans make up less than 3 percent of the population.

My own relatives migrated here in the late 19th century. If they hadn't, I'd likely be cutting peat sections in some bog in the West of Ireland, struggling to support a family on less than \$500 a week, where the cost of living is 90 percent of the U.S.

The current process to secure citizenship usually starts with getting a green card (permanent residence). This step alone is a complicated process that exposes the applicant to deportation, criminal charges, and being barred from ever re-entering the U.S. With a green card, one can start the formal process to become a citizen. This includes passing background checks, submitting a volume of supporting documents, and passing civics and English exams. An attorney who specializes in immigration law is usually needed. The time required typically exceeds two years and legal and other fees can exceed \$5,000.

There are about 4 million applications on the government's waiting list for immigration visas. There were 970,000 naturalizations in 2022, down 8 percent from 2008. So how do these foreign-born, new citizens benefit the rest of us?

## They Impact Our Economy

Our country is experiencing slow population growth as fewer children are born and marriages are being deferred.

Immigrants would help to maintain a senior to working-age ratio and keep critical government programs like Social Security and Medicare financially viable.

According to the Social Security Administration, the ratio of working-age population (ages 15-64) to seniors (ages 65 and older) was about 5 to 1 in 2000 and is projected

**President Kennedy pointed out the unique reality that is the U.S. "Every American who ever lived, with the exception of one group, was either an immigrant himself or a descendant of immigrants."**

to decline to about 2.4 to 1 by 2080. It's estimated that 79 percent of immigrants currently in the U.S. are working-age, compared to 61 percent of native-born workers.

Many immigrants tend to be highly entrepreneurial, launching new companies at twice the rate of non-immigrants. Immigrant entrepreneurs have created some of our most innovative companies. Eighteen percent of America's largest companies were started by immigrants. More than half of new ventures valued at over \$1 billion have immigrant founders. These new businesses increase employment opportunities for everyone, boost wages, and strengthen the middle class. As the economy recovers from the COVID-19 pandemic, more job creators will be needed.

Important characteristics of immigrant entrepreneurs include: 1) they are risk takers, as evidenced by their willingness to move here; 2) they can take advantage of community networks after they arrive and can serve as a source of employment, as many immigrants cannot find meaningful jobs that align with their foreign credentials and experience.

Exports are important contributors to economic growth, as 95 percent of the world's customers are outside the U.S. One



study found immigrant-owned companies have an export rate 1.5 times that of non-immigrant firms.<sup>1</sup>

Inventions by immigrants are everywhere: e.g., donuts, hamburgers, basketball and video games. One study found that 36 percent of the innovations of the past three decades can be attributed to immigrants.

As a prominent venture capitalist put it, “Immigrants are such a key part of the entrepreneurial spirit in America. Immigration has been at the root of this country since the beginning, and we need to hold on to it and encourage it.”

It turns out new U.S. citizens are also significant consumers, spending over \$1 trillion a year on goods and services and paying \$400 billion in federal, state and local taxes.<sup>2</sup>

### **They Impact Our National Character**

Immigrants have revitalized many communities that were growing slowly or even losing population. Their arrival in places like Las Vegas and Orlando caused these cities to become major metropolitan areas. In many central cities, immigrants helped deteriorating neighborhoods make a comeback.

Immigrant health care workers helped the U.S. through the recent pandemic, as 28 percent of the nation’s physicians and surgeons and 16 percent of registered nurses are immigrants.

Immigrants influence American cuisine. Many of the foods we eat, like bagels, tacos and pizza, were brought here by immigrants. There are more Asian restaurants here than all the McDonald’s, Burger Kings and Kentucky Fried Chickens combined.

Immigrants have made significant contributions to American society through the arts, sciences, industry and others aspects of our national character. Immigrants don’t necessarily arrive with more creative talent than the native-born. Their initial “outsider” self-perception has led many into riskier careers that reward creative work. The presence of large numbers of talented immigrants in leadership positions in academia, entertainment and technology-based industries has resulted in many established institutions being more open to innovation and individual merit than they might be otherwise.

Immigrants have served bravely in the U.S. military in every major conflict, including those being fought today. During the Civil War, more than 20 percent of Union soldiers were foreign born. During World War I, 500,000 immigrants



Marcio Jose Bastos Silva/shutterstock.com

served — approximately 18 percent of the total. Over 300,000 immigrants served during the Second World War, and during the Korean War more than 30,000. From freeing the slaves and liberating our allies to standing up against those who threaten America’s security, immigrants have served with distinction. Nearly 25 percent of all Medal of Honor winners were foreign born.

Authors, inventors, designers, musicians and scientists from other countries came here and shaped the way we communicate, the books we read, the clothes we wear, the ways we get around, and even our perception of the universe. Here are a few examples:

- Ernst Alexanderson (Sweden) created inventions that led to modern radio.
- Alexander Graham Bell (Scotland) patented the first practical telephone.
- Isaac Asimov (Russia) was the writer/editor of 1500 books and a major science fiction contributor.
- Irving Berlin (Russia) was the composer of 1500 songs including “White Christmas.”
- Sergey Brin (Russia) co-founded GOOGLE.
- Liz Claiborne (Belgium) was a fashion designer and first woman founder of a Fortune 500 company.
- Steve Chen (Taiwan) co-founded YouTube.
- Oscar de La Renta (Dominican Republic) was a fashion designer and winner of American Fashion Critic’s Awards.
- Albert Einstein (Germany) had insights in relativity and quantum mechanics that are pillars of modern physics.
- Enrico Fermi (Italy) was a physicist and creator of the world’s first nuclear reactor.
- Jawed Karim (Germany) co-founded YouTube.
- Elon Musk (South Africa) is the founder of the largest electric car company, Tesla Inc.
- Thomas Nast (Germany) was an illustrator and

CONTINUED ON PAGE 50

<sup>1</sup> <https://bipartisanpolicy.org/event/immigrant-entrepreneurship-economic-potential-and-obstacles-to-success/>

<sup>2</sup> <https://www.fwd.us/news/immigration-facts-the-positive-economic-impact-of-immigration/>





## Flood Brings First-Hand Experience to Industry Adjuster

By Kerry-Ann Parsons

From 2003 to present, I've worked as an adjuster in personal injury protection (PIP) and first party property. You would think that by now, I would be immune to the effects of a disaster. On April 12, 2023, my neighbors in Fort Lauderdale, Florida received 25.6 inches of rain within 12 hours and there was widescale flooding.

For the first few days after the flood, I didn't know how to help. One of the hardest hit areas, with over 18 inches of water inside homes, was the Edgewood Community. After working on a few claims in Edgewood and seeing the medical examiner in the community, I decided on a plan. On April 19, I posted on Facebook and LinkedIn about the devastation in Edgewood and my plan to go door to door on April 23, 2023. I had never organized an event of this magnitude before and

**On April 12, 2023, my neighbors in Fort Lauderdale, Florida received 25.6 inches of rain within 12 hours and there was widescale flooding.**

I was nervous about how to organize it while working full time. I contacted the Broward Democratic Party and was able to secure supplies, volunteers and direction. My wife, family, friends, colleagues, and even those I have never met stepped up by sending me monetary donations. My plan was to go to my local BJ's and The Home Depot for supplies and meet up with volunteers that would then go door to door in the community. I would stay back with a few others to hand out clothing and other larger items. Thankfully, due to my work with the BDP, I connected with former Fort Lauderdale Commissioner Ben Sorenson, and he secured the American Legion parking lot for us to use for staging. In addition, during that week, Fort Lauderdale Commissioner Warren Sturman launched an initiative to go door to door to give people information regarding resources that were available through the city. By April 21, I changed my door-to-door

canvassing to coordinate with Commissioner Sturman's canvassing efforts. I continued to text, call, and email my friends and family members for donations. Immediately, I started receiving donations of clothing, money, and people volunteering their time. My friend's business, Fantastic Beauty, also donated soap and toiletries.

