TEXAS SURPLUS LINE REPORTER & INSURANCE NEWS

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NEWS IN BRIEF

PEOPLE

In February, Western Security Surplus, a member of XPT Group, hired Meghan Easley as senior broker/underwriter in its Plano, Texas, office. Easley brings 15 years of industry experience, most recently in underwriting and brokerage business. She has extensive experience writing general liability, property and excess for all classes of business with a previous focus on underwriting risks in coastal areas of Texas. WSS recently acquired Houston Surplus Lines, further expanding its Texas footprint and strengthening its position in one of the largest E&S marketplaces in the country. With offices in Texas and California, WSS is headquartered in Plano.

Easley

FCCI Insurance Group's board of directors voted on May 12 to terminate Craig Johnson as CEO, president and board member. Johnson's termination followed his arrest in Sarasota, Florida, where he was charged with two counts of battery on an officer; one count of resisting an officer, obstruction without violence; and one count of trespassing by failing to leave a property when ordered by the owner. Two days earlier the board announced Johnson would take a leave of absence. According to the Business Observer, the incident began in the Wicked Cantina, just north of downtown Sarasota, when the allegedly intoxicated and bothersome Johnson was asked to leave the premises. According to a published report, Johnson posted a $1,000 bond and was released May 8. **Christopher S. Shoucair** was named interim chief executive and president of FCCI. Shoucair was the insurance group's executive vice president, CFO and treasurer.

MEETINGS/EDUCATION

The Insurance Council of Texas announced that its 28th Annual Property and Casualty Insurance Symposium will be held Oct. 5-6 at the Hyatt Regency in Austin. Cosponsored by the AFACT, the event is usually held in July and attracts industry professionals throughout Texas and neighboring states. The event includes nationally recognized speakers, networking events and opportunities to meet students nearing completion of insurance and risk management degree programs at several Texas universities.

FIWT's local associations in Abilene, Dallas, Tarrant County, North Texas

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TDI set to provide the SLTX with a new operations plan

A tumultuous 2019 that included the termination of the executive director, resignations by the IT and CFO vice presidents of the Surplus Lines Stamping Office of Texas, a clash between TDI and industry over SLTX's collection of policy limits data, and the hiring of new leadership for the office led the SLTX board and Insurance Commissioner Kent Sullivan to devise plans to prevent such reruns in future seasons.

The stamping office's Plan of Operation was ripe for revision. A nine-member working group formed last September by then-SLTX board chairwoman Lorrie Cheshier drafted a Plan of Operation that included detailed oversight responsibilities of the board members. The commissioner rejected this plan and offered his own, a Plan of Operation that, among other things, included more direct involvement of the agency by the commissioner and his deputies.

On June 17, the Texas Department of Insurance held a hearing on the commissioner's proposed Plan of Operation with Doug Slape, chief deputy commissioner, presiding. The hearing was TDI's first effort to conduct a "virtual hearing" on a meeting platform that allowed participants and attendees at various locations to access live video and audio.

Deputy Commissioner of Financial Regulation Jamie Walker touted the commissioner's proposed Plan of Operation as one modernized by the use of plain English and improved topical organization, incorporating "best practices for quasi-government nonprofit associations," and "fully align(ed)" with existing law and regulation. Walker said that the plan should not limit the commissioner's authority, for example, when considering board appointments. She reviewed the sequence of events leading to the hearing, including the commissioner's rejection of the board's proposed Plan of Operation as "unsuitable."

Teri Brinson, SLTX board secretary, chairwoman of the Plan of Operation

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PC industry's first quarter ends with $744.9B surplus

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

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Insurance will cover much of the riot property damage

Facts and stats on civil disorders from Triple I

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 with riot-influenced property damage in several communities in Texas and allegations of excessive force by police against protesters in several major cities.

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

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COVID-19 could cost Lloyd's up to $4.3 billion

London Views
by Len Wilkins
London Correspondent

While it's far too early to calculate accurately the cost of COVID-19 to the London market, Lloyd's number crunchers announced that the market expects to pay out between $3.0 billion and $4.3 billion to its global customers as a result of the virus. This is more than Lloyd's 2019 profits. The estimated 2020 underwriting losses covered by the industry as a result of COVID-19 are approximately $107 billion, according to Lloyd's.

If the losses are at the top end of Lloyd's estimates, they will be on a par with 9/11's $4.7 billion in 2001 and the combined impact of hurricanes Harvey, Irma and Maria in 2017, which led to a payout of $4.8 billion by the Lloyd's market. The problem is that Lloyd's believes the scale and complexity of COVID-19 is still hitting home and that the overall cost to insurers is likely to be far greater than the aforementioned events.

It's a lot of money, but not beyond Lloyd's ability to pay without a problem even if the losses rise further, which is expected if the current lockdown continues into another quarter.

