SURPLUS LINE REPORTER & INSURANCE NEWS

VOLUME 42, NUMBER 7 JULY 2020

NEWS IN BRIEF

MERGERS/ACQUISITIONS

Allstate announced July 7 that it will buy National General Holdings for about $4 billion. Northbrook, Illinois-based Allstate said the deal would boost its profitability and market share in personal liability insurance, which includes automobile, RV, homeowners insurance. The deal for New York-based National General is all-cash and is expected to close in early 2021. National General has about 42,300 independent agents. The company goes back to 1939 and was once part of General Motors when it was known as GMAC Insurance. It changed its name to National General in 2013. National General has gross annual written premiums of $5.6 billion and reported operating income of $319 million in 2019. About 60 percent of the company's premiums come from auto insurance policies. Some 40 percent of National General's shareholders have already signed off on the deal. According to Reuters, National General's shareholders will receive $32 per share in cash and closing dividends of $2.50 per share. This implies a total deal value of $3.9 billion and a premium of about 69 percent to National General's July 7 close. The National General deal would make Allstate the fifth largest U.S. player in the independent agent market, Allstate CEO **Tom Wilson** told Reuters in an interview. National General shares jumped 64 percent the day after the announcement, while Allstate fell three percent.

The Insurance Information Institute's board of directors approved plans in June to have the Triple-I enter into an affiliation with The Institutes, and The Institutes' board agreed to the affiliation on June 24. Terms are expected to be finalized in July. "Together, we will be better empowered to serve those interested in risk management and insurance," said **Peter Miller**, CPCU, president and CEO of The Institutes. "This forward looking decision is the culmination of several years of strategic dialogue both internally at Triple I and with The Institutes," said **Sean Kevelighan**, CEO, Triple-I. The affiliation, which will bring the Triple-I brand into the Malvern, Pennsylvania-based The Institutes structure, reflects the changing landscape of the broader industry and the economy. Moreover, it continues The Institutes' strategy in recent years to le-

See **NEWS IN BRIEF** Page **4**

Edwards signs the tort reform bill

At his press conference following the close of the 2020 First Extraordinary Session of the Louisiana Legislature, Gov. John Bel Edwards said he would sign the compromise legal reform bill, the Civil Justice Reform Act of 2020, which got House and Senate approval in the final minutes of the session. The session ended by 6:00 p.m. on Tuesday, June 30, and the bill went to the governor on July 1.

Negotiations on HB 57 by House Speaker Clay Schexnayder, R-Gonzales, went down to the wire. In the end, all six members of the Conference Committee signed off on the committee's report. Representing the House on the Conference Committee were Schexnayder, Rep. Gregory Miller, R-Norco, who chairs the House Civil Law and Procedure Committee, and Rep. John Stefanski, R-Crowley. Senators on the committee were Louisiana Senate President Page Cortez, R-Lafayette; Sen. Barrow Peacock, R-Bossier City, who chairs the Senate Judiciary A Committee, and Sen. Jay Luneau, D-Alexandria, who serves on the Judiciary A Committee and was the most ardent opponent of the tort reform legislation.

While in the conference committee, provisions addressing the collateral source rule were added to the bill. Prior to the conference committee the collateral source provision was not in the bill.

The Conference Committee report was adopted on the last day of the session by the House on a vote of 86-15 and by the Senate on a 35-4 vote.

By the time HB 57 was passed, 65 lawmakers had signed on as co-authors of the bill.

As it is, the Civil Justice Reform Act becomes effective Jan. 1, 2021, and will:

-Lower the jury trial threshold from $50,000 to $10,000; a party may obtain a trial by jury by filing a pleading demanding a jury trial and posting a bond in the amount and within the time set by the court; a jury trial shall not be available for non-tort lawsuits originally filed in parish or city court when the amount in controversy does not exceed the parish or city court's jurisdictional limit;

-Reform the direct action statute; the existence of insurance coverage shall not be communicated to the jury except under certain circumstances;

-Repeal the seat belt gag law; evidence of failure to wear a seat belt is admissible in court, and

-Change collateral source to allow judges the discretion to award no more than 40 percent of the difference between the amount billed for medical expenses and the amount paid.

Changing the prescriptive period from

See **TORT REFORM** Page **2**

AmTrust to pay $10 million to SEC

AmTrust Financial Services Inc. and its former chief financial officer agreed June 17 to pay $10.5 million to settle allegations they failed to fully disclose how they estimated losses from insurance claims. The civil settlement with the Securities and Exchange Commission resolves an investigation that has been going on the better part of seven years, according to news sources.

The SEC said in a statement on June 17 that it had charged AmTrust and its former CFO, Ronald E. Pipoly Jr., with failing to disclose material facts about how the company estimated its insurance losses and reserves from Dec. 31, 2009, through Dec. 31, 2015.

According to the SEC complaint, AmTrust and Pipoly failed to properly disclose the company's process for reporting management's best estimate of loss reserves in its filings with the SEC. The complaint alleges that AmTrust and Pipoly disclosed the company's general actuarial process for estimating loss reserves, but failed to disclose that Pipoly made consolidated accounting adjustments that did not properly consider the actuarial analyses and diverged from the company's actuarial estimates.

The complaint further alleges that AmTrust failed to disclose the specific factors or assumptions supporting Pipoly's judgmental adjustments, and failed to maintain sufficient supporting documentation for management's best estimate. Further, AmTrust and Pipoly allegedly failed to disclose the loss contingencies created by Pipoly's judgmental adjustments to the company's historical experience. According to the complaint, by the end of 2015, Pipoly's total adjustments exceeded $300 million and impacted all of AmTrust's reporting segments.

The SEC's complaint, filed in federal court in the Southern District of New York, charges AmTrust and Pipoly with violating the antifraud provisions of the Securities Act of 1933, and violating or aiding and abetting violations of the reporting, recordkeeping, and internal controls provisions of the Securities Exchange Act of 1934.

Without admitting or denying the SEC's allegations, AmTrust and Pipoly have agreed to permanent injunctions against future violations of these provisions and to pay civil penalties of $10.3 million and $75,000, respectively. Pipoly also agreed to disgorge $140,000 and pay $22,499 in pre-

See **AMTRUST V SEC** Page **8**

Brenda Case becomes IIABL president

The new president of the Independent Insurance Agents and Brokers of Louisiana (IIABL), Brenda Case, is a second generation insurance agent whose father, William T. Lowry, is a past president of IIABL.

Case, president/co-owner of Lowry-Dunham, Case and Vivien took over as the 118th president of the IIABL. Due to the COVID-19 pandemic, there was no installation ceremony because the annual convention was canceled.

Case succeeds Joey O'Connor, The O'Connor Insurance Group, Metairie, who remains on the board of directors as the past president.

After graduating from the University of Mississippi with a degree in English and minors in sociology, French and Education, Case started her insurance career in Jackson, Mississippi. At the time, her husband, John, had a job in real estate in Jackson after he graduated from the University of Mississippi.

Case

Case came to work at Lowry-Dunham, Case and Vivien in 1973 as a customer service representative. At the time, her father owned the agency having purchased it from Case's uncle years earlier. Lowry-Dunham, Case and Vivien was established in Slidell in 1901. After working at the agency for nearly 20 years, Case and her husband purchased the agency from her father.

Case holds the CIC designation and a Certificate of General Insurance from the Insurance Institute of America.

She has served on the board for the last eight years but has been going to Big I conventions as far back as she can remember. "I have been going to Big I conventions since they were held at the old Edgewater Gulf Hotel and later at the Broadwater

See **IIABL OFFICERS** Page **5**

House to study appointing insurance commissioner
See Page 9

Citizens board holds July meeting in person
See Page 12

Lloyd's surrenders U.S. admitted licenses
See Page 17

Facts and stats on cost of civil disorders
See Page 22

Tort reform

FROM PAGE 1

one year to two years was not part of the Civil Justice Reform Act, even though it was part of earlier proposed legislation.

Edwards signed HB 57 on July 13, and it became Act 37 of the First Extraordinary Session.

Bills limit liability relative to COVID-19

During the 2020 Regular Session of the Louisiana Legislature, several bills were passed which provide various entities with protection from liability in COVID-19 exposure lawsuits.

-Act 336, HB 826, by Rep. Thomas Pressly, R-Shreveport, and several co-authors, effective June 13, 2020, is the most encompassing of the liability protection bills. It seeks to protect all businesses and governmental agencies from litigation exposure. The law shields any defendant from liability unless a plaintiff can show that the plaintiff's injury was caused by the failure to substantially comply with applicable COVID-19 procedures established by a federal, state or local agency and that the injury was caused by that business's gross negligence. The law has no expiration date and is retroactive to March 11, 2020, when the statewide public health emergency was declared.

Employees still retain certain rights and remedies under the Louisiana Workers' Compensation Law.

-Act 305, SB 508, by Sen. Patrick McMath, R-Covington, effective June 12, 2020, is specifically tailored to the restaurant industry and designed to limit restaurants' liability. The law applies to entities serving prepared food and beverage products by dine-in, take-out, drive through or delivery. As in Act 336, the restaurant owners and employees must be in substantial compliance.

-Act 303, SB 491, by Sen. Sharon Hewitt, R-Slidell, effective June 12, 2020, is designed to protect people and businesses who render or donate any disaster relief, recovery services, or products from liability in COVID-19 related injury or death or property damage. The law is designed to protect individuals or companies that render disaster relief, services or products outside the course and scope of their operations.

-Act 9, HB 59 by Rep. Buddy Mincey, R-Denham Springs, from the 2020 First Extraordinary Session, limits liability for public and private schools districts and postsecondary institutions during a declared state of emergency or a public health emergency. Included are public and private schools, governing authorities, charter school governing authorities, public and private postsecondary education systems, public and private postsecondary education institutions, public and private postsecondary education management boards and the officers, employees and agents. The effective date is March 11, 2020. The bill was signed by the governor on July 8.

House study resolution

HSR 1 by Rep. Rodney Schamerhorn, R-Hornbeck, requests the House Committee on House and Governmental Affairs to study the feasibility and practicality of using the site of the former Department of Insurance building, including its existing parking structure, to provide legislative apartments and offices and to report its findings to the House of Representatives prior to the 2021 Regular Session.

Surplus Line Reporter & Insurance News

CAROL J. DEGRAW HARRIS, CPCU, ASLI
EDITOR

ANDREW DEGRAW
BUSINESS MANAGER

LEN WILKINS
LONDON CORRESPONDENT

CHARLES HARTWELL
FOUNDER

SURPLUS LINE REPORTER & INSURANCE NEWS is published by The Surplus Line Reporter, Inc., New Orleans, Louisiana, and is not affiliated with any trade or industry association.

All material is copyrighted and may not be reproduced without the written consent of the publisher.

The publisher reserves the right to refuse any ads, letters to the editor, or articles which it feels are objectional in content.

SUBSCRIPTIONS: Subscriptions are sold on an annual basis at a cost of $20 for one year or $30 for two years. Back copies are available at $5 each, when available. All inquiries should be mailed to the Subscription Department.

CHANGE OF ADDRESS: Send correction form, along with your address label, to the Subscription Department.

ADVERTISING: Advertising costs are based on frequency and size of ads. For more information: Andrew DeGraw.

PHONE: 504-371-8260
E-Mail: cdegraw945@aol.com
adegraw722@aol.com
Website: www.surpluslinereporter.com

P.O. Box 1089
Gretna, LA 70054-1089

This tragedy is the light on the horizon signaling transformation

By Michael G. Manes
Manes and Associates

He who knows not, and knows not that he knows not is a fool. Shun him.