The monetary donations totaled a little over \$4,000! I decided we would bag 100 care packages with the items I thought would be most helpful, such as gloves, cleaning supplies, personal hygiene products and bug spray for our door-to-door efforts. The larger items and clothing donations would be organized at American Legion for the neighborhood to come by and pick up.

At about 3 a.m. on April 21, I realized that the van I rented couldn't handle the payload of 100 cases of water plus all the other donations. I immediately got online and upgraded to a box truck; crisis averted. Then on April 22, with the help of many friends, we loaded all the items and went to the American Legion for distribution. About 20 of my friends, friends from Habitat for Humanity, and members of the BDP showed up to help unload the truck, pack 100 bags with supplies, and then head into the Edgewood community to meet the residents who had lost nearly everything. Before they headed out, I explained to the group about the National Flood Insurance Program, the coverages, the gaps in coverages, and the separate deductible for building versus contents.

When my friends came back from their door-to-door efforts, they truly understood my reasons. Even though the flood was covered in the news; until you smell the homes, see the conditions people are living in, see all their possessions on their front lawns, hear the stories of their fear, it doesn't really sink in. This was a humanitarian crisis and I'm glad that I was able to provide supplies and hope to the people we encountered. 🌊

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*Kerry-Ann Parsons is a staff adjuster at Security First Insurance Company. She's been in the insurance industry since 2003. She's also an activist that has volunteered her time with the Broward Democratic Party and Habitat for Humanity. She has a passion for detailing cars and is also a small business owner of KP Details in Oakland Park, FL.*

# Dog Bites, Insurance, Meet Canine Good Citizens

Pet ownership, in general, has increased in the U.S. more than 50 percent since 1988, according to Forbes Advisor, who estimates that over 65 million households own dogs.

Besides the cost of dog ownership — care, feeding and veterinary costs — devastating costs could rest on the canine owner if their pet attacks or bites someone.

Even if a pet does not display temperamental tendencies regularly, accidents can happen for a variety of reasons. Wise dog owners should check their homeowners insurance to know what coverage they might have for such an incident.

According to the Insurance Information Institute, typical coverage for dog bite liability in a policy will have limits usually falling between \$100,000 to \$300,000, including costs for legal counsel and payouts for property or medical treatment.

Excluded from coverage are dog attacks on the policy owners' own dog, and often the 10 dog breeds frequently listed as too risky to insure in general, including pit bulls, Dobermans, Rottweilers, Huskies and Akitas.

Because of the increase in the cost per claim of dog bite liabilities, up 31.7 percent between 2021 and 2022, some insurers are working to limit their exposures to such losses, by requiring liability waivers, higher charges for certain breeds, or not offering coverage at all. Some companies, however, will cover a pet if the owner takes the dog to training classes to modify its behavior.

Along those lines, to encourage more responsible pet ownership, the American Kennel Club began the Canine Good Citizen Award program, offering training classes designed by experts to teach good manners for dogs and make owners and their pets a connected team with a deeper bond.

The training is offered at all Petco locations nationwide and through local AKC clubs, and at its completion, dogs and their owners take a 10-point CGC test to qualify for the award. Besides making dog ownership safer, happier, and possibly more insurable, the award is also required for dogs participating in therapy dog training and advanced dog sports and activities. 🐾



Arthur Olson, a 40-year volunteer and participant in American Kennel Club activities, provides Sara Geer, an Army veteran, with her dog Rocket's graduation certificate and ribbon in recognition of Rocket's successful completion of the AKC's Canine Good Citizen program.

[www.akc.org/products-services/training-programs/canine-good-citizen/](http://www.akc.org/products-services/training-programs/canine-good-citizen/)

## The Rest of the Story About Maui's Fires

By Joseph Petrelli

### **Publisher's commentary:**

**Paul Harvey was correct ... we often need to know the rest of the story.**

On Aug. 10, 2023, Piper Sandler published an article discussing Palomar Holdings Inc. (PLMR) and the exposure of its insurer subsidiaries to the Hawaiian fires. After discussing relative market share data, the writing of named-peril hurricane and residential flood insurance, and the anticipated dollar amount of damages to the industry, the Piper Sandler communication concluded "We believe there is no exposure."

If one read only this communication, one might conclude that the insurers within PLMR were focused on themselves and not the devastation on Maui. The "rest of the story" may never make the headlines of an online insurance communication, so permit me to provide proper context.

On August 12, just two days after the widely distributed and read article summarized above, I had the opportunity to communicate with Jon Christianson, president, Palomar, on a topic unrelated to this article or the Hawaiian fires. Naturally our conversation made it to the devastating events on Maui, and Christianson spoke of the internal effort at Palomar to refund the unearned premiums associated with their named peril policies. He believed that was the right thing to do — if the house no longer exists, it cannot be impacted by named-peril wind nor flood.

In his own words: "As a company that has been in Hawaii since our first year of operation, we feel immense sympathy for those affected by the tragic fires. In the spirit of "every little bit helps," we're proactively working with agents to

expedite the return of premium. At Palomar, we have a talented catastrophe analytics team, so while nearly all of our policies are for named-peril hurricane or flood, we can geolocate the locations of those policies across wildfire footprints to identify properties that were sadly lost in the fires. For those insureds we believe to be impacted, we have reached out to their agents to begin premium refunds once the insured confirms they lost the insurable interest previously associated with a Palomar policy. We have coordinated our effort with guidance from compliance and legal advisors to avoid any unintended outcomes. While many of these affected insureds have become displaced, we're able to refund the premium electronically to avoid delays associated with requiring a forwarding address. Like many others, we are making donations to support the broader community in Lahaina but we're also trying to make moves on the business side to deliver some cash to those directly affected as quickly as possible. If others in the business community are seeking to make donations, we support The Maui Strong Fund, organized by the Hawaii Community Foundation." <https://www.hawaiicommunityfoundation.org/maui-strong>

It is my personal opinion that insurers should be the poster children for environmental, social and governance issues. This industry is white collar, not smoke stack, heavily regulated and governed, and on the social side, we are the ones that step in to provide financial assistance to meritorious insureds so they can recover.

Palomar and Christianson demonstrated that insurers can also be compassionate corporate citizens. I felt the 21,000+ recipients of The Demotech Difference should know the rest of the story. 🌐



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## Summer

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advisory function at the SVO that could recommend future policy changes to regulators “under a holistic lens.” Additionally, the Framework Document provides support for the VOSTF proposals stating that eliminating the NAIC’s “blind” reliance on CRPs “should be a primary focus of the NAIC.”

Both the VOSTF and E Committee proposals to increase the role and authority of the SVO are still in the comment period, so there could still be changes made to the proposals, and more details are sure to come. However, the message regulators sent loud and clear during the Summer National Meeting was that the proposals will be moving forward, and that interested parties’ concerns will not halt the progress. Insurance companies will need to monitor these significant proposals vigilantly.

### RBC and Structured Securities

Over the summer, the RBC IRE Working Group finally arrived at a compromise regarding the risk-based capital treatment of residual tranches of all structured securities after a year of debate. A faction of the RBC IRE Working Group was in favor of increasing the RBC factor from 30 percent to 45 percent immediately and another part of the group wanted to wait on further quantitative analysis before arriving at a decision, pointing out that the group had been presented with scant evidence to support such a change. Led by Rachel Hemphill of the Texas Department of Insurance, the RBC IRE Working Group landed on a compromise position keeping the 30 percent charge while adding a 15 percent sensitivity factor to the charge for 2023 and moving to a 45 percent charge in 2024, with the caveat that regulators could always change the charge if presented with proper evidence. The compromise theoretically leaves the door open for regulators to change the 45 percent charge but has flipped the burden of proof from the NAIC’s usual procedure. Instead of regulators needing to present evidence to justify their setting of an RBC charge, they are now requiring that non-regulator entities present evidence that the charge should not be what regulators have arbitrarily selected. This shift in the burden of proof signals a troubling trend in the setting of RBC charges.