Lloyd's studied the economic impact of the potential COVID-19 losses and considered underwriting losses and the reduction in value of investments. The effect of social distancing and the lockdown on the forecasted drop in GDP were added to the mix. Investment decline is expected to be greater than the insurance claims. Industrywide, the reduction in investment portfolios is estimated to be around $100 billion, which would bring the projected total loss to the industry to $205 billion. Effectively, it's not the payment of claims that will hurt the most; it will be the loss of income from investments and the reduced value of these investments if companies go to the wall.

Historically, major losses the industry suffered were contained geographically and occurred over a relatively short time. COVID-19 is very different. It is global, systemic and has a potential long-term impact continuing until a vaccine is found.

Lloyd's believes that event cancellation will bring in the biggest percentage loss, at 31 percent of the $4.3 billion total. Property follows closely at 29 percent; credit lines are expected to make up 11 percent of the total, and another 15 classes together will produce 29 percent of the claims. Lloyd's expects the geographic spread will be U.S. 58 percent, U.K. 15 percent, Europe

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FIWT holds Zoom mid-year board meeting
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French court orders AXA to pay BI restaurant claims
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New fraud of the month feature by John Quiggle
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TDI disciplinary actions for May 2020
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Plan of operation

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Working Group and vice president of LP Risk, defended the board's proposed plan and "respectfully request(ed) changes" to the commissioner's version. The board's requested changes were included in a seven-page document submitted prior to the hearing.

The only issue to surface for discussion during the hearing centered on composition of the stamping office's board of directors. By law, the board is composed of nine members, with four board seats designated as "public," meaning the member cannot be employed by or closely related to someone in the insurance industry or registered as a lobbyist. The law is silent on who may occupy the other five seats on the board.

The stamping office board's proposed plan would have reserved these five seats for surplus lines industry representatives; the commissioner's proposal does not.

The Plan of Operation should not limit the pool of applicants for these five board positions more than the statute does, said Slape. "Would it not benefit the board to have diversity of experience rather limit the positions to those with close ties to industry?" he questioned Brinson.

Brinson said industry-tied board members benefit the mission of the stamping office: to facilitate and encourage compliance with surplus lines laws and regulations. Industry board members, she said, help TDI understand how compliance can occur and how various segments of the industry are affected by new reporting requirements. She said that industry members' ability to provide detail makes for effective decisions on compliance issues.

Brinson said that the board pulled back from its original proposal when it submitted its recommended amendments for the hearing. SLTX's amendment package says, "The remaining board members should have significant knowledge of the Texas surplus lines insurance industry prior to appointment." The board's original proposal would have required "significant experience."

Slape countered by likening the SLTX's preferred wording to "tying the commissioner's hands" and added that the commissioner should be able to consider other good candidates for board positions.

Steve Sprowls, president of PLUS and past president of the Texas Surplus Lines Association, offered Slape an historical perspective. Sprowls has worked in the industry for decades and while president of TSLA participated in drafting the stamping office legislation in the 1980s. Sprowls also served on the stamping office's board of directors at its inception. Sprowls was one of the six nonboard members who served on the SLTX Plan of Operation Working Group.

Qualified industry personnel have been on the stamping office board since its creation, said Sprowls. According to the Wholesale and Specialty Insurance Association's comments submitted in conjunction with the June 17 hearing, Sprowls noted that other states having surplus lines stamping or service offices populate their board with either a "preponderance" of industry members or their boards are "exclusively surplus line practitioners."

Sprowls spoke at the hearing as the representative of the TSLA. He said, "What we all want is the best, most competent, most experienced practitioners who have Texas experience because the folks we serve are the insurance consumers of the state of Texas."

TSLA submitted written comments in support of the SLTX board's proposed amendments to the plan. Sprowls pledged to work with the commissioner to get the Plan of Operation "to the best possible place it can be." TSLA especially wants assurance that the stamping office is not a regulator, and it exists to assist TDI. The association also requests that the Plan of Operation include an antitrust provision.

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TEXAS SURPLUS LINE REPORTER & INSURANCE NEWS

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Sometimes you win; sometimes you learn

The wisdom of scar tissue

By Michael G. Manes

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. We didn't win that war, but we did learn important lessons. Our elected leadership, declared victory, and withdrew. In 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 two 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 out-

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Lessons learned

FROM PAGE 3

pouring 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.*

First quarter results

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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.

To purchase a copy of the full special report, visit www3.ambest.com.

NEWS IN BRIEF

FROM PAGE 1

and the Metroplex will host Federation of Insurance Women of Texas President Wendy Rhoden and Corresponding Secretary Janet Dawson for a joint luncheon meeting of the locals that were part of the “old Region IV” at Catfish O’Harlie’s in Decatur on