He who knows not and knows that he knows not is simple. Teach him.

He who knows and knows not that he knows is asleep. Wake him.

He who knows and knows that he knows is wise. Follow him.

-Anonymous Arabic proverb

Wisdom defined (Bing): the quality of having experience, knowledge, and good judgment; the quality of being wise. Wisdom defined by Mike Manes is simply scar tissue.

When my oldest son was two, we had a candle burning on the table. He kept reaching for the flame, and I kept stopping him from hurting himself. As I watched me protecting him from life, I thought, "This is stupid."

His last reach at the flame, I did not stop. He pulled his hand back and cried. About 16 years later we were discussing, over a beer, some of the stupid things he had done. Some I knew about and some (I'm glad) I didn't. As he finished, he said, "One thing I never did again was touch fire." He learned quite young the wisdom of scar tissue.

At midnight on last New Year's Eve, as we raised our champagne glasses to toast to Auld Lang Syne or on that New Year's morning when we used Alka Seltzer or aspirin to mitigate the pain of the aforementioned celebration, none of us, neither optimist nor pessimist, could have, would have, or should have expressed concern about the coronavirus or the coming social unrest and rioting that followed the death of George Floyd.

In my 70-plus years in life, I cannot remember a disease, epidemic, or pandemic that has focused this nation like coronavirus has. It has also slowed, shutdown or shuttered our economy as never before. Most, if not all of us, have had our lives changed in the short term and maybe more in the long term than we can realize now. The good news, on this one condition and occasion, we have a common enemy to fight together. This is Chapter 1 in the story of 2020.

Before 2020 reached the halfway point - Chapter 2 commenced. With the death of George Floyd, our United States became focused on the reality of Mr. Lincoln's speech on June 16, 1858, in the Illinois Hall of Representatives: "A house divided cannot stand." This incredible, horrific tragedy has become the light on the horizon that signals genuine transformational change. People who once argued are now listening; they are finally squinting their ears, not just to listen, but to understand.

It appears from reports on his record, that Mr. Floyd was no saint, but he wasn't given the opportunity to answer for his alleged sins. His case was decided by a judge and jury of one - the cop who killed him. His death eliminated any possibility for an appeal. The camera captured the moment. We don't yet know all the facts. Nonetheless, this event has commenced transformational social change. Time will determine its long-term effectiveness.

When we look back from the future, many (most?) will credit Mr. Floyd's sacrifice as a pivotal moment in our history. His death may have led us to and through conversations so important and so desperately needed to bring "civil" to the forefront of our civilization.

> *From an historical perspective, I believe, the peaceniks, demonstrators, and hippie freaks did more to get us out of Vietnam, than did the generals, soldiers, and politicians.*

From an historical perspective, I believe, the peaceniks, demonstrators, and hippie freaks did more to get us out of Vietnam, than did the generals, soldiers, and politicians. We didn't win that war, but we did learn important lessons. Our elected leadership, declared victory, and withdrew. In

See **WISDOM OF SCAR TISSUE** Page **4**

Surplus Line Reporter & Insurance News

Address Correction: Give us a call.

New Subscriber: Fill in your name and address below and mail to:
P.O. Box 1089
Gretna, LA 70054-1089

❏ One Year, $20
❏ Two Years, $30

NAME

COMPANY NAME

ADDRESS

CITY/STATE/ZIP

If you have any questions, give us a call.

504-371-8260

Wisdom of scar tissue

FROM PAGE 3

the Vietnam War, the hearts and minds of the people were as important in the end as front line fighters and our elected leadership.

Our house was divided, that's the bad news. The hope for good news follows.

From Pioneer Press (June 7, 2020), the images of the past weeks have been shocking. First the video as the life of George Floyd was taken out of him under the knee of a Minneapolis police officer. Then large protests erupted on our streets. Followed by the looting and flames destroying parts of our community that were broadcast around the globe. Then an outpouring of support that gave many a cause and hope.

As we and the diverse media (some tilt left and some tilt right), learn more about George Floyd - the good, the bad, and the ugly, we absorb the continuing drumbeat of the media. We see or quietly ponder our ideas and attitudes about this tragedy against the story we see and hear. The good news is that time and effort heal. The bad news is that in a house divided, the process can and will be painful until enlightenment occurs.

Near the closing of the movie Cool Hand Luke (1967), we learn, "What we have here is a failure to communicate."

What this country has struggled with in the past and now is a failure to communicate.

Communication is the negotiation of meaning. George Bernard Shaw may have captured the challenge we face, when he said, "The problem with communication is the illusion that it has occurred."

Today, as we begin our tomorrows, I urge each of us to squint our ears. Know that we don't see things as they are; we see them as we are. Be open to and respectful of those who differ. Max DePree says, "The first role of the leader is to define reality." What if, going forward, each of us and all of us listened and learned the reality of each other? What if we don't debate the past, present, or future, but rather we try to understand the person we are with. Play back in your mind Aretha Franklin singing: R E S P E C T.

When respect is real, trust can be earned. Trust defined: (Webster's Ninth New Collegiate Dictionary) assuring reliance on the character, ability, strength or truth of someone or something; one in which confidence is placed.

The reality of trust is in what you do, not what you say.

We get through to people to the extent we have unconditional regard for them as human beings. We all know the Golden Rule: "Do onto others as you would have them do onto you." Let me suggest a Platinum Rule: "Do onto others as they would have you do onto them." Meet them where they are.

Finally, be effective in your communication. "Get what's in your heart out through your mouth or some other socially acceptable means." (James P. Barton, Ph.D.)

Let's talk! Peace.

***MICHAEL G. MANES** is the owner of Manes and Associates, a New Iberia-based consulting business focusing on planning, sales and operations, and change. He has over 47 years of insurance industry experience, including serving as an instructor of Risk and Insurance at Louisiana State University.*

NEWS IN BRIEF

FROM PAGE 1

verage the synergies of like-minded organizations. Additional details will be announced as the deal is finalized in July.

Chicago-based Ryan Specialty Group (RSG) and All Risks, Ltd., headquartered in Delray Beach, Florida, have signed a definitive agreement to merge, the companies announced in June. The details of the transaction were not disclosed. The merger highlights how the need for strong niche expertise is more evident than ever in the specialty insurance industry, especially as personal insurance products become more direct-to-consumer and digitized. "We are pleased to join with a company that has an outstanding culture, exceptional talent and is a strong strategic fit with Ryan Specialty Group," **Patrick G. Ryan**, founder, chairman and CEO of RSG, said in a statement. All Risks' **Nick Cortezi**, CEO, and **Matt Nichols**, president, will continue to lead in senior executive roles.

MEETINGS/EDUCATION

Bossier Parish Community College has scheduled a property and casualty insurance pre-licensing course for two weekends, Friday and Saturday, Aug 14-15, and Friday and Saturday Aug. 21-22. Classes are set for 8:00 a.m. to 6:00 p.m. on all four days. **Ardie Cesario** will teach the course. Those registered for the course may pick up their books at 6220 E. Texas St. in Bossier City on Thursday, Aug. 13 between 11:00 a.m. and 1:00 p.m. The fee for the course is $289, which includes the book. For questions, call 318-678-6015. Registration is available online at bpcc.edu.

USAGE-BASED MARKET

A new study by Valuates Reports indicates that the global usage-based insurance market is projected to reach $77.25 billion by 2026, up from $25.46 billion in 2020, Insurance Business America reported on June 29. The market is expected to grow at a compound annual rate of 20.32 percent between 2020 and 2026. The report finds that the growth of usage-based insurance is driven largely by the rising adoption of smartphones and connected vehicles. Auto manufacturers are increasingly working with

See NEWS IN BRIEF Page 6

IIABL officers

FROM PAGE 1

Beach," Case told the Reporter. Her father was installed president of IIABL in 1974. "I formed many cherished friendships with the people associated with IIABL," Case said.

Case did not give an acceptance speech in person, but via the monthly IIABL newsletter. In her acceptance column, Case lauded IIABL Immediate Past President O'Connor for his work this past year. "Joey O'Connor has been a steady guide for the board this past year, and I can honestly say that the board has not missed a beat despite the unforeseen challenges we have encountered recently," Case said in her acceptance column. "It would be hard to count the planning sessions, the research homework, the phone calls, the big and small meetings that have been required of him all while still keeping things going smoothly at his own agency during this turbulent time," Case added.

Case believes that the biggest threat to the independent agency system is finding the right technology that can help the small independent agency compete with the direct writers and online writers. "The big retailers can afford to have technology built for them, but the smaller agencies cannot," Case told the Reporter.

During her term, Case is not really sure what to expect in the coming year. "Will there be meetings and gatherings as in the past? At this point we do not know," Case said. The one thing that she wants the members to know is that whatever the board decides, it will be done with the safety of the members in mind, as well as the future success of the agencies and our industry. The members can expect to see, front and center, technology resources to help them compete in the world of tomorrow, help with markets, timely news and information, education brought to the members in new ways, new products and resources to help member agencies work through the issues affecting them, and always a close eye on and involvement in regulations and legislation that might affect the members.

Case believes that the biggest threat to the independent agency system is finding the right technology that can help the small independent agency compete with the direct writers and online writers.

She believes that the biggest benefit to membership in IIABL is Jeff Albright and the staff in Baton Rouge providing advocacy in the Legislature and at the Department. The education programs offered by IIABL are also a plus along with IIABL's E&O program.

Case told the Reporter, "that she wanted to express her appreciation to her agency team and her family who have always been understanding of her time devoted to IIABL," she said. "I especially wanted to thank my husband who is always my strongest cheerleader and supporter," Case added.

Case has served on the Agents Advisory Council for LWCC and Hanover Insurance Company and on the Commercial Lines Committee for CNA's PACER panel. She is a two-time past president of the Insurance Women of St. Tammany and was twice recognized by the association as Insurance Woman of the Year.

She is a past president of PIA of Louisiana and was named PIA of Louisiana's Agent of the Year in 2001. She also received PIA of Louisiana's Chairperson of the Year award for her work heading up the Company Relations Committee. In addition, Case received the Insurance Woman of the Year award from the 1752 Club of Louisiana.

A strong proponent of community support, Case has served as president of the Slidell Rotary Club, the Olde Towne Slidell Merchants Association, and the Women's Health Foundation, as well as director on the boards of the Youth Service Bureau of St. Tammany and the Slidell Heritage Foundation Inc. Currently she is a co-chair of the Slidell Economic Development Alliance.

Case was selected as the Rotarian of the Year in 1997, was the recipient of the 2008 Athena award for leadership and professional excellence, and was a CitiBusiness

See **IIABL OFFICERS** Page **6**

IIABL officers

FROM PAGE 5

Woman of the Year honoree.

The members who took office along with Case are Donelson Stiel, David H. Stiel Jr. Agency, Franklin, president-elect, and Michael Scriber, Scriber Insurance Services, Ruston, secretary-treasurer. Johnny Bechmann III, AssuredPartners, New Orleans, is the state national director.

New to the state board are Matt Graham, The Lincoln Agency, Ruston, and Hartwig "Robby" Moss IV, Hartwig Moss Insurance Agency, New Orleans.