### Updates to Holding Company Act Analysis — Service and Cost-Sharing Agreements

At the Summer National Meeting the Risk Focused Surveillance (E) Working Group adopted several significant amendments to the “Financial Condition Examiner’s Handbook” and the “Financial Analysis Handbook.” These amendments require state insurance department financial examiners to review an insurance company’s compliance processes to ensure that they are screening contractual relationships for identification and

disclosure of “Related Parties,” or non-equity contractors who work closely with insurance companies and could be considered by regulators to be exerting “control” over the insurer. Per the amendments, examiners are now required to review existing service or cost-sharing agreements or arrangements to determine if the counterparty to the agreement or arrangement is a “Related Party.” If so, the agreement or arrangement will be subject to an ex-post facto Form D filing and review. This change is significant and could create disruption for any insurer, requiring the insurer to demonstrate the fairness of the prices within the agreement and possibly reopening existing contracts for additional terms and new pricing. These changes took place in the context of the changing (expanding) definitions of “affiliate” and “related party” within the Model Holding Company Act and related statutory accounting rules.

Additionally, the RFSWG formally received a referral from the Macprudential Working Group regarding the review of investment management agreements (IMAs) to determine whether the terms are arm’s length or include conflicts of interest. The RFSWG agreed to form a working group to develop standards pertaining to the review of IMAs. These standards are expected to focus on ensuring that the insurer retains control over the investment manager and all investments, making sure that the management fees are fair and reasonable, and that the termination provisions do not infringe on an insurer’s control over their investments.

### Regulation of Predictive Models, Artificial Intelligence and Privacy

At the Summer National Meeting, the Innovation Cybersecurity and Technology (H) Committee accepted public comments on a Model Bulletin governing “Use of Algorithms, Predictive Models and Artificial Intelligence” (collectively, “AI”). Regulators chose to address their regulatory concerns with AI through a model bulletin because they believe AI is already subject to existing regulatory standards. The Model Bulletin reflects a principles-based approach with high level standards focused on governance, policies and procedures. The Model Bulletin identifies the statutes and regulations governing insurer use of AI, identifies and defines key terms, establishes expectations for governance and risk management policies and procedures commensurate with AI usage, reaffirms that decisions made based on AI are subject to review by regulators, and identifies the type of information and requests insurers and their AI vendors can expect to receive from regulators.

Comments received during the Committee meeting from interested parties included: (1) criticism that the Model Bulletin does not go far enough and require testing of AI systems for compliance with standards including as

related to unfair discrimination; (2) concerns that small insurers will not be able to comply with the Model Bulletin without substantial cost; (3) an appreciation of the Model Bulletin's focus on documenting decisions and decision making processes; (4) concerns that AI will unfairly harm protected classes and may become a proxy for underwriting and rating methodologies found to be discriminatory; (5) criticism that the Model Bulletin does not including testing and analysis of actual outcomes to ensure that AI usage has fair outcomes. Following his discussion, the Innovation Cybersecurity and Technology (H) Committee announced that the Committee would work to develop a second draft of the Model Bulletin which will be released at the end of September. From the discussion and regulator comments, it appears the Model Bulletin, as may be amended, is on its way for eventual adoption.

The Privacy Protections Working Group continues to debate and discuss proposed Model 674, the Insurance Consumer Privacy Protection Model Law. Model 674 would replace the current NAIC Model 672, developed by the NAIC as the state version of Gramm Leach Bliley over two decades ago and adopted in many states. The current version of Model 674 exceeds Gramm Leach Bliley and seeks to adopt privacy protections such as those in effect in California or the European Union. Regulators and insurance industry advocates do not agree on many of the proposals in proposed Model 674, and the hundreds of comments submitted regarding the prior draft is an indication that intense debate regarding proposed Model 672 will continue likely into 2024.

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charter. It's why we are established. But as we go forward, we need to look at all the stakeholders in the insurance industry. We need a much wider vision. Our stakeholders include, naturally, our employees and member companies, but regulators and legislators are also important, as well as reinsurers and reinsurance brokers, agents, and insureds. We're going to look at that by crafting a more strategic vision for AAIS. In that vision, we'll incorporate the needs of all those stakeholders to the greatest extent possible.

It must be purposeful. We do a disservice to our members if we don't deliver services that improve their ability to meet the needs of their stakeholders. We'll come up with one plan, and when we explain that plan to any of our stakeholders, we will state, "This is who we are. This is what we're trying to accomplish. And this is the way we're doing it." This should resonate with each one of those stakeholders, and enable them to say, "Yeah, that works for us. We like that." We have yet to fully craft it, so that's one of the challenges we have this year.

## Conclusion

The NAIC and state insurance regulators are taking bold steps regarding review of capital markets, use of AI, and consumer privacy. In each instance, industry advocates are pressing the NAIC and regulators to improve checks and balances on the proposals or modify them to better align with actual market practices. These proposals will continue to be debated vigorously through 2023 and into 2024. 

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*The Squire Patton Boggs Financial Services/Insurance Team includes former senior insurance regulators and former general counsel with many years of providing strategic counsel on domestic company and captive formations, insurance company M&A transactions and related regulatory approvals, insurance company reorganizations and redomestications, operational and remedial compliance measures for solvency, multi-line product and claims administration, development and operation of complex distribution networks, data use and privacy, data security, and defense of regulatory examinations. Former Ohio Department of Insurance Director Mary Jo Hudson and former Ohio Department of Insurance Assistant Director Doug Anderson serve as litigation experts on insurance regulatory matters on a regular basis, with Mary Jo maintaining a special emphasis on life insurance and Doug maintaining special emphasis on health insurance. Our team member Pat Hatler has significant in-house experience with insurance companies. Michael Mullaly focuses his litigation practice on defense of adversarial regulatory matters and insurance coverage-related disputes. Bevan Blake focuses his practice on corporate matters as well as financial regulation compliance.*

**TDD:** Along those lines, one of the things we're seeing across numerous states is legislative revisions. We also see some judicial decisions that break from the traditional insurance processes. Sometimes it's property, sometimes it's casualty. How does AAIS internalize that and evaluate that?

**WK:** Today, we rely primarily on a staff of attorneys, experienced product managers, and actuaries. We maintain relationships with state and national insurance regulators as well as third party advisors that help us stay informed. In turn, we communicate those relative developments and trends with our members. We do use tools such as ones that allow us to search legal records. We've done quite a bit with tools that use machine learning to analyze and compare policy forms and standardize language across lines of business.

We actually think this work is going to be foundational to utilizing AI in the future to accelerate the process of analyzing, creating, and updating policy forms, which is ultimately where the legislative and judicial decisions

become a part of the insurance contract. It does seem to me that, looking back over the last few years, the pace of regulatory and legislative changes affecting insurance has picked up. The importance of drafting good contract language that protects the insured, protects the insurance company, is consistent with the intent of the contract, and is in compliance, is a challenge. That is a central purpose of AAIS.

**TDD:** You've made it clear that the human resources, specifically, the people at AAIS, are its greatest asset. Given the level of innovation, and the speed of change in the insurance sector, how will AAIS continue to recruit, retain, and train those human resources so that you can better execute the AAIS mission?

**WK:** That's a good question. We have a unique team at AAIS. We're staffed with accountants, actuaries, attorneys, product experts, data scientists, and IT developers. For a lot of people, working with a high performance team is attractive. It's the type of folks we look for. People also want to work for an organization that has a purpose to make the world a better place, which we do, by improving the insurance industry. As a member-owned, not-for-profit organization, we're focused on delivering those products and services that can improve the insurance business for the benefit of all.

Having a purpose, especially for people that have been in the insurance industry like myself, the chance to use our skills to actually improve the business that's been so good to us is an attractive factor. Another one is that about 10 years ago, AAIS went virtual, way before COVID-19. We have developed effective ways of working remotely and maintaining a strong culture. Since COVID-19, there are more highly skilled and motivated employees seeking a very different work-life balance than you and I grew up with. We can offer that at AAIS. I think purpose, and lifestyle, and working with high caliber people are all factors that give us the opportunity to attract people.

**TDD:** I think one of the things that everyone needs to measure, and AAIS as well, is the success of the implementation of goals and objectives, particularly in an environment that sounds like it's been remote for a while. How do you measure success?

**WK:** That's a challenge. I mean, ultimately, the rate of adoption of our programs by our member companies, new members, and the success of those using our programs is the measure of success of the organization. But I think you're talking about when people are working remotely, how do you know if they're all working together? How do you know if they're productive? We have developed some tools. We use a form of agile development, which is normally used for software development. The agile process breaks work into

two week "sprints" and is supported by software that helps us keep track of what we are doing and how well we do it.

I think we're going to try to modify it a little bit more for our own usage as a non-IT shop. Ultimately, we're going to be able to measure implementation of goals and objectives by crystallizing those goals and objectives across the organization. We will all know exactly what we're trying to achieve, how we're trying to achieve it, and each person's role in it. That's going to take some work and is one of our challenges for the next year.

**TDD:** Speaking of your challenges for the next year, what are your personal strengths and the attributes that, honed over time, have been tested and leveraged throughout your career? What would you think are a couple of those personal strengths that you're going to leverage at AAIS?

**WK:** I think one is that I care about people, especially fellow employees. I really have a passion and desire to help them become successful beyond their wildest expectations. I think as a leader, if you're going to be an effective leader, you have to care about the people that you want to lead. Now, a strength is sometimes a weakness.

I have found in my career that I have too often rooted for people that should have been rooted out earlier. I have to watch that. Overall I believe the other attribute is I seem to be naturally strategic in my thinking. Early in my career, that slowed me down. I had to learn to be pragmatic as well. That's given me a balance with a bias towards action without allowing perfection to be the enemy of good.

**TDD:** The other side of that question is whether there is a strength you have today that was a weakness earlier on, a weakness that you've addressed and developed? Is there something that you wish you were stronger at earlier in your career?

**WK:** Absolutely. I wish that early in my career I had developed the ability and habit of fully listening to people to understand where they're coming from, even when I have an initial negative reaction to what they're saying. I wouldn't call that a strength now. I would call that something I'm working on still. But it's very important. I did not realize it early enough in my career. It's hard to take a negative habit and make it a strength. It takes a long period of time.

**TDD:** What about people entering the insurance business, not so much at AAIS, but in general. Any thoughts on why our industry should be considered an exciting and fulfilling career path?

**WK:** When I was with Security First, we had an intern program. We would hire bright people for the summer. They would come to work for us, and not because they were interested in insurance. In fact, they would admit they had



no interest in, or ever thought about, insurance, but they would come to work for us for the summer because they were home, could get paid, and could work in air conditioning in Florida. They competed for those positions. But when they got in and we found out what their talents and interests were, we were able to pair them up with people who were doing things that were of interest to them. Then they realized that this is a fascinating industry. It's very complicated and it is constantly changing.

There are so many different elements. Many of those interns are still in the insurance business today and doing fantastic. Sometimes our challenge is simply to expose people to our industry. A lot of us like to joke that we got into insurance by accident, because we probably never thought about getting into insurance at an early age. It's an important business, that underpins our entire economy, which is based on the ability to buy things when you don't have cash, and if that collateral isn't protected, then that's what ... well, look what happened in Florida. The real estate market was endangered by the fact that people might not be able to get home insurance.

**TDD:** You indicated that one of your first mentors, Bob Wright, when you were at Foremost Insurance, got you into the business. What are some of the issues that you think exist in the insurance business today that might not have existed when you were at Foremost in that first insurance related job?

**WK:** I think there are two things. One is simply the absolute explosion of data. When I started, computers didn't rate policies in real time. We had rate manuals that agents had to actually be able to use, and, sometimes, come up with the correct answer. If on a rate manual you added a new binary rating factor, you doubled the size of your rating algorithm. You had to choose which rating factors you wanted to use to avoid undue complication.

It was not uncommon to have the application on one side of the form and the rating algorithm on the reverse side of the form. Today, we have an explosion of data. Our rating is very complex, very detailed. But agents get it right every time because it's delivered to them in a push of a button — pre-fill, all those types of things. So, the explosion of data, the complexity of everything we bring to evaluating risk, is hugely changed.

The second thing, which is more concerning, is the legal environment. Most of my experience was in property, although I did some non-standard auto. In those days, for property, you had a couple of claims people to do liability and the occasional suit. You didn't have a staff of litigation examiners, like we have today. It's troubling. You can look at what happened in Florida. I think the legislature has made significant reforms, but that isn't curing the problem. It's just taking away some of the excess, I think.

The genie's probably not going to go back into the bottle. It's going to be a national issue. You've done a lot of research

on this. It has a lot of implications, too, for insurance companies. How do we structure our whole operation? How can we make sure we have contracts, procedures, and processes so that we can defend ourselves and still offer that service to the 97 percent of our customers who are outside of all this and just pay their premiums, and want to get back in their pre-loss condition?

**TDD:** You've made it clear, between your career and your statements today, that you focus on learning and adapting. Can you share a little bit of your perspective on learning?

**WK:** For successful people, learning is a constant. It's not necessarily fueled by a desire to be successful. I think most people who are lifelong learners have a natural curiosity to understand anything that they see. Curious people are interested in many fields and areas. I read a lot. If you looked at my bookshelf, you would know. I'll see something in the New York Times, or the Wall Street Journal, and say, "Well, that's interesting," then get the book and read it. So I think people who learn and are interested in a lot of things are curious. They can take things from other industries and other sources sometimes and combine them to look at problems in their own industry and their own business. I've seen that many times. You sort of cross-pollinate.

**TDD:** You've got a fair number of stakeholders associated with AAIS, as you've had associated with all the positions you've held during your career. You need to educate them and inform them. Is there a specific perspective on education, and educating others, informing others that you'd like to share?

**WK:** I don't think you can educate people. I've seen training programs and all that. I think we train animals, not people. But you can provide people who want to learn the support and opportunity to learn, and make sure that you can supply them with the tools. I don't believe, in my experience, that you can make them learn.

**TDD:** That's fair. I think managing, motivating, educating, and otherwise coordinating people has been an integral component of every aspect of your career. When did you first recognize you had an affinity for it?

**WK:** Well, I was a very young product manager at Foremost, starting when I was 21 years old. By age 25, I was in charge of all the personal lines products as a product manager. I realized I had to achieve cross-functional goals almost entirely through people who did not report to me, and who, in most cases, were older and more experienced. That was a challenge — how do you do that? You can't command them and you can't just tell them you're smarter than they are. From that, I learned one of the best ways to learn how to lead people is for them not to report to you. You have to find other ways to motivate them, bring them along, and get them to want to work with you.

## Kruck

CONTINUED FROM PAGE 42

You need everyone on board, so, that experience was especially invaluable to me. I still believe that as you're managing people, as you move up in your career, you have the ability, and you have authority. It's still a good idea to treat people as if they have options because they do. You shouldn't rely on that authority. I try to do the same thing I did when I didn't have that authority, to get them on board, and to have them want to participate, and to work with the team to achieve goals.