Continuing on the board are Ann Bodkin-Smith, Thomson, Smith and Leach Insurance Group, Lafayette; Matthew de Blanc, Continental Insurance Service, Marrero, and Chris Haik, Haik Insurance Holdings, Lafayette; Rob Eppers, Risk Services of Louisiana, Shreveport; Stuart Harris, McClure, Bomar and Harris, Shreveport; Ross Henry, Henry Insurance Services, Baton Rouge; Bret Hughes, Hughes Insurance Services, Gonzales; Harry Kelleher, Harry Kelleher and Company, Harahan;

And Philip "Phe" McMahon, Paul's Agency, Morgan City; Lydia McMorris, Alliant Insurance Services, Baton Rouge; Eugene Montgomery, Community Financial Insurance Center, Monroe; Joe Montgomery, Thomas and Farr Insurance Agency, Monroe;

Also Paul Owen, John Hendry Insurance Agency, Zachary; Martin "Teeny" Perret, Quality Plus Insurance, Lafayette; Robert Riviere, Riviere Insurance Agency, Thibodaux, and Armond Schwing, Schwing Insurance Agency, New Iberia.

The Young Agent representative on the board is Brittni Lagarde, Southern Insurance Agency, New Orleans.

State Farm slices auto rates

Insurance Commissioner Jim Donelon announced July 6 his approval of a permanent decrease of 9.6 percent in the rates for auto insurance policies issued by State Farm Insurance Company for Louisiana drivers.

This auto insurance reduction by State Farm, follows approved decreases of 4.5 percent in 2018, 6.5 percent in 2019 and 2.3 percent in March of 2020, which total a 23 percent decrease in the last two years.

"State Farm provides auto insurance for more than a million Louisiana policyholders and has been at the forefront of giving consumers relief from their auto premiums due to decreased driving during the COVID pandemic," Donelon said. "We've seen many other local and national insurers do the same since the issuance of nationwide stay at home orders that have resulted in Louisiana policyholders receiving over $202 million dollars in rebates or refunds."

Additionally, Louisiana's private passenger auto insurers continue to return auto premium to Louisiana drivers as a response to emergency declarations and stay at home orders in place throughout the U.S. and Louisiana.

Insurers are seeing significantly fewer miles driven, resulting in a reduction in the frequency of accidents and claims filing, as well as ultimate lawsuits being filed.

The effective date of State Farm's current reduction is August 24, 2020, for new and renewal policies.

NEWS IN BRIEF

FROM PAGE 4

smartphone and tablet manufacturers to deliver products and services to be available in vehicles. The boost in demand for electric vehicles has also fostered the creation of applications that allow customers to connect their smartphones to their cars in order to test the vehicle's battery, which has increased growth in the app-based usage-based insurance market. Valuates Reports says usage-based insurance also reduces the risk of accidents and vehicle theft.

MARRIAGE AND INSURANCE

In a recent survey conducted by ValuePenguin, 39 percent of married couples experienced arguments over insurance and nearly a quarter hadn't spoken to their partner about insurance at all. Here's what ValuePenguin found: the two primary sources of disagreement were which insurer to use (16 percent) and making a claim (11 percent). More married couples have joint policies for auto insurance than they do for health insurance; nearly three-quarters of married Americans have a joint auto policy, while just over half share the same health insurance policy. Older Americans are more likely to share auto insurance policies with their spouse, while people under 50 are more likely to share health insurance policies; this is partly due to the fact that older Americans may be on Medicare, in which each person has a separate policy. Nearly a quarter of married consumers have never discussed or reviewed insurance policies with their spouse. ValuePenguin is part of LendingTree.

BUSINESS INTERRUPTION

Mounting business-interruption lawsuits resulting from the COVID-19 pandemic could deal insurers billions of dollars in losses, rivaling their liability from asbestos litigation about 30 years ago, analysts predicted on July 1. Insurers' worst-case business-interruption liability from the outbreak could top $25 billion, which would match losses from some Category 5 hurricanes, a Wells Fargo Securities analyst told the Wall Street Journal. The amount is a quarter of what insurers lost from the asbestos

See **NEWS IN BRIEF** Page **10**


WE KNOW HOSPITALITY!
WE'RE THE BEST CHOICE
FOR YOUR HOSPITALITY CLIENTS.
• RESTAURANTS
• GROCERY STORES
• C-STORES
• BEST-IN-CLASS CUSTOMER SERVICE
• COMPLIMENTARY SAFETY SERVICE
• LOCAL CLAIMS HANDLING
• COMPETITIVE RATES
AND GREAT COMMISSIONS TOO!
LRA SIF FOR WORKERS' COMPENSATION
For a quote, contact us at (504) 454-2277
or lrasifquote@lra.org.

AmTrust v SEC

FROM PAGE 1

judgment interest.

The settlements with AmTrust and Pipoly are subject to court approval, the SEC said in its statement.

The SEC's investigation was conducted by investigators in the SEC's Fort Worth Regional Office, and the SEC's litigation was led by attorneys of the Fort Worth Office.

AmTrust is a Delaware corporation, headquartered in New York. AmTrust's common stock was registered with the SEC and traded on the NASDAQ. AmTrust's preferred stock and subordinated notes were registered and traded on the New York Stock Exchange.

As of Dec 31, 2015, AmTrust had 17 wholly owned domestic subsidiaries that collectively were licensed to provide workers' compensation insurance and commercial property and casualty insurance in all 50 states, the District of Columbia and Puerto Rico. AmTrust's wholly owned international subsidiaries also provided insurance in Europe and Bermuda, according to the SEC civil proceeding.

As the SEC described it, AmTrust was a "highly acquisitive" company that grew rapidly, both domestically and internationally. The company's consolidated gross written premium surged from $1.2 billion in 2009 to $6.8 billion in 2015. By Dec. 31, 2015, AmTrust had approximately 6,200 employees serving 12 countries and territories.

On June 21, 2018, AmTrust's public stockholders approved an offer to purchase their common stock in a going-private transaction. The transaction closed on Nov. 29, 2018, and trading in AmTrust's common stock was suspended, according to the SEC's civil action. AmTrust's common stock was subsequently delisted, and on Feb. 7, 2019, AmTrust voluntarily delisted the listed securities as well. As a result AmTrust's reporting obligations were suspended, and AmTrust is no longer required to file any reports with the SEC.

Before AmTrust announced the go-private deal in January 2018, AmTrust's common stock had tumbled to less than $9 per share in late November 2017 from about $28 per share in December 2016, according to S&P Global. The company had made multiple earnings restatements and delayed making required financial reports in 2017. Those issues were accompanied by "substantial quarterly losses" and charges that surprised the analysts who followed the insurer at the time, S&P Global said.

When the deal was proposed, the Karfunkel-Zyskind family owned or controlled about 43 percent of AmTrust's outstanding common shares, S&P Global reported, a stake large enough to control the company led by Barry Zyskind. Shareholders weren't happy with the proposed deal and pushed for a higher price. Eventually, a panel of directors agreed to $12.50 per share.

Ultimately, investor Carl Icahn pressured the family and Stone Point to raise their offer to $14.75 a share, where the deal closed in November 2018 at an equity value of $2.9 billion, S&P Global said.

A class action lawsuit was filed against AmTrust, Zyskind and Pipoly in July 2014 seeking damages on behalf of investors who purchased AmTrust common and preferred stock between Feb. 15, 2011, and Dec. 11, 2013.

See **AMTRUST V SEC** Page **9**

AmTrust v SEC

FROM PAGE 8

In the lawsuit, plaintiffs Michael Harris and Stuart Schapiro alleged that AmTrust understated its losses from insurance operations by $289.9 million, and thereby overstated its income by a like amount. The plaintiffs cite a Dec. 12, 2013, report by analyst firm Geoinvesting that exposed AmTrust as a "House of Cards." Drawing on financial information that AmTrust's subsidiaries filed with state insurance commissioners in the U.S. and in Bermuda, Geoinvesting demonstrated that from fiscal 2010 through 2012, AmTrust concealed the $289.9 million in losses through an "unknown accounting manipulation."

AmTrust's subsidiaries' individual financial reports filed with insurance regulators showed aggregate loss and loss adjustment expenses for 2010 through 2012 that was $289.9 million greater than the loss and loss adjustment expenses that AmTrust reported in its consolidated financial statements in its annual reports with the SEC for 2010 through 2012.

In a footnote, the plaintiffs explain that Geoinvesting hypothesized that AmTrust hid the losses by having its U.S. subsidiaries cede some of their losses to AmTrust's Bermuda reinsurer, which then ceded them to its Luxembourg subsidiaries, while retaining the corresponding insurance premiums in its Bermuda subsidiary. AmTrust then consolidated its entire operations without ever recognizing or revealing to investors at least $276.9 million of losses ceded to its Luxembourg subsidiaries. Plaintiffs could not determine whether or not that particular accounting manipulation actually occurred.

AmTrust responded to the Geoinvesting report by contending the report was full of inaccuracies and that AmTrust's financial reporting and that of its foreign subsidiaries was in conformity with GAAP, AmTrust said in court papers filed in the U.S. District Court for the Southern District of New York.

In his opinion filed Sept. 9, 2017, U.S. District Judge Lewis A. Kaplan of the Southern District of New York saw things AmTrust's way and dismissed three lawsuits that were filed in 2017 alleging securities violations. The lead plaintiff was New England Carpenters Guaranteed Annuity and Pension Funds. Other plaintiffs were Albano and Jupiter Capital, ILRT and Stanley Newmark.

What the plaintiffs did know is that, prior to AmTrust, Pipoly was the controller and an executive officer at PRS Insurance Group, the parent company of Credit General, a property and casualty insurer that was liquidated in 2001 by Ohio regulators after it was revealed that its CEO, Robert Lucia, had committed fraud and stolen $30.0 million through transactions with a series of related party offshore entities. Lucia was accused of bank fraud, money laundering and filing false tax returns in a 16-count federal indictment for his fraud at PRS. He pled guilty and was sentenced to 10 months in prison and fined more than $56,000.

Pipoly became CFO of AmTrust after he assisted AmTrust in purchasing certain assets from PRS Group, according to the lawsuit. Pipoly served as executive vice president and chief financial officer of AmTrust from 2005 until June 5, 2017, according to court documents.

House to study appointed commissioner

A House Resolution was passed during the 2020 First Extraordinary Session of the Legislature that requests the House Committee on Insurance to study and make recommendations regarding the effects of making the commissioner of insurance an appointed position, including what effects the change would have on Louisiana's insurance market and the cost of insurance to Louisiana consumers and to report the findings to the House no later than Feb. 1, 2021.

The proposal, HR 36 was sponsored by Rep. Tanner Magee, R-Houma, who is speaker pro tempore of the House. The measure was reported favorably by the House Committee on Insurance on June 24 by 9-0 vote. A day later the House adopted the resolution on an 89-6 vote.

In introducing the resolution, Magee pointed out that R-Street gave the Louisiana legislature accolades for passing the tort reform legislation, which R-Street said could move Louisiana closer to making a passing grade when it doles out grades.

For two years in a row, Louisiana has finished dead last, with a grade of F in the R-Street Intstitute's annual report card of the insurance regulatory environment in each of the 50 states. R-Street indicated that the tort reform passed by the Louisiana Legislature could put Louisiana on a path out of the basement, just by making the state's tort environment more average. The reference was to SB 418 from the 2020 Regular Session of the Louisiana Legislature, which turned out to be hopelessly flawed and was vetoed by Gov. John Bel Edwards.

R-Street said the bill didn't fix all that ails the state's regulatory environment, because Louisiana "remains a state that politicizes regulation with an elected insurance commissioner…." R-Street has historically

See **APPOINT COMMISSIONER** Page **10**

Appoint commissioner

FROM PAGE 9

taken a dim view of states with elected insurance commissioners and slashes points off their score for electing commissioners.