**TDD:** Before I ask you a lightning round of personal fun questions, any closing thoughts on the new position, on AAIS, or anything else important to you?

**WK:** First of all, it's been an amazing blessing to me to be part of this insurance industry for my entire career, in so many ways. The people, the challenges, the life, the travel. I'm excited to be a part of this exceptional team at AAIS at this stage of my career, and at this stage at AAIS with the potential that we have. I think that we are positioned to make a big impact over the next years in the insurance industry. I'm grateful for an opportunity to be a part of that, both for the excitement of doing it and to give back to the insurance industry, and maybe help leave it a little bit better through my contributions.

**TDD:** This is my favorite part of the interview because there're no bad answers. Your favorite meal?

**WK:** Grilled steak, medium rare. Salad and a glass of Cabernet.

**TDD:** A favorite movie or a movie you'd recommend?

**WK:** My favorite movie of all time is "Citizen Kane." The final picture there in the fireplace ties everything back home. And it's a real-life meaningful story.

**TDD:** Your favorite book or a book you'd recommend?

**WK:** A book I'd recommend. One of the things that Don McMillan taught me was if you don't understand people who have different opinions, perspectives, or experiences, you should read their books. I did that when Black Lives Matter became prominent. We had some time out during COVID-19. I learned a lot about U.S. history, even though I thought I was a reasonably educated individual on our history, I learned that there was a lot of our history that I was never taught. And so, a book I'd recommend for someone who is interested in that is the "1619 Project," published by the New York Times. It's both factual and emotional. It's an interesting learning experience.

**TDD:** Are you a cat or dog person?

**WK:** Dog. We just got a new rescue puppy, six months old. And just prior to this, she sneaked through the fence and ran out on the golf course. So, I barely made it back in time for the interview.

**TDD:** Is she any particular breed?

**WK:** She's a Morkie, a Maltese and Yorkie.

**TDD:** Any hobbies that you currently enjoy or wish you had more time to spend with?

**WK:** I've been a musician all my life, playing trumpet. I have classical training on the trumpet, then I picked up the sax during high school. I've played music all my life. When I was younger, I played a lot. That was how I made money, putting myself through college in younger years. In later years, I played mostly in church. But as the career got more complex, I have backed away from it. I'm trying to get back into it because I do enjoy it.

**TDD:** Well, thank you for sharing your experiences and the exceptional opportunity you have now. I respect what you're doing and how you're getting it done. Thank you for your time. 🙏

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## Lindsey

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If you do, you have to plan ahead for the bad day when somebody cuts off of a limb or wounds themselves. What's the plan? How are we going to manage that? I think it's all proactive. Insurance is reactive. Insurance tells you, don't call him, don't go see him at the hospital, which is exactly what you would do if you didn't have insurance. If you ran a little store like that, you'd know the guy, you'd go to the hospital, make sure he was okay and stay in touch with him. If he said, "You owe me a million dollars," you'd say, "Well, if I had it, maybe I'd give it to you, but I don't have it." With insurance, it's like, "Yeah, I got insurance — sue me. Maybe they'll pay you." I'm not sure people actually think about it the way that they should.

**TDD:** Are there people in your career that you would characterize as mentors that you learned something from?

**RL:** There've been many. Roger Day was the former insurance commissioner in Utah when I was a young man. He was the youngest insurance commissioner ever appointed in the United States. I think he was 28 years old.

Obviously, my dad taught me a lot. He didn't want to be a risk-taker. Then the guys I talked about before on my Board. I always say my job is to lead my claims guys and lead my underwriters with the fundamentals and common sense.

**Lindsey**

CONTINUED ON PAGE 44

**TDD:** You've made it clear that hard-to-place risks could be created by a lack of understanding by stereotypical insurance industry behavior, maybe an unwillingness of the industry to learn and study what they're calling "hard-to-place." What have you seen in these hard-to-place risks that make them not so hard to place?

**RL:** I guess it's having a partnership and a plan where you're confident you can execute. We now see Assault and Battery as an exclusion that's being added. Carriers start out with a package like an ISO form. As it grows and develops, and, say it's liquor liability, they tend to exclude the liquor and want you to buy that separately on a standalone basis. That's been the trend for 50 years. As you identify the really hard-to-place portion of the risk, you tend to carve it off, and try and keep the good. I think that should be totally in the past. If you insure a hotel or you insure a dentist and you start excluding sexual abuse and molestation, that's actually called underwriting, right, so, you don't want to underwrite it. You want to exclude liquor or Assault and Battery or sexual abuse or the firearm because you don't want to deal with it.

All this is about how we should be proactive, but insureds don't want to report claims. We've encouraged them not to. Why don't they want to report claims? Because they want a clean loss run where they can get a cheaper rate next year at renewal. So insureds need to be a lot more focused on what they're buying and how it's going to work. I tell the story about a Porsche in your driveway. You're sitting there looking really good and I say, "Hey, let's go for a ride." You say, "Oh, it doesn't run."

Do you want a Porsche that actually runs? You don't really look that cool sitting in your driveway every night not driving it around. Performance is something that, as insurance professionals, we have to say, "Look, you want me to write your homeowner's policy in Florida for the same price you used to pay?" That company's bankrupt, and can't pay their claims, right? Part of the problem is they didn't charge you enough money, and they didn't provide you the right coverages. That is our responsibility as insurance professionals to make sure we can make happy customers. Customers need to realize they have to pay the right price. It's not our job to make insurance affordable for people that can't afford what they want. Like a Ferrari: if you want a Ferrari, you better be able to afford the Ferrari. It's no one's job to lose money so you can afford a Ferrari.

**TDD:** In terms of success, you have been quite successful. Whether it's property, casualty, life, health, whatever it might be, what are your thoughts on younger people and why they should consider insurance as an exciting, maybe even a fulfilling, career?

**RL:** It's a fun, exciting career. Obviously, you can do anything. It's not like there's anything holding you back. You don't need to go get a degree. If you have one, great. You should be able to parlay that into a great career. I think most people need to work hard. That's how you get lucky. That's how you learn.

**TDD:** Do you see any insurance issues today that might not have existed 10, 15, 20 years ago, the problems and challenges in the insurance business we didn't have before?

**RL:** One of my biggest disappointments is I occasionally see some fairly experienced insurance professionals retiring now or they're now on boards. My focus is that as an industry, we need to step up and do the right thing and provide real solutions.

**TDD:** I noticed in one of your posts on LinkedIn, you talked about your "Go Team" on claims. What inspired that idea? How do you recruit and train people for that?

**RL:** I ask employees, "Do you want to answer calls after hours?" If you do, that's valuable to me, so we have a phone tree in every department. I'm on the bottom because as the owner of the company, I want to know when you have a claim and my people don't answer it. I want to answer it. That's what I would expect. As a consumer, I pay the insurer. Don't tell me you're closed over the weekend. If I send you a claim or I send you an email, don't send me an automatic response that says I'm out of the office for a week on vacation. I don't think anybody really cares that you're on vacation. They called you because they need something. I don't force anybody to be on the Go Team. It's valuable to me, it's valuable to the clients. They volunteered to be on that team. Then, when what can happen does happen, I want my Go Team in there.

**TDD:** I know you're a licensed private rotorcraft pilot. Tell us what attracted you to helicopters and some of your other hobbies?

**RL:** When I was young, I'd go skiing with the helicopter ski guides. We'd go up to the top of the mountain in a helicopter. That's been a passion of mine ever since then. Before we had the insurance company, I probably did \$5 million in premium, so I really didn't have the wherewithal to learn to fly or have a helicopter. Back then, it was really hard to learn to fly helicopters. Most people learned in the military because there weren't a lot of helicopters in the private sector. Now there are helicopters everywhere. Robinson helicopters — they've made more helicopters than anybody else. It's made it a lot more affordable. Where helicopters used to be out of reach for me and most people, now it's a lot better. I enjoyed flying helicopters. I have one in Utah and one down here in Florida.



## Lindsey

CONTINUED FROM PAGE 44

**TDD:** I'm going to close out with kind of a lightning round of personal preferences, if you don't mind. Your favorite meal?

**RL:** Mino in Naples, Florida, is our favorite restaurant. They have good Italian — we like their meatballs.

**TDD:** Favorite snack?

**RL:** I would have to say hot tamales.

**TDD:** Your favorite movie?

**RL:** I think "Pulp Fiction." That's a good one.

**TDD:** Cat or dog person?

**RL:** I'm a dog person. Again, I'm not just any dog person. I like hunting dogs. I guess I move around too fast to have a house dog or a cat because they're work. We have Labrador Retrievers that go pheasant hunting and bird hunting with us. Those have always been my favorite.

**TDD:** Any last thoughts on anything I should have asked and didn't?

**RL:** We've known each other a long time and had a lot of discussions over the years, and I think it's an exciting time in our business. There's been lots of turmoil and lots of bad press going on, but I think the solutions are there. We need to communicate. I think regulators need to communicate more. And I think rating agencies, too. 🌐

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## Nutter

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**TDD:** What's a strength you have today that you wish you might've had earlier in your career?

**FN:** A fair question. I learned early in my career that you were well advised to surround yourself with people of technical and professional competence. There's no risk associated to working with people who know a lot about a topic area. Attracting and retaining highly skilled colleagues to work with became a strong tenet of mine. I would always look for someone with strengths, knowledge, and capability in their field. What I learned is that when you're sitting around a table with these people, grappling with some issue, not to presume you're the smartest person in the room. Those are the people you attracted to be there, because of their capability and knowledge and the opportunity to contribute their expertise. Rely on that.

**TDD:** Going back to the reinsurance side of things — are there issues that exist today that did not exist earlier that are impacting the reinsurance community and what they advocate for?

**FN:** First, climate change. The industry has had abundant experience with extreme weather events for a long time, but the evolving impact of climate change with more frequent and more severe events and unanticipated events, black swans if you will, stands out. Convective storms were not a prominent part of the industry's loss experience, but now they are. The reality is that climate risk is affecting extreme events in so many parts of the country, and not just coastal losses. The issue is more prominent now than it was early in my career.

The second would be the nature of distressed insurance markets. The industry has experienced distressed markets in various states or regions over time, but historically, it tends to be about rate regulation for insurers and the philosophy being applied by the insurance commissioner or insurance department in the state.

Now what we see is the overlay of weather and extreme events that are driving insurers' reconsideration of some markets. Historical loss patterns are not necessarily a prologue. Insurers find that they need to be more forward-looking.

The third is the litigation or tort system. Lawyer advertising, litigation funding, the recruitment by lawyers for mass tort purposes: the tort system is less predictable and driven in so many cases by the economics of law firms. The issue today is largely about whether or not the system is out of line in some states with the industry's ability to look forward and see what the loss experience is likely to be.

**TDD:** I know you're an active cyclist. What attracted you to that? What do you enjoy about it?

**FN:** Probably what attracted me to cycling is the aging process. With running and team sports, you age out over time, whether you like it or not. I enjoy the competitive aspect of cycling. I've competed in the National Senior Olympics three times now. But I also enjoy distance cycling. Cycling is a regime to maintain a level of health and fitness.

## Nutter

CONTINUED ON PAGE 46

## Nutter

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**TDD:** Got a lightning round of what we call personal preference here. Favorite meal?

**FN:** Sushi.

**TDD:** Favorite snack?

**FN:** Mixed nuts. When I'm looking for something, I keep a nice jar of various mixed nuts. That's my go-to for that.

**TDD:** Favorite movie?

**FN:** I don't necessarily have a favorite movie, but I like documentaries even if it's a narrative that may have been embellished by the producers. Documentaries about people or time periods are interesting.

**TDD:** How about a book that you would recommend?

**FN:** I like American history. I like books that are not just about some singular event or a person associated with an event, but the rest of the story. What happened after that event? What led up to that event? I'll give you a couple of examples. I like the investigative reporter kind of approach. I've been fond of a book published fairly recently called "Empire of Pain," which is focused on the opioid crisis and what generated the crisis. Another one that's more of a biography, but consistent with my point about history is "Revolver," the story of Samuel

Colt who invented a mechanism that made the revolving pistol popular. "Revolver" is a book about how Colt commercialized it. What were the challenges of that? How did he play off various wars to promote the gun?

**TDD:** Cat or dog person?

**FN:** The family had both. Both as a kid, and when we had children at home. So, no strong preference for either one.

**TDD:** Is there a hobby that you enjoy beyond cycling that you might want to share?

**FN:** Cycling is a dominant hobby of mine. I enjoy most outdoor activities.

**TDD:** Any closing thoughts?

**FN:** As part of your professional career and particularly later in that professional career, it's important to give back. I'm the chair of St. Baldrick's Foundation, which raises funds for funding research for pediatric cancer. I've shaved my head five times as the signature way that St. Baldricks uses to get pledges.

I am also the chair of an organization called EduTutor, which matches college students who are studying to be teachers, with virtual tutoring of kids in underserved schools. Edututor was started in 2020 to address learning loss among 3rd through 8th grades. It's about giving back in my local community, to families and students that need assistance in their education. 🌐

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## Ins and Outs

CONTINUED FROM PAGE 19

"Understanding Drug Tiers." Patient Advocate Foundation, Dec. 19, 2018, [www.patientadvocate.org/explore-our-resources/understanding-health-insurance/understanding-drug-tiers/](http://www.patientadvocate.org/explore-our-resources/understanding-health-insurance/understanding-drug-tiers/).

*Caleb Powell is a pharmacy student in his fifth year at the University of Toledo. He is heavily involved with seven different organizations, is on the executive board in four of them and held a pivotal role bringing IPhO to the campus of UToledo. Caleb also works at both CVS Pharmacy and ProMedica Toledo Hospital as a pharmacy intern. When Caleb is not working or in class he enjoys golf, spending time with family and friends, and spending time outdoors.*

*Kevin Standen is a third year student pharmacist at the University of Toledo College of Pharmacy and Pharmaceutical Sciences. He serves as the president of the school's NCODA student chapter, while maintaining three other executive board positions in various other organizations. When not working at the Cleveland Clinic as a pharmacy intern, Standen enjoys activities such as golf, working out, traveling and socializing with friends.*

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## ABIR

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*John M. Huff is president and CEO of ABIR. In 2016, he served as president of the NAIC, the U.S. standard-setting and regulatory support organization created and governed by the nation's chief insurance regulators, and as director of the Missouri Department of Insurance, a position he held for eight years.*

*About ABIR: The Association of Bermuda Insurers and Reinsurers represents the public policy interests of Bermuda's major property and casualty insurers and reinsurers doing business in 150 countries. For more information, visit: [www.abir.bm](http://www.abir.bm).*

## Donelon

CONTINUED FROM PAGE 17

“We can’t afford the coverage costs,” because it was a 63 percent rate increase on top of what was already the most expensive coverage that they could get because the private sector wasn’t writing new business and Citizens by law was priced above the private sector and now going up at renewal.

**TDD:** You mentioned the tens of billions of dollars associated with the claims of Katrina and Rita, and certainly more recently, Ida. Tell us a little bit about the home fortification efforts and the educational effort that is aimed at assisting everybody.

**JD:** The state has been good about upgrades to the building code mandated every three years by the International Building Code Council, that sets forth for each individual building code in each of the states or localities or nations, those building code upgrades.