Donelon spoke against appointing the commissioner. After being active with NAIC and serving as president of the association, Donelon is convinced that an elected commissioner is preferable. He points to seniority as one of the reasons to elect. Elected commissioners serve longer than appointed commissioners, which last an average of three years. Appointed commissioners are appointed primarily by governors. Donelon believes the short time appointed commissioners serve is not in the best interest of the consumer.

Donelon told the panel if the legislature goes to an appointed commissioner, the state would immediately go up a letter grade, from an F to a D. "The industry is not keen for the most part on elected commissioners." If the legislature would also take Louisiana out of being one of the 15 states that has prior approval of rates and move to a use and file system as most states have, the state would go up another letter grade. "We would be at average for those two bills alone," Donelon said.

He explained that the Department of Insurance budget is $30,700,000, and 10 years ago it was $30,200,000. "My work force was 275 employees when I took office in 2006. Today, it is 225 full time employees. During the Jindal administration we were assessing every policyholder in the state, money that flowed to the general fund. And cost policyholders $25 million a year. We have repealed that authority to assess. And weaned the state off of that $25 million. This year it is $8 million. It is more than we need, but that is not 2.5 times our budget, but it should not be. That is a back door way of funding state government on fees rather than a 2/3 vote of the legislature to pass taxes."

Donelon said that he inherited one of the five or six highest premium tax arrangements in America and has worked every way to get consensus amongst insurers in our state to lower those premium taxes. He agrees with the R-Street report on that as well.

Still, he does not agree with R-Street on appointing an insurance commissioner and not requiring prior approval of rates. He offered two reasons why "that is a really bad idea." One is State Farm. When State Farm came with an increase in 2008. They asked for a 14 percent rate increase, which amounted to three times 14 percent in Slidell, Metairie, Lafayette and Cameron Parish because rates in coastal areas had been suppressed for political reasons and the cost was shifted to the central and northern parts of the state. That no longer happens, Donelon said. "Now when they get a rate increase, it is flat across all 64 perishes.

State Farm said their indicated need was 28 percent, but they knew Donelon wouldn't go for that so they cut it in half. He said, "That's not how I do business. I like to have an actuarial basis for whatever decision I make." In 2006, they had taken a rate increase backed up by three catastrophe models. Donelon had them remove the outlier model and the 28 percent indicated went down to eight percent, which was approved.

R-Street doesn't like Donelon's desk rule that allows rate increases only once a year. "It is a bone of contention with the industry, and works against me on the R-Street report."

NEWS IN BRIEF

FROM PAGE 6

litigation, which is considered the longest and most-expensive mass tort in the U.S. The prediction comes as an increasing number of businesses across the country impacted by the coronavirus shutdowns sue their insurers to force them to cover billions in business interruption losses.

PPACA PARTICIPATION

Close to half a million people who lost their health insurance amid the economic shutdown to slow the spread of COVID-19 have gotten coverage through HealthCare.gov, Insurance Business America said the government reported June 25. The numbers from the Centers for Medicare and Medicaid Services come as the Trump administration is expected to file written arguments in a Supreme Court case to overturn the Affordable Care Act. That would jeopardize coverage for some 20 million Americans and put at risk protections for people with pre-existing health problems. The figures are partial because they don't include sign-ups from states that run their own health insurance marketplaces. Major states like California and New York are not counted in the federal statistics. An estimated 27 million people may have lost job-based coverage due to layoffs, and people who lose employer health care are eligible for a special sign-up period for subsidized plans under the Obama-era law. Many may also qualify for Medicaid. The report from the government showed that about 487,000 people signed up with HealthCare.gov after losing their workplace coverage this year. That's an increase of 46 percent from the same time period last year.

PANDEMIC BRINGS CHANGE

As the COVID-19 pandemic continues, insurers are changing how they cover business customers over the short term, but some suggest the pandemic could be a catalyst for bigger and more permanent changes in the commercial insurance market that could enable disrupters to garner greater market share, the Financial Times reported in June. In terms of employees working from home, some insurers have temporarily extended their existing workplace policies so that

See NEWS IN BRIEF Page 13

Citizens board holds July meeting in person without a quorum

The July 9 meeting of the Louisiana Citizens Property Insurance Corp. (Citizens) board of directors was held in-person at the Department of Insurance building in Baton Rouge. The meeting was held even though there was not a quorum to approve the voteable agenda items. During the meeting, Citizens CEO Richard Newberry updated board members on the company's depopulation plan for 2020 and 2020 catastrophe storm preparations, while Vice President of Accounting and Finance Joseph Sciortino told board members about the 2020 assessment rate, the 2005 deficit recertification and the company's financial situation through the end of May 2020.

Newberry told the board that when COVID-19 caused the economic shutdown, Citizens was able to flip a switch and begin working remotely. "We had been testing the system for the last three years, anticipating something happening to the office, not a pandemic," Newberry said.

In his report, Newberry told the board that the 2020 plan for depopulation is to continue offering take-out opportunities to property insurers, and to comply with all aspects of the revised statute.

Citizens' will manage the depopulation process so that the decrease in policies will still be limited for the sustained viability and operational planning of the organization.

For Citizens, reducing the exposure of the corporation in the most optimal manner possible is a major factor in choosing the policies to offer for depopulation.

There are two companies signed up for the 2020 depopulation process, SafePoint Insurance Company and Southern Fidelity Insurance Company.

He told the board that the selection portal opens on Sept. 1, 2020, for companies, the authorization portal opens for agents on Oct. 1, 2020, and the system closes to agents and companies on Oct. 31, 2020. Then, Citizens will send the assumption notification documents to companies and agents on Nov. 20, 2020, and policyholders have until Feb. 28, 2021, to opt-out.

Again this year, Citizens will offer 4,000 policies for take-out.

Next, Newberry updated the board on 2020 catastrophe storm preparations.

He told the board that despite facing several unexpected challenges due to the COVID-19 pandemic, Citizens' strong relationships and market reputation allowed its reinsurance program to be completed with minimal rate increases and preservation of key structural features and $600,000 under budget.

The 2020 reinsurance structure has $560 million in coverage, down $50 million from 2019's $610 million in coverage. Even with the reduction in coverage, Citizens' blended average exhaustion rate went up to a 303 year probable maximum loss from 2019's 302 year probable maximum loss.

"A scientific approach to depopulation allows Citizens to generate a higher percentage reduction in reinsurance costs relative to the percentage of premium lost," Newberry told the board. "Citizens had a $145,000 drop in premium with a corresponding drop in insured property value of $16 million," he added.

Citizens initially marketed the plan to 147 reinsurers in early March but had to do a Zoom meeting involving 84 reinsurers after the start of the pandemic. Eventually, 40 reinsurers supported placement. There were even four new reinsurers added to the 2020 placement.

Newberry reported to the board that Citizens had 35,805 policies in force at the end of May 2020 with a total insured value of $6.9 billion compared to 38,074 policies in-force at the end of May 2019 with a total insured value of $7.4 billion.

During Sciortino's report, the VP of accounting and finance reviewed the 2021 emergency assessment rate calculations. Sciortino indicated that Citizens' 2021 assessment rate will go down to 2.49 percent for 2021 from 2.60 percent in 2020.

In making the calculations for the assessment rate, Citizens uses the previous year's assessable property insurance written premium and the expected debt service costs for the assessment year. The assessable written premium for 2019 was $2.7 billion, an increase of $69.4 million, according to Sciortino. The estimated debt service costs for Citizens for 2021 will be $66.4 million, according to the Regions Bank bond trustee.

The new rate will be effective Jan. 1, 2021.

According to Sciortino, each year Citizens has to certify the current deficit from the 2005 storms. According to the July 9 meeting handouts, Citizens' deficit from the 2005 Katrina/Rita storms increased by about $1.64 million to $1,358,057,776 from 2019's $1,356,420,776. The deficit certification is performed in-house with a review by Citizens' auditor as part of the company's annual financial review.

In addition, he reported that Citizens ended May with a surplus of $190.5 million compared to $186.5 million at the beginning of 2020. Citizens' net income through the end of May was $3.78 million, which is $195,000 more than the budgeted income of $3.58 million.

He reported that Citizens ended May with $224.3 million in total cash and investments, compared to $220.9 million in total cash and investments at the beginning of 2020.

NEWS IN BRIEF

FROM PAGE 10

staff working from home have the same coverage they would in the office. If more people work from home permanently, companies will have to think carefully about their employers' liability insurance. From a risk management perspective, employers will have to ensure work stations are set up correctly so that employees don't have health issues related to their work stations and that their electronic devices are secure. With a rise in ransomware attacks and other cyberattacks, employers will need to consider cyber coverage and the risks of handling lots of data in remote locations. Meanwhile, InsurTech companies are looking for openings in the commercial insurance market, using artificial intelligence and online distribution to grab market share, and as more people work from home, this could be a major opportunity for those firms.

OVERDOSE DEATHS

According to a White House drug policy office analysis, there was an 11.4 percent year-over-year increase in drug overdose fatalities for the first four months of 2020, confirming experts' early fears that precautions like quarantines and lockdowns combined with economic uncertainty would exacerbate the addiction crisis, Politico reported June 29. The White House drug czar told Politico that not all states reported their numbers, but experts expect the death count to continue rising as more people turn to substance use to deal with anxiety, social isolation, and depression. Kentucky estimated it had a 25 percent increase in overdose deaths between January and March, while other state data shows a rise in emergency department visits and EMS calls connected to overdoses increasing between March and June. West Virginia, another state hit disproportionately hard by the addiction crisis, reported 923 overdose-related EMS calls in May, a roughly 50 percent jump compared to year-earlier figures.

LLOYD"S DONATION

Lloyd's donated $500,000 to the new children's fund, said Hank Watkins, president of Lloyd's Americas, and board member, Insurance Industry Charitable Foundation's Northeast Division. Watkins announced the donation July 2. As the COVID-19 pandemic continues to keep people at home and health care professionals working around the clock, the insurance industry has been stepping up to help. The IICF set up the Children's Relief Fund, which is an effort ongoing to encourage industry participants, brokers, insurance companies, reinsurers, to contribute not only as corporate donors, but to encourage their employees to contribute, as well, Watkins explained. This money is distributed between the four U.S. divisions of IICF and goes solely to children in crisis as a result of this pandemic. Donations recently passed the $1 million mark, according to Watkins, who said that Lloyd's contributed half a million dollars to that fund. That was part of a much larger global charitable contribution that Lloyd's is making of $18.6 million to make sure that people are taken care of in this time of crisis.

LIGA members elect new board member

The Louisiana Insurance Guaranty Association (LIGA) held the annual membership meeting and board of directors meeting remotely on June 25. The regular quarterly meeting was held immediately after the annual membership meeting.

During the annual meeting a new board member was elected by the membership. Each year, three seats are scheduled for appointment or election.

This year, one seat was up for re-election. The membership voted to elect Jennifer Wise, Zurich, to the seat vacated by Tom McCormick's retirement from the board. The two other seats are appointed by the Commissioner of Insurance and the Speaker of the House, respectively. The Commissioner reappointed Denis Husers. William D. Hughes III, notified LIGA that he is retiring from LIGA, and LIGA has requested a new appointment from Louisiana Speaker of the House Clay Schexnayder, R-Gonzales.

During the quarterly meeting, the board heard about the new claims system and a new liquidation. In addition, the board was updated on claims and on the bills the legislature considered that affect LIGA.

At the meeting, LIGA Executive Director John Wells updated the board on the new claims management system. Wells told the board that in February he received the news that Andrew Holladay, the chief technology officer for the National Conference of Insurance Guaranty Funds (NCIGF), was leaving NCIGF to take over product development at Lightspeed. Wells told the board that Holladay has been the foremost champion of data security and improving data transfer for the members of NCIGF. Holladay told Wells that he saw Lightspeed as the place where he could make the most impact for the guaranty fund community.

Since Holladay's arrival at Lightspeed, he has significantly improved Lightspeed's communication, transparency, and responsiveness, Wells told the board. Lightspeed is also establishing a user advisory board and asked Wells to participate on the board. Wells is hopeful that this revamping of LIGA's technology vendor will continue and eliminate LIGA's need to develop an independent data system.

Wells informed the board that Gateway Insurance Company, a commercial auto insurer domiciled in Illinois, was placed in liquidation on June 8, 2020, by the Illinois courts. LIGA expects to get more than 200 claims. Gateway's niche in the market was

See **LIGA BOARD** Page **14**

LIGA board

FROM PAGE 13

covering taxi, livery, ride-share, and similar vehicles for hire. LIGA does not expect any significant changes to staff, operations, or finances as a result of this insolvency.

Wells updated the board on LIGA's COVID-19 precautions. When the state issued its personal health and stay-at-home advisories, LIGA responded by ensuring that LIGA's essential work would continue to be performed and that a minimum amount of staff would be on LIGA's premises at any given time. LIGA accomplished this by allowing half of its staff to work from home. The other half rotated shifts so that only two or three people would be in the building at a time. LIGA purchased masks, gloves, and hand sanitizer. LIGA met with its cleaning personnel, changing up how the office was cleaned. As a precaution, LIGA also engaged the services of a professional to treat the entire office with a disinfectant.

Wells told the board about the two bills in the 2020 regular session that attempted to change the LIGA Law. The first bill was a bill proposed by the Department of Insurance that would strengthen LIGA's position as a payer of last resort by mirroring language passed by California. The language was quoted in a favorable opinion by the U.S. Appellate Court. According to Wells, the bill passed without much discussion.

The second bill was backed by a medical group which sought to remove certain insureds under a group policy from the net worth exclusion. According to Wells, the bill was poorly written, leaving terms undefined and creating potential conflicts with other parts of the law. While versions of the bill passed in the House and the Senate, it was tabled before final conference.

According to Wells, LIGA law creates a delicately balanced public-private partnership. This ecosystem provides for checks and balances in many forms. Some of these are necessary to ensure that both the private insurers and the state have input. Others help protect the solvency of the fund or minimize the effect on the state budget.

Over the past several years, added Wells, Louisiana has experienced significant turnover in the legislature. "When I have been at the capitol in recent years, I have been amazed how misunderstood the LIGA Law is and how easy it is for well-intended legislators to disrupt LIGA's balance," Wells told the board. He believes it is imperative that LIGA develop and implement a legislative education plan. The plan's goal would be to educate key legislative members/staff, key Department of Insurance staff, as well as the trades and industry. Wells told the board that he and LIGA's General Counsel Stephanie Laborde will be working on an outline to share with the Legal Committee later in the year.

Wells reported that as of April 30, LIGA's investment account at Wells Fargo Advisors had a value of $148,626,552 on a cost basis, with a market value of $155,337,846. LIGA's holdings consist of 15 percent Corporates and 85 percent U.S. Treasuries/Agencies and LIGA's current annual yield is at 1.95 percent.

In Wells' report to the board, he told the board that one of LIGA's corporate bonds was downgraded by the S&P to BBB+ due to an anticipated drop in sales and earnings. LIGA's investment policy states that management will advise the board when any bond drops below A-. Wells Fargo has reviewed the downgrade of PPG and suggested holding the investment at this time. Wells Fargo advised that PPG has a strong liquidity position including $1.3 billion in cash, $2.2 billion in open credit and a strong cash flow.

LIGA Claims Manager Deidre Arceneaux reported to the board that LIGA had received 234 claims from the Gateway Insurance Company liquidation. The 234 policies mostly cover taxi cabs, Uber/Lyft and non-emergency paratransit vehicles. She told the board that LIGA's current staffing has the capacity to handle these files.

According to Arceneaux, the Claims Department currently consists of seven members: one manager, five examiners and one claims assistant.

The five examiners are dedicated to the following specialties: two workers' comp examiners, two auto examiners and one environmental examiner.

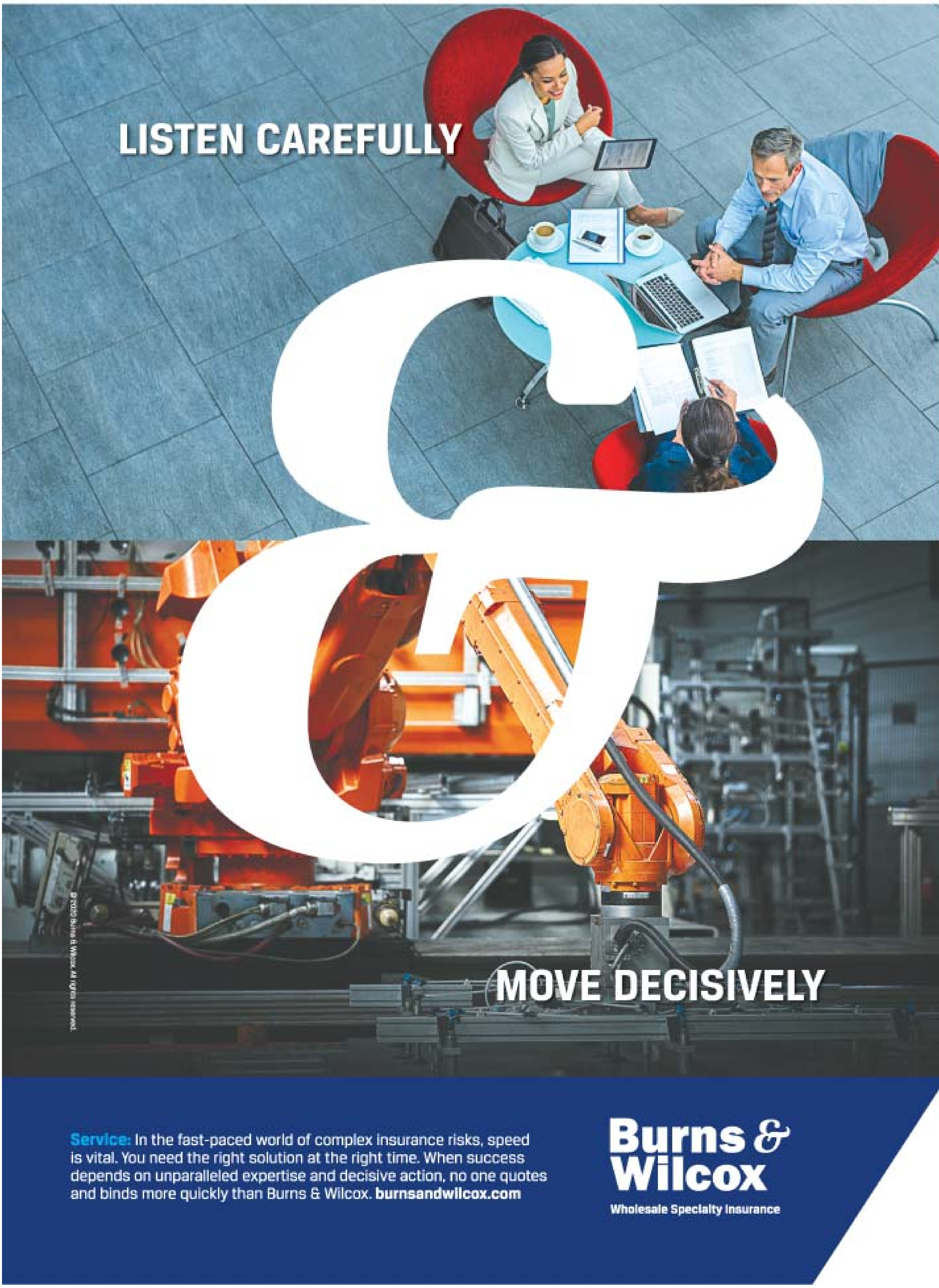
In Arceneaux's report to the board, from Aug. 31, 2019, to May 31, 2020, open claims decreased from 1,177 to 1,044.

Of the Claims Department's 1,044 pending files, 682 are environmental, 152 are workers' comp and 210 are auto and others.

LIGA's current reserves, according to Arceneaux's report, amount to $120,666,055.

She reported that LIGA's current filings with the Second Injury Fund are $321,366.61.


BEWARE
THE
UNAWARE
Unlike other workers' comp providers, LCI is a Louisiana business that understands how Louisiana businesses work. We take the time to get to know our members personally, which means we get to know the ins and outs of your business. So when you need us most we won't show up with a giant ice ax. 985-612-1230 :: lciwc.com
LCI WORKERS' COMP 30 YEARS


LISTEN CAREFULLY
&
MOVE DECISIVELY
Service: In the fast-paced world of complex insurance risks, speed is vital. You need the right solution at the right time. When success depends on unparalleled expertise and decisive action, no one quotes and binds more quickly than Burns & Wilcox. burnsandwilcox.com
Burns & Wilcox
Wholesale Specialty Insurance

Lloyd's to concentrate on surplus lines and reinsurance

Lloyd's surrenders admitted licenses

London Views
by Len Wilkins
London Correspondent

Lloyd's announced recently its decision to relinquish its admitted licenses in the U.S. Virgin Islands, Kentucky and Illinois. Lloyd's will concentrate on excess and surplus lines and reinsurance as its core markets. Lloyd's will lose $215 million of income, which represents one percent of its annual U.S. premium income.

Lloyds is the market leader of E&S business, and with these products being more flexible, Lloyd's sees E&S contracts as a better fit for the market and more likely to help Lloyd's achieve its strategic vision. Lloyd's stressed that the decision was not related to the local markets or the business it writes under its admitted licenses.

The changes aren't going to happen overnight, and Lloyd's is giving 12 months' notice of this move, which will allow the market and its key stakeholders time to make changes to their commercial business plans. From July 1, 2021, the Lloyds market will not accept any new business or programs on the licensed platforms. For existing and renewal business, Lloyd's will work with regulators in the licensed territories to develop plans that will mean little or no disruption to the local markets and to Lloyd's policyholders. Once arrangements are made with regulators in these territories, Lloyd's will issue more detailed guidance.

For existing and renewal business, Lloyd's will work with regulators in the licensed territories to develop plans that will mean little or no disruption to the local markets and to Lloyd's policyholders.

The potential $215 million that Lloyd's could lose from relinquishing its admitted licenses is unlikely to keep anyone in Lime Street awake at night. Lloyd's is the largest writer of surplus lines insurance in the U.S., and according to AM Best, wrote $11.8 billion in premiums in 2018. This gives the Lloyd's market 23.6 percent of the overall surplus lines market. The next largest player is AIG with a 7.1 percent share.

Lloyd's is updating its procedures for placing surplus lines, excess lines, and reinsurance. Soon the new systems will be in place, which will make it easier for coverholders to process and use binding authorities. While the admitted license market was a great way to do business initially, Lloyd's has updated its systems. Managing agents can now set up service companies to write business for them, either direct or via binding authorities, which allows managing agents to focus on planning for the future.

High Court BI test case

The test case involving Lloyd's managing agents and insurance companies who wrote business interruption insurance continues in the U.K.'s High Court test.

Having filed a 42-page defense document, Lloyd's managing agent Hiscox was not delighted to learn that the court allowed the Hospitality Insurance Group Action and the Hiscox Action Group to intervene in the test case and make written and oral submissions. The Hiscox Action Group has 369 plaintiffs who claim $60 million in damages. So far, all the defendants have filed their defense documents, and these are available

See **LONDON VIEWS** Page **18**

London views

FROM PAGE 17

on the Financial Conduct Authority's website. The FCA has served its reply, which sets out its response to the defenses. The FCA received more than 90 detailed submissions from policyholders and other stakeholders on the defenses.