Until the pandemic, we had done each of those three-year upgrades. The governor paused the upgrade during the pandemic and then this past January implemented that upgrade, and the next three year upgrade is due to be implemented January 1 of this calendar year. So we’re back up to speed with the requirements of the International Building Code. I will forever say that’s to the great credit of then Gov. Blanco who resisted a lot of pushback from rural areas who didn’t have a permitting office or an inspection office to implement a building code in a parish that had none. About half of our 64 parishes had no building code. The urban areas and suburban areas all had a local building code which got upgraded to the statewide standards by that legislation. But Gov. Blanco helped by making some of our Community Development Block Grant money available to those communities that didn’t have permitting offices or inspection services available to help them fund the creation of those services. In doing so, she resisted legislation that would’ve shot a giant loophole into our building code by allowing contractors to self-certify that they built to the building code requirements of the state going forward. She resisted that effort to put the loophole in our building code law by one vote out of 105 in the State House of Representatives.

Fast-forward to today, in the aftermath of Laura, Delta, Zeta and Ida, and the 800,000 claims and \$23 billion of payments that created the crisis in our market, and I went through the immediate fix, the incentive program. The long-term fix, similar to what my friend Commissioner Mike Cheney in Mississippi says, “If you build higher and you build stronger, you can live on the Barrier Islands of Mississippi or on the marshland coast of Louisiana, and effectively live there despite the hurricane winds and associated tidal surge that comes in those areas.”

**TDD:** Your career has been amazing. How would you describe insurance and public service to young people to encourage them, or to encourage them to either get into the insurance industry, or get into public service like you have? How has that helped you as a person derive satisfaction?

**JD:** Before I came to the LDI, I spent 19 years in the state legislature. I believe in free enterprise and capitalism and competition. As a legislator, I brought legislation that I think was very important to consumers. One of those was insurance. I actually started on what was, when I got elected, the Commerce Committee that had jurisdiction over banking, cosmetology, insurance and other forms of commerce. We had a crisis back in the 90s that actually resulted in three consecutive insurance commissioners, predecessors of mine, ending up in federal prison for taking bribes and for selling licenses. That was a challenge that resulted in a lot of companies pulling out of our state and a lot of other companies failing, the largest of which left the state holding the bag through our Guaranty Fund for a total of \$150 million.

That led the leadership in the legislature to pull insurance out of the Commerce Committee and create a separate standalone Insurance Committee, as most other states have done now. I was the first vice chairman of that committee and served four years under a predecessor from New Iberia who was a law school classmate of mine. When he didn’t run again, I became the Insurance Committee Chair for my last six years in the legislature. I did legislation that addressed our crisis, ongoing still today, in the auto insurance market, something called “no pay, no play,” that the Commerce Committee advocated and tried to pass and could not get it across the finish line. We finally did. That gave some relief for a period of time back in the 90s and for a noticeably helpful period of five to 10 years. It then got overtaken by inflation and increasing litigation adding to the cost of auto insurance.

I made efforts to improve mental health, called Mental Health Parity, mandating health insurers to treat mental illness the same way and with similar coverage to what they provide for physical ailments.

Those two things gave me a lot of satisfaction. I did other things, such as raising the driving age for young drivers. The drinking age was truly resulting in the death of young drivers all over the state of Louisiana. One mother in Baton Rouge, Linda Hull, lost three young daughters to drunk drivers. Three tragedies. After her third daughter was killed in an auto accident at the hands of an underage drunk driver, Linda became an advocate for closing our state’s unique loophole in our drinking age law. She took it upon herself to take photos of her daughters to high schools throughout Louisiana advocating for raising the drinking age to 21. She was an ally of mine in our success to do that. All that to say as one representative, representing 1 percent of the state, you get an opportunity to do things that you think can really improve the lives of the people you represent and beyond. I was pleased to have that opportunity and to have what I consider to be success during that 19 years I served in the legislature. I mentored many young people who came to me to ask what they needed to do and how should they go about a career in public service, specifically in the state legislature.



One thing I would tell them they needed to learn to do is to tell their friends and supporters, “No.” Be aware of the fact that they did not support you to get you to be beholden to them for one issue or another. They supported you because they had confidence in you, your integrity and your ability to serve in a positive way with the hope and expectation that you would agree with their philosophy, their particular take, their industry or their interest. The toughest part of serving is being able to tell your friends “No,” cognizant of the fact that there will be another bill, another day, where you may be in agreement with them.

When I came here to the insurance department, first as chief deputy, then as executive counsel, and then for the past 17 years as commissioner, I spoke to a lot of young folks. We mentored many college students. There’s a very active insurance program at Southern University in Baton Rouge and others up in Monroe and Lafayette and Shreveport. In interacting with those students, I have said my job as the regulator of insurance gives me an opportunity on a daily basis to help folks through their insurance issues. And that is such a challenge to the average citizen in our state because insurance is so complex, so necessary, so vital and so expensive.

What I do every day helps people in a very important and challenging part of their lives. It gives me a great deal of satisfaction knowing that I have the power given to me by the voters of our state to make things better for the citizens in a meaningful, significant way. Add to that Katrina, Rita and the aftermath, Laura, Delta, Zeta and Ida, and the aftermath, and the challenge is daunting, but the more daunting it is, the more satisfaction I get in our success. As we have proven after Katrina and Rita, and are proving as we recover from the most recent series of hurricanes, and, in addition to that satisfaction, by being in the insurance business, it generally provides a comfortable career opportunity.

It doesn’t pay very well for regulators, I will tell you that. But for the private sector, it is a career path that will enable those who go down that road to support themselves and their families in a comfortable fashion.

**TDD:** I know you served in the House, and now at the department. You served three decades at the Louisiana Army National Guard, where you retired as a Colonel, and received the Legion of Merit medal. Tell us about receiving the medal.

**JD:** Well, I am proud of that because, after my 33 years, upon my retirement, the adjutant general bestowed upon me that medal, which I hang proudly in my office. That medal is the highest award for non-combat service that the military offers. I’m very proud of having been so honored by General Landreneau, whom I served for eight years as the state judge advocate, the head of the legal branch of the Army National Guard in our state. I held that post for the last eight years of my 33-year service. I started as an enlisted man and was commissioned as a first lieutenant in the Army National Guard, probably 30 years later, and went up through the ranks, representing soldiers all around the state who were being court-martialed for testing positive during a

random drug test or for failing to show up for drill or any other alleged misdeed.

I generally, through those years, served as defense counsel in those boards held all over the state in armories in small towns. That was a very gratifying part of my career for sure, because invariably you get to represent someone who’s being disciplined and, even in some cases discharged, with a less than honorable discharge or worse, on the way out. I found that the camaraderie in those rural armories of those units, which typically had a couple of hundred folks in the unit, across racial lines, across differences in rank, was gratifying, as I did my part to defend those soldiers. I tell folks that since I was in the legislature at the same time, I was a floor leader for Landreneau in his effort to promote legislation or to oppose legislation that was contrary to the mission of the National Guard.

**TDD:** I have just a few fun questions, that I call the lightning rod of preferences. Your favorite meal?

**JD:** I will admit that I am, we call it a Lucky Dog in New Orleans, a chili dog with mustard fan, that’s hard to pass up. We have a Lucky Dog stand at the airport in New Orleans, and whenever I can, I stop there on my way out of town.

**TDD:** All right. How about a favorite snack?

**JD:** On the healthy side, I’ll take grapes. On the unhealthy side, I’ll take Butterfingers.

**TDD:** How about a favorite movie or a movie you’d like to see?

**JD:** No doubt about that one. “A Few Good Men.” Tom Cruise versus Jack Nicholson. “You can’t handle the truth.”

**TDD:** A book that you would recommend?

**JD:** “Moneyball.” I love baseball and Michael Lewis, who wrote “Moneyball.” The first one he did was “Moneyball,” and the second one was “Liar’s Poker.” That was about Wall Street during the Boom days. He also wrote “The Big Short” about the 2008 Great Recession.