What happens now is a series of arguments by the FCA and defendants before the judges. The judges will consider their verdict between July 20 and July 30. Until then, there will be a lot of worried people.

Axa's payout on COVID-19 BI claims

To the dismay of the insurers fighting against business interruption payouts for COVID-19 claims, Axa and its U.K. subsidiary, Axa XL, have paid COVID-19 claims on policy forms that are similar to those being defended in the High Court.

This is the first time the London market has fragmented on the issue and is worrying insurers, as they see this move undermining arguments that they are not liable under their similar wording. The way the laws work in the U.K. is that words have their natural and ordinary meaning. If there is any ambiguity, a court may be influenced by what the London market as a whole understands by the term or phrase.

Obviously, one insurer paying out does not make its rivals pay out as well. Individual circumstances are taken into account, but then again, an insurer may want to pay out for reputational reasons. Apparently, while Axa refuses claims under its standard policy, the ones it paid on are all placed through brokers and had separate wordings.

Lloyd's ideas for recovery

Although still in the middle of the COVID-19 crisis, Lloyd's is already looking at how the insurance industry could fast-track global economic and societal recovery from the far-reaching impacts of COVID-19. Lloyd's idea is for three partnerships to understand, model and provide insurance for systemic catastrophic events. Lloyd's sees three customer needs. In the short term is the need to ensure business resilience to a further wave of COVID-19 and to safeguard employees and customers as a business reopens. The medium-term need is for more flexible insurance cover for the more volatile business environment, including protection for a resilient supply chain, and protection from cyber and digital economy risks. Third, there is the long-term need for risk mitigation and prevention services. Two of these needs require support from governments and the reinsurance industry, but if enacted could provide protection for future waves of COVID-19 as well as other future pandemics. Lloyd's has developed these ideas into a report titled Supporting Global Recovery and Resilience for Customers and Economies: the Insurance Response to COVID-19.

Lloyd's has come up with three proposals for the industry. The first proposal is called ReStart. This is a new insurance solution that Lloyd's is developing to offer business interruption to cover future waves of COVID-19. To achieve this, Lloyd's plans to pool limited capacity from several Lloyd's syndicates. Initially, the cover would be offered only to smaller businesses but would be expanded in time.

Proposal two, known as Recovery Re, is a Lloyd's plan to offer after-the-event insurance. As the name suggests, this is aimed at getting damaged business and economies back on track following a pandemic. It would provide immediate relief and cover for non-damage business interruption risks over the long-term. Cover for the current COVID-19 crisis could be included. If executed, Recovery Re could efficiently inject commercial and government funds into an economy and support those customers who have limited borrowing capacity. This is an international solution and could be adopted in any country where the government has the resources, financial markets and the commitment to support it.

The term black swan is used for an unpredictable event that is beyond what is normally expected of a situation. Lloyd's adopted this name for its third proposal, Black Swan Re. This is a reinsurance framework for a government and insurance industry partnership to protect customers from a black swan incident that could cause devastation and long-term impact. While a pandemic would trigger claims from Black Swan Re, other events, such as the loss of critical infrastructure or utilities, could also trigger recoveries. Lloyd's idea is for a reinsurance company that would supply cover for commercial non-damage business interruption for black swan events through in-

See LONDON VIEWS Page 19

London views

FROM PAGE 18

surance industry pooled capital that would be backed by government guarantees to pay out if the pool had insufficient funds. The idea is similar to that of government backed terrorist pools around the world.

Lloyd's also believes there is a need to better understand, model and provide insurance for systemic catastrophe events. Lloyd's intends to kick-start the creation of a Centre of Excellence, already partly accomplished with Lloyd's Innovation Lab, which works with insurtechs that can provide some of these capabilities. Work is going on to explore the application of an epidemic tracker to better evaluate and underwrite pandemic risk, as well as solutions to help close the insurance gap for systemic risks. In parallel, Lloyd's Product Innovation Facility focuses on innovating products to respond to an accelerated shift toward intangible-driven business models in response to COVID-19.

Lloyd's to reopen Sept. 1

Lloyd's hoped to return home in August, but that has been pushed back until Sept. 1. There are detailed plans in place to enable the reopening of Lloyd's 1 Lime Street headquarters and underwriting room while adhering to government guidelines ensuring social distancing. The government easing of the U.K.'s COVID-19 lockdown will have to continue.

> *Many companies have adopted digital trading with staff benefitting from no commuting and employers benefitting by reduced operating costs.*

The health and safety of all market participants and minimizing the spread of the COVID-19 virus is Lloyd's principal priority, so when the market reopens, it will look vastly different with several important safety measures in place. There will be fewer people. The capacity of those allowed to work in the underwriting room will be reduced from its usual 100 percent to 45 percent. This will allow everyone to adhere to the U.K. Government's social distancing guidelines. Clear plastic screens will be installed on all underwriting boxes to enable confidential conversations to safely continue.

That leads to another problem. What happens when the 45 percent capacity is reached? For normal shopping in the U.K. this isn't too much of a problem. You wait in a queue outside until someone leaves, and the queue master lets in the next person. Lloyd's is therefore working with the market to determine a class of business rota system to help manage capacity in the underwriting room.

Usually, each managing agent sets its own opening hours, so some syndicates are willing to write business at 9.00 a.m., while others want their coffee first. With safety now a priority, this system is being reviewed with the market, and there will be confirmed opening hours for everyone.

There are usually four ways to enter the underwriting room on the ground floor. In the U.K. two-way openings are not allowed, so Lloyd's will operate with two entrances and two exits to the building, as well as queuing and one-way systems installed in a variety of locations. Escalators will be operational for normal use; and lifts will be restricted to two passengers at a time.

There will be no compulsory temperature-check on arrival, but Lloyd's will provide thermal cameras for voluntary use.

Will Lloyd's staff return?

While Lloyd's plans are going ahead, there are still concerns about how many people will return to the market. In the U.K. anyone over 70 is supposed to self-isolate, and several in the Lloyd's community are above 70. For the younger members of the community, there may be childcare problems because U.K. schools are closed until later in the year.

However, the main threat to the reopened room is changes in the way the market operated over the last few months. Many companies have adopted digital trading with staff benefitting from no commuting and employers benefitting by reduced operating costs.

To help the market, Lloyd's accelerated its plans to improve its digital connectivity. This does not just apply to the Lloyd's building but also online with a virtual room. This online environment will combine the best features of 1 Lime Street with digital technology as part of the market's Future at Lloyd's.

Lloyds is testing a number of digital platforms that will enable brokers and underwriters to connect and collaborate online and aims to launch a virtual room by Sept. 1. To support the concept, a number of digital connectivity enhancements will be put in place. They include a Connectivity Bar, which will be located on the ground floor of the Lloyd's building and will act as a help desk for all market participants. Digital booths will be located in the café area and other spaces to allow confidential virtual meetings. The booths will be equipped with the latest digital screens and high-speed WiFi connections. Network connectivity around the Lloyd's building has been enhanced, enabling easier and quicker public access to Lloyd's high speed WiFi network.

API simplifies electronic placement

Apart from all the changes to the room, Lloyd's has announced a new application program interface (API), which will help London Market brokers and underwriters place business electronically. This forms part of Lloyd's work on developing the next generation of PPL (Placing Platform Limited). The new interface enables the frictionless flow of electronic placement data for submissions and quotes between carriers and brokers using either PPL or any

See **LONDON VIEWS** Page **20**

Samples of lawsuits that seem ridiculous

While most lawsuits have merit, some frivolous lawsuits stand out because they are so absurd, such as the lady who sued Jelly Belly because there is sugar in the candy beans. The website 247tempo.com searched the archives of various news sites, including CNN, Reuters and NBC, and compiled a list of 25 examples of recent lawsuits that seem ridiculous.

The lawsuits come from all over the world, and believe it or not, not one is from a Louisiana case.

The article, written by John Harrington and Hristina Byrnes, appeared Jan. 29 on 247tempo.com. "While most cases have merit, sometimes the wrongs being sued are not what most people would consider to be unjust," they wrote. Judge for yourself whether or not the 25 lawsuits they selected have merit or are the stuff of late-night comedy.

1. A 69-year-old Dutchman wanted to legally change his age in order to avoid ageism. He thought he was being discriminated against because of his age, which affected his job prospects and success on a dating app. He lost the case.

2. A California woman sued Jelly Belly for using the term "evaporated cane juice" instead of the word "sugar" on its jelly beans' food label. She accused the company of misleading consumers about how much sugar the snack contained. The case was dismissed.

3. A 37-year-old man from Austin, Texas, sued his date for spending the time they were at the movies texting on her phone. He claimed her behavior broke theater rules and affected his movie-watching experience. He withdrew the lawsuit after she agreed to pay him the $17.31 for her cinema ticket.

4. In 2013, a teenager measured a foot-long Subway sandwich and found it to be only 11 inches. Three years later as Subway was settling a class-action lawsuit, promising to make its rolls 12 inches, the only ones set to benefit from the settlement were the attorneys who were to receive $520,000 in fees. The judge threw out the settlement and the case when an activist and legal writer revealed the beneficiaries of the settlement.

5. Two individuals from New York and another from Mississippi, sued Tootsie Roll Industries alleging the company tricked people by underfilling Junior Mints boxes. One-third of the box was empty, they claimed. In a 44-page decision, the judge dismissed the case, writing that a reasonable customer can expect some empty space.

6. A class-action lawsuit accused Red Bull of having misleading ads and making false claims because the energy drink did not give people wings, even figuratively.

See **FRIVOLOUS LAWSUITS** Page **21**

London views

FROM PAGE 19

other proprietary electronic placing platform.

Atrium Underwriting Limited will be the first to adopt the new API, which was developed by Lloyd's in collaboration with PPL and LIMOSS as well as several other Lloyd's brokers and underwriters. LIMOSS stands for London Insurance Market Operations and Strategic Sourcing. It is a not-for-profit company set up by the Lloyd's Market Association, the International Underwriters Association and Lloyds. The company sources and operates common market services for the London Insurance Market.

Lloyd's merges board and council

Lloyd's has now merged its board and ruling council to form a single governing body. It has taken steps to ensure its governance and management of the Lloyd's market and corporation are as efficient as possible while representative of different stakeholders. Originally proposed in November last year, the Lloyd's Market Association (LMA), the Association of Lloyd's Members (ALM), the High Premium Group (HPG) and Lloyd's Members' Agents consulted on the project.

Lloyd's confirms that, effective June 1, the members of the council are its chairman, Bruce Carnegie-Brown; eight members nominated by the Bank of England, including John Neal (Lloyd's CEO), Angela Crawford-Ingle (Audit Committee chairwoman) and Neil Maidment (Risk Committee chairman); three working members; two corporate external members, and one individual external member.

Originally there was to be a fully contested election process in April but COVID-19 prevented that from happening. Instead, Lloyd's rolled over existing members of the council and retained Karen Green and Dominick Hoare as special advisors to the council until full elections can be held, which is expected to happen before the end of 2020.

Frivolous lawsuits

FROM PAGE 20

They did not feel energized. Red Bull settled out of court and agreed to pay $640,000.

7. A Houston firefighter was afraid of fire and reassigned to an office position, so he would not have to come in direct contact with what frightened him, but he wanted to remain in his former job in the fire suppression unit. He claimed that his fear was a disability and that he was discriminated against because of his disability. His case made it to the Texas Supreme Court, which ruled there was no evidence of discrimination because of a disability.

8. A fugitive facing a murder charge kidnapped a Kansas couple in 2009. At some point he fell asleep, and the couple escaped. They sued the kidnapper for more than

> *Chinese boy meets pretty girl and marries the girl, but when they have a child, the boy cries foul, saying the baby is 'incredibly ugly' and does not look like either parent.*

$75,000 in damages, and he, in turn, sued them for breach of contract, claiming he and the couple had a legally binding oral agreement for them to hide him from the police. His case was dismissed.

9. Two McDonald's customers from Florida sued the chain for $5 million because they were made to pay for a quarter pounder without cheese the same price as the sandwich with cheese. A judge dismissed the case reasoning that the plaintiffs could not prove that the price they had to pay caused them any harm.

10. Chinese boy meets pretty girl and marries the girl, but when they have a child, the boy cries foul, saying the baby is "incredibly ugly" and does not look like either parent. He accused the wife of cheating on him, whereupon she admitted to having had several plastic surgeries before they met. He sued alleging she misled him by hiding her cosmetic history. He won the case, and she paid $120,000.

11. A New York woman fell down the stairs at Grand Central subway station, injuring her foot and ankle, after seeing an oversize "scary" poster for the Dexter series. She sued Showtime claiming the poster was "disturbing, provocative, shocking and fear inducing." The judge dismissed the case, saying the network was under no obligation to maintain the stairs at the station nor did the poster create a dangerous condition.

12. In 1993, a man sued Anheuser-Busch for $10,000 for false advertising. He claimed the company's beer ads caused him emotional distress, mental injury and financial loss because the ads depicted beer's ability to enable the drinker to enjoy "scenic tropical settings" with beautiful women and men engaged in "unrestricted merriment" when this was not the case. He lost the lawsuit.

13. A California woman sued the maker of a lip balm alleging that consumers were conned into thinking they could use the entire tube of lip balm, when actually they could only use about 75 percent of the product unless they dug the other 25 percent out of the tube. The court disagreed that the company being sued tried to lie about the quantity of its lip balm and said that a reasonable consumer understands how such dispenser tubes work.

14. A Portland man sued Michael Jordan and Nike for promoting Jordan, seeking $800 million because he looked like Jordan. For 15 years, the man said, he was mistaken for the basketball legend, which caused him permanent injury and emotional pain and suffering. The man dropped the lawsuit without stating a reason.

15. A prison inmate serving time at a correctional center in Virginia for breaking and entering sued himself for $5 million, claiming he violated his religious beliefs and got himself arrested. Having no income, he asked the state to pay because he was a ward of the state. The judge dismissed the case.

16. Last year, a Tennessee man sued Popeyes Louisiana Chicken for $5,000 for running out of its chicken sandwich while he was standing in line. He alleged the food chain wasted his time and deceptively advertised the sandwich. He also sued for damages to his car, which he said was damaged in the restaurant's parking lot. The case is scheduled to go to court in 2020.

17. A California resident threatened a class action against Starbucks, saying customers who ordered cold drinks received less liquid in their cups than advertised because of too much ice. A district judge ruled that even kids know that ice in the cup reduces the amount of liquid and that customers can clearly see the amount of ice in a clear cup and ask for less ice.

18. A French businessman sued Uber for $48 million, claiming that a flaw in the ride-sharing company's app played a role in the dissolution of his marriage. He borrowed his wife's cell phone and used it to log onto the Uber app, but a glitch in the app caused it to continue to send notice of his whereabouts to his wife's phone even after he logged off. Apparently his wife had a problem with some of his movements, and the marriage ended in divorce. The result of the lawsuit is unknown.

19. A 15-year-old boy in Spain sued his mother, claiming he was mistreated after she took his cell phone to get him to study. He sought jail time for his mother and reimbursement for legal expenses. A judge ruled in favor of the mother, saying she was within her rights and acted responsibly.

20. A federal jury awarded two men a total of $24.2 million for getting severely burned by electrical wires when they were teenagers trespassing on railroad property in Pennsylvania. Attorneys for Amtrak and Norfolk Southern claimed the two men, age 17 at the time of the accident, were old enough to know they were putting themselves in danger. The plaintiffs' lawyer conceded his clients were trespassers, but said the property owners were still responsible.

21. A customer sued a Washington, D.C., dry cleaner for $54 million for allegedly mis-

See FRIVOLOUS LAWSUITS Page 22

Facts and stats on cost of civil disorders from Triple I

PCS designated the riots a multi-state catastrophe

On May 26, after the death of George Floyd in police custody in Minneapolis, Minnesota, protests and riots broke out in that city and spread over the next 10 days to another 140 U.S. cities, including Washington, D.C.; New York City, New York; Chicago, Illinois; Philadelphia, Pennsylvania, and Los Angeles, California.

By June 4, at least 40 cities in 23 states had imposed curfews, and rioting resulted in at least six deaths. National Guard units were called in at least 21 states and Washington, D.C., according to the Insurance Information Institute in its facts plus statistics document titled Costliest U.S. Civil Disorders.

Closer to home, though not part of Triple I's facts and stats, there were protest marches sans riots in several communities in Louisiana, including New Orleans, Baton Rouge, Shreveport and Natchitoches.

The Property Claim Services, a unit of a Verisk Analytics, designated the riots in Minneapolis a catastrophe. The Minneapolis civil disorder is the first time that PCS has compiled insured losses for a civil disorder event since the Baltimore, Maryland riots of April 2015. For the first time, PCS has designated this civil disorder and those that followed across the United States over the next 10 days as a multi-state catastrophe event. By June 4, PCS included more than 20 states with significant losses for this catastrophe and noted that while the event is still in progress, more states may be added. This catastrophe is the first time since 1992 that PCS has compiled significant insured losses for a civil disorder.

Insured Losses for this event are not yet available from PCS, but because so many states are involved in the 2020 civil disorder and destruction of property, insured losses in this catastrophe are expected by industry watchers to surpass all others.

The costliest U.S. civil disorder before

See **CIVIL DISORDERS** Page **23**

Frivolous lawsuits

FROM PAGE 21

placing his pants. The court ruled against the customer and ordered him to pay the cleaner's legal fees. The customer, an administrative law judge, could not prove the dry cleaner lost his pants, and based his lawsuit on the store's sign indicating "Satisfaction Guaranteed." The case drew national attention as well as sympathy for the defendants, who received funds online for their defense.

22. The mayor of Batman, an oil producing city in southeastern Turkey, said he would sue Warner Bros. and movie director Christopher Nolan for using the name of the city without permission for the film The Dark Knight. The city's mayor wanted compensation from the movie's royalties, claiming the movie's success had negative psychological effects on the city's residents and hurt local businesses trying to register in other countries. The lawsuit was never actually filed.

23. The parents of a Danbury high school student said their son suffered hearing loss after one of his teachers slammed her hand on his desk to wake him during a math class. The family sued the school, the school board and the city. Apparently, the lawsuit fell on deaf ears and collapsed.

24. A woman from Israel sued a well-known television weatherman for a false weather forecast. The weatherman had predicted sunshine, but it rained. Based on the forecast, the woman left her house unprepared for rain. She claimed that she became ill and missed work. She got $1,000 and an apology from the weatherman in an out-of-court settlement.

25. A senior at Memphis High School in Michigan believed his work experience as a paralegal at his mother's law office for one of his classes merited an A+ instead of an A. His family sued to raise the grade to A+, which would have made him valedictorian of his class. The suit also asked that publication of class rankings be blocked until the case was settled. The family lost the case.

Civil disorders

FROM PAGE 22

2020 occurred from April 29 through May 4, 1992, in Los Angeles, California, after a jury acquitted Los Angeles Police Department officers for using excessive force in the arrest and beating of Rodney King. The event caused $775 million in insured losses, according to PCS, or about $1.4 billion in 2020 dollars.

The last civil disorder for which insured losses were collected was an event from April 27-28, 2015, in Baltimore, Maryland, following the funeral for Freddie Gray, a 25 year-old who died after suffering a severe spinal cord injury while in police custody. That event caused $24 million in insured losses, or $26 million in 2020 dollars. The event did not qualify as a catastrophe.

Seven of the costliest civil disorders in the U.S., which Triple I listed, occurred in the 1960s and six of the events occurred during the month of April. Three of the six were within two weeks of Dr. Martin Luther King, Jr.'s assassination April 4, 1968, with one of those events in each of Baltimore, Chicago and New York City. All 11 of the catastrophe events took place from April to mid-August, with none occurring during the months of September through March.

The first Fair Access to Insurance Plans (FAIR Plans), designated to provide property insurance in high-risk areas, were developed in response to the uprisings in 1968.

Costliest U.S. Civil Disorders

($ in millions) Estimated loss (1)

Rank (2)	Date	Location	Dollars when occurred	In 2020 dollars
1	April 29-May 4, 1992	Los Angeles	$775	$1,422
2	Aug. 11-17, 1965	Los Angeles	44	357
3	July 23, 1967	Detroit	42	322
4	May 17-19, 1980	Miami, Florida	65	204
5	April 4-9, 1968	Washington, DC	24	179
6	July 13-14, 1977	New York City	28	118
7	July 12, 1967	Newark	15	115
8	April 6-9, 1968	Baltimore	14	104
9	April 4-11, 1968	Chicago	13	97
10	April 4-11, 1968	New York City	4	30
11*	April 27-28, 2015	Baltimore	24	26

(1) Includes riots and civil disorders causing insured losses to the insurance industry of at least $1 million up to 1992; $5 million from 1992 to 1996, and $25 million thereafter.
(2) Ranked on estimated insured losses in 2020 dollars.
(3) Adjusted to 2020 dollars by the Insurance Information Institute using the Bureau of Labor Statistics CPI Inflation Calculator.
*The Baltimore riots of April 27-28, 2015, was a PCS event that was not designated a catastrophe. The final estimate did not exceed $25 million.

Source: The Property Claim Services unit of ISO, a Verisk Analytics company, U.S. Labor Statistics and the Insurance Information Institute.

House burns, dog dies, arsonist says he deserves leniency

Owner says blaze wasn't that dangerous despite injuring fire fighters

Fraud of the Month
By Jim Quiggle

Trained as a firefighter, Jeffrey George Ackerson well knew the warning signs of a home arson. Removing a pet before the fire started was a sure flag. Deeply in debt, small wonder that Ackerson let his family dog burn to death in a home fire he set on Bird Island, Minnesota.

While Ackerson gave his dog no chance, he tried to wriggle out of his arson jail sentence by claiming the fire wasn't that big a deal.

Let's start from the beginning: Ackerson had every motive to incinerate the family's house. His finances were a mess. His credit was shot; he was delinquent on his mortgage and credit-card bills.

Ackerson was also frustrated with the remodeling of the house. The project was behind schedule and over budget - a money pit. The torn-up place was barely livable.

The house was Ackerson's only lifeline to solvency.

Lit blowtorch on sawdust

His wife Sheena and their children left the house in subfreezing January weather. Ackerson went into the home's garage/workshop area. He lit a cigarette using a hand blow torch. He threw the lit torch onto sawdust littering the floor. Ackerson walked out of the house, passing his dog sleeping on the floor.

The fire quickly engulfed the home. Firefighters rushed to the scene - braving the cold and fast-spreading blaze. Two were injured, and considerable fire-fighting equipment was damaged. The dog was found dead of fire and smoke.

The couple received two $5,000 checks from American Family Insurance, plus temporary insurer-paid housing expenses.

Investigators started asking questions. They talked with his insurance agent, who said Ackerson had muttered "maybe he should just burn it down." He also privately confessed to Sheena that he torched the place.

> *While Ackerson gave his dog no chance, he tried to wriggle out of his arson jail sentence by claiming the fire wasn't that big a deal.*

Ackerson pled guilty and received 41 months in state prison for arson - and animal cruelty. He also lucked out. That was the lower limit of potential jail time; he could've received nearly five years. A generous sentence still wasn't good enough for Ackerson, who appealed. He sought an even shorter term in a jail cell, accusing the lower court of "abusing" its discretion.

Needed mental health treatment

Ackerson fired off every slim excuse he could think of. He accepted responsibility by pleading guilty, he said. Besides, he had mental health problems that were best solved in a treatment program outside of prison. Ackerson also was especially amenable to probation. No jail time at all, he contended.

Nor was his home fire as dangerous as some arsons. After all, it was just a single-family home. The fire didn't threaten any nearby dwellings, he told the court. Besides, it was just an impulse fire because of his emotional problems - not really calculated or criminally minded.

The appeals court had none of it: Ackerson had repeatedly denied setting the fire, and he admitted to the plot only when confronted with the evidence three weeks later. Two firefighters were injured, and equipment was damaged. Torn-up by remodeling, the home was at a high risk of collapsing onto firefighters as they fought the blaze.

And so much for remorse; Ackerson had a prior violation, so he was a recidivist. He did not seek mental health treatment before his conviction, so why only now did he claim he needed help?

Ackerson was packed off to prison for his 41-month stay.

Jim Quiggle is senior director of communications for the Coalition Against Insurance Fraud.

Personal lines rate increases hold steady in second quarter

During the second quarter of 2020, rate increases held steady at 3.5 percent for personal lines coverages in the U.S., according to MarketScout's Market Barometer, while rate increases in commercial lines amounted to 4.8 percent following 4.5 percent increases in the first quarter.

Even though the rate increases for personal lines of insurance in the U.S. held steady, underwriters continue to assess significant rate increases for high value homes in catastrophe prone areas.

"Every member laments on the struggles of placing wind in Southern Florida and brush in the exposed areas of California during our Council of Insuring Private Clients (CIPC) board meeting calls," said Richard Kerr, CEO of MarketScout. "Many insurers are writing excess of very large deductibles, if at all. Insureds are balking at some of the huge rate increases and, as a result, there are probably more self-insured high valued homes in the U.S. today than at any time in the past 40 years," Kerr said.

Underwriters are diligently assessing the exposure impact of COVID-19.

In the second quarter of 2020, homes under $1,000,000 for coverage A were assessed rate increases of 3.3 percent, while those over $1,000,000 for coverage A increased by 4.0 percent with respect to insureds with multiple homes.

"In our last report, we anticipated insurers would be wary of covering secondary homes because of the lack of attention they would receive. If you can't travel, and everyone is in lockdown, the assumption was (that the) secondary home would not be monitored as closely, and small maintenance items may create large claims," Kerr said. "However, we may have gotten it backwards, at least for the summer of 2020." The majority of homeowners have retreated to secondary homes in the mountains or on the beach to wait out COVD-19. So, the primary residence may be more exposed rather than the secondary, he noted.

Notable exceptions were in cat-exposed areas of California and Florida where rate increases range from 7.0 percent to 20.0 percent.

Automobile rates were up 4.0 percent, and personal articles/fine art experienced rate increases of 2.7 percent.

Commercial P&C rates up

Commercial property and casualty rates increased 4.8 percent in the second quarter, after advancing 4.5 percent in the first quarter of 2020.

"Almost all U.S. insurers are assessing rate increases; however, surplus lines insurers are more aggressive as rate increases for the second quarter were up 9.0 percent," Kerr said. "Drilling down even further, cat-exposed surplus lines property accounts averaged rate increases of 12.0 percent."

Directors and officers liability rates are moving aggressively upward. "D&O rates were up 9.3 percent in the second quarter. This is a very volatile market. Insureds with claims are seeing rate increases as high as 50 percent," Kerr observed.

Business interruption rates were up from increasing 4.0 percent in the first quarter to increasing 6.0 percent in the second quarter, possibly because of the concerns surrounding COVD-19 claims.

By industry group, transportation accounts continue to suffer the largest rate increases at 8.3 percent in the second quarter.

The MarketScout Market Barometer tracks rate movement for all industries and coverage classes as well as by the size of the account (measured by premium size).

The National Alliance for Insurance Education and Research conducted pricing surveys used in MarketScout's analysis of market conditions.

Hardening reinsurance market adds to Florida property insurers headaches

The numerous issues in Florida's property insurance market, including higher reinsurance pricing and social inflation, continue to challenge the financial strength of Florida personal property writers and impact coverage availability and affordability in the state. These headwinds, according to a new AM Best report, have become more complex amid the COVID-19 pandemic.

Best's Market Segment Report, Multiple Threats Flank the Florida Property Insurance Market, states that despite the absence of a major hurricane in 2019, the combined ratio of 51 Florida-domiciled personal property insurers analyzed for this report, excluding Citizens Property Insurance Corporation, was 107.7, remaining essentially flat compared with 2017-2018, when two major hurricanes made landfall.

In response to Florida's challenging operating environment, reinsurers are increasing rates by an expected average of 25 percent or higher, and individual company rates vary considerably based on loss experience, risk appetite and financial condition. Even before the pandemic, Florida insurers faced an uphill battle with the hardening reinsurance market.

Many Florida personal property writers focus on lines of business that have been relatively unaffected by the COVID-19 pandemic, with regard to covered losses (i.e., homeowners, fire and allied lines), according to the report. AM Best expects any pandemic impact to be moderate, given that most carriers with commercial policies require physical loss or have exclusionary language for viruses.

First Street finds more homes at risk of flooding than FEMA

More American homes and businesses are at risk of severe flooding than previously understood, according to the First Street Foundation Flood Model, which identified around 1.7 times more properties as having substantial risk, compared to the FEMA 1-in-100 SFHA (Special Flood Hazard Area) designation.

First Street's findings equate to a total of 14.6 million properties across the country at substantial risk, of which 5.9 million properties and property owners are currently unaware of or underestimating the risk they face because they are not identified as being within the SFHA zone.

> In Louisiana, after adjusting for sea level rise that approaches or exceeds protective levee heights, the deviation shifts as the First Street methods uncover an additional 332,700 properties with substantial risk by the year 2050.

First Street is a nonprofit research and technology group, which publicly released flood data on more than 142 million homes and properties across the country. Every property is assigned a flood factor, or score, from one to 10. Properties with higher flood factors are either more likely to flood, more likely to experience high floods, or both.

The good news for Louisiana is that First Street puts the state among three where the statewide risk is less than FEMA has indicated. In addition to Louisiana, New Jersey and Arizona are states in which First Street finds a lower count of properties at risk than FEMA.

The bad news for all three states is that adjusting for future environmental changes, such as changing sea levels, warming sea surface and atmospheric temperatures, and changing precipitation patterns, brings more properties into the high risk category, and the number of properties at risk will exceed FEMA's tally.

When adjusting for future environmental changes, in Arizona, additional properties fall into the high risk categorization.

In Louisiana, after adjusting for sea level rise that approaches or exceeds protective levee heights, the deviation shifts as the First Street methods uncover an additional 332,700 properties with substantial risk by the year 2050, in turn showing 248,800 more properties with substantial risk than FEMA defines currently.

Similarly in New Jersey, adjusting for environmental changes shifts the First Street estimate from 8,100 fewer properties currently at substantial risk than FEMA, to identify 73,600 more properties at substantial risk in 2050 than current FEMA estimates.

Jurisdictions where First Street currently finds the most disparity are Washington D.C. (438 percent), Utah (419 percent), Wyoming (325 percent), Montana (311 percent), and Idaho (290 percent). Those jurisdictions show the greatest difference between the First Street Foundation Flood Model estimates and FEMA SFHA designation, due mainly to First Street's nationwide coverage, while FEMA's mapping in some of these locations is not yet complete.

While the aforementioned jurisdictions show the biggest deviation between First Street and FEMA in terms of the number of properties facing significant risk, the First Street Foundation Flood Model also calculates the number of properties facing any risk of flooding. When looking at this broader level of risk, which is beyond the FEMA SFHA definition, the data identifies 23.5 million properties in the U.S. as at-risk over the next 30 years. Of these properties, 3.6 million were categorized as facing almost certain risk, with a 99 percent chance of flooding at least once over the next 30 years.

At a more granular level, the results shed light on the unevenness in which changing environmental factors will impact regions of the country differently and prove the need to incorporate more localized data at a property level in order to fully understand flood risk. Viewing risk at a summarized city, county or state level looks very different than the property-level data.

U.S. P/C industry's surplus down nearly 10 percent in Q1 2020

The United States property/casualty industry's surplus level decreased by 9.3 percent to $744.9 billion in the first quarter of 2020, compared with year-end 2019, based on preliminary results detailed in a new Best's Special Report titled First Look: 3-Month 2020 Property/Casualty Results. AM Best announced the report's findings on May 26.

By the end of 2019, the U.S. P/C industry's surplus had increased to an all-time high of $847.8 billion, according to the American Property Casualty Insurance Association.

Part of the drop-off in surplus was attributed to an $83.4 billion change in net unrealized capital losses, AM Best said in its report. These findings are based on data derived from companies' three-month 2020 first quarter statutory statements received by AM Best as of May 19. These companies accounted for an estimated 95 percent of total U.S. P/C industry net premiums and 93 percent of policyholder surplus.

The report notes that the overall impact from the COVID-19 pandemic was limited in the first quarter 2020 reporting period and that there were greater changes in line of business underwriting results than normal, with personal lines displaying favorable movement. AM Best anticipates that the impacts will be considerably more apparent in the second quarter results.

Jennifer Marshall, director, AM Best, said an initial look at the U.S. P/C industry's statutory results for the first quarter showed that investments overall for this sector seem to have held up well, with the exception of equity holdings. Total equity holdings were down approximately $103 billion in the first quarter of 2020 compared with the same prior-year period, or about 21 percent. This returned the value of the industry's holdings to almost its year-end 2018 level.

"At this point, the best we can reasonably expect would be a continued improvement in equity markets through the end of the (second) quarter," Marshall said. "We do anticipate a heightened level of investment market volatility to continue until the threat of COVID-19 abates. Net investment income may be affected as dividends received may decline with the reduction or suspension of dividends on owned equities."

Marshall said that another factor being monitored is the impact of widening credit spreads on bond holdings, as well as negative credit actions, particularly those that result in ratings moving below investment grade. That would cause the valuation of those holdings to switch to mark-to-market, potentially adversely impacting capital levels.

With net investment and other income declining slightly in the first quarter of 2020 from the prior-year period, the improvement in underwriting income drove the 4.0 percent growth in pretax operating income. As the tax expense remained flat and realized capital gains declined $172.0 million, industry net income increased 3.5 percent from the prior year period to $17.7 billion.

The combined ratio for the U.S. P/C industry improved slightly from the prior year period to 95.2 percent, compared to the industry's year-end 2019 combined ratio of 98.9 percent. AM Best estimates that catastrophe losses accounted for 3.2 points on the first quarter 2020 combined ratio, unchanged from an estimated 3.2 points in the prior-year period.

SURPLUS LINE REPORTER
& INSURANCE NEWS
P. O. Box 1089, Gretna, LA 70054-1089
504-371-8260

PRSRT STD
U.S. Postage
PAID
Permit #88
Baton Rouge, LA