**TDD:** I’ll let you sum up anything else you would like to say.

**JD:** Let me just say again, thank you. You were invaluable to our recovery after Katrina and Rita with Demotech, and I know you had challenges with the market, as I did. We went through that together. We’re both still standing and we’re both fighting for a viable private market for coastal states, and that’s essential. In addition to that, I am so honored to be coming to the end of my career, 50 years from the time I got elected in 1975 as Chairman of the Parish Council in my suburban parish of Jefferson through today and the end of my term next year. It’s been an incredible honor and privilege and I am very satisfied with the contributions I’ve been able to make to the people of our state in the various roles that they’ve entrusted to me during my career. 🍷

Field Day included information on programs that help ranchers fund the extra requirements needed to raise bison, which do pose more challenges for ranchers than raising domesticated cattle. For example, fencing needs to be bolstered in areas containing bison, and good methods utilized in moving herds from pasture to pasture.

With these specifics, and the fact that bison ranching is a small but growing percentage of total meat production in the U.S., it's not surprising that specific coverage for bison ranching is not offered by many companies. One company does promote specific coverage for bison ranching. From the Nationwide Mutual Insurance Company website — "It takes the right rancher and operation to successfully raise bison. Across the country, Nationwide works with bison producers to manage risk, offering exclusive policy options and endorsements for managing a bison herd."

Lydia Whitman, program manager with the National Bison Association, stated that bison ranching is growing as an industry, with 90 percent of some 500,000 bison in the world managed in private herds.

"We've got tribal communities that manage bison, and conservation groups like The Nature Conservancy in several states," Whitman said. "We've got about 1200 folks who are active ranchers across the U.S., and we are seeing steadily increasing rates of bison marketed for meat consumption."

"One of our big interests is to let people know that bison ranching is a totally viable economic option, whether in addition to a farm portfolio or as a standalone business. You're not tied to a particular mode of production or limited marketing options. The market's not inundated. There's room for growth."

Whitman added that wise bison management includes rotating larger paddock areas, and having natural objects like logs and hay bales to keep the bison active, but because the animals don't have to be protected from the elements as domesticated animals, there are cost savings. Health and safety procedures for the animals are followed vigorously, but Whitman said that the Food and Drug Administration prohibits the use of non-therapeutic antibiotics and growth hormones in bison.

As an organization, the National Bison Association has an extensive code of ethics, Whitman said, that includes humane treatment of bison, humane harvesting of the animals, and no cross-breeding. The organization educates and lobbies for the industry, but also serves to match landowners with those who want to raise bison.

"There is a lot of industry attention and pride attached to the method by which the animals are raised," Whitman said. "Our level of traceability is ridiculously specific. It's a small industry. We need to have quality no matter what. We can't have a weak link anywhere." 🌐

## Challenge of Fraud

CONTINUED FROM PAGE 29

perceiving a lack of rigorous scrutiny and consequences, are emboldened to persist in their deceitful behaviors. Thus, this unwavering commitment to investigation plays a pivotal role in the ever-evolving landscape of fraud, actively safeguarding trust and maintaining affordability within the insurance marketplace.

To further enhance the development of a broader and more comprehensive approach, we can draw upon several valuable concepts derived from the fraud risk management principles outlined in the U.S. Government Accountability Office's July 2015 edition, "A Framework for Managing Fraud Risks in Federal Programs" (see <https://www.gao.gov/assets/gao-15-593sp.pdf>) This framework has been extensively proven to be effective and can indeed be seamlessly applied within the private sector. The model encompasses four fundamental components for managing fraud risks, some of which have already been discussed in this article: a commitment to combating fraud, regular fraud risk assessments, designing and implementing a strategy, and evaluating and adapting to outcomes (see figure next column). By integrating principles from this framework into the overall strategy, carriers can elevate their efforts and achieve a more robust approach to managing fraud risks.



Furthermore, governments and industry regulators can play a crucial role in promoting fraud prevention measures by establishing robust frameworks that incentivize carriers to invest in these initiatives. By creating a supportive

## Challenge of Fraud

CONTINUED FROM PAGE 49

environment, governments and regulators can foster a culture of proactive fraud prevention across the industry. The frameworks should encompass provisions addressing critical aspects, including civil liability, data and intelligence sharing, and customer privacy. These provisions should strive to strike a delicate balance, encouraging carriers to invest in fraud prevention measures while safeguarding the privacy and security of customer information. 🌐

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*Drawing upon an extensive background in the insurance industry, Ferrer brings over two decades of investigative experience from both the public and private sectors. Well known and respected as a leader in the industry, she effectively spearheaded Special Investigations*

*Unit programs by implementing operational enhancements that elevate quality and efficiency. Her strategic approach has yielded tangible benefits, including cost reduction, combatting insurance fraud, and facilitating robust risk management practices. Ferrer has worked for several property & casualty carriers and third-party administrators overseeing investigations, leading SIU operations, and providing exceptional claim services. Throughout her professional journey, Ferrer has contributed her expertise to various esteemed organizations, including property & casualty carriers and third-party administrators.*

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## Immigrants

CONTINUED FROM PAGE 35

- journalist, considered to be the “Father of the American Cartoon.”
- I. M. Pei (Hong Kong) won many design awards, including the Pritzker Prize, considered the Nobel Prize of architecture.
  - Ayn Rand (Russia) sold over 37 million books; her philosophy (Objectivism) still influences political and economic debate.
  - Helena Rubinstein (Poland) was the founder of a major cosmetics company and became one of the world’s richest women.
  - Luther Simjian (Armenia) invented the first ATM.
  - Isaac Stern (Ukraine) was a violinist and winner of the Presidential Medal of Freedom and six Grammy Awards.
  - Levi Straus (Germany) founded the first company to make blue jeans.
  - Nikola Tesla (Serbia) was the inventor known for the modern AC electricity system.
  - Jerry Yang (Taiwan) founded Yahoo.
  - Vladimir Zworkin (Russia) invented TV transmission.

### Reality Check

America is the world’s most generous country, according to the Charities Aid Foundation’s World Giving Index, which surveyed 1.3 million people in 125 countries. Not only do Americans give a lot of money (close to \$500 billion a year), but 72 percent help strangers and 42 percent volunteer.

Religious Americans are traditionally hospitable. All major faiths practiced here encourage their followers to welcome immigrants: from Christianity’s “Do not forget to show hospitality to strangers,” to Buddhism’s “A stranger is a friend you haven’t met yet.”

Close to half of all U.S. land is unoccupied; more than half of which is owned by the government. Help wanted signs are

everywhere. Yet millions are here unvetted and living in the shadows. A Gallup survey found 75 percent of Americans view immigration favorably. In the same study most felt illegal immigration was a significant security threat.

For the last four years, I’ve been a mentor with SCORE, a nonprofit supported by the SBA. This volunteer organization fosters a vibrant small business community through mentoring and education. Each month I receive one to two referrals of immigrant entrepreneurs struggling to launch or expand their businesses. All face the typical small business challenges of testing their ideas, planning, marketing, and financing. I leave almost every conversation encouraged by their determination and confidence. They really believe the American dream: that every citizen of the United States has the opportunity to achieve success and prosperity through hard work, determination and initiative. In this period of doubting our past, quiet quitting, and calls for remaking American capitalism, these recent immigrants are an encouraging reminder of what a blessed and great country this really is.

For economic, security, health and human rights reasons, it’s long past time for our political and government leaders to deal firmly and fairly with the immigration crisis. It’s not just the right thing to do. It’s also the smart thing to do. 🌐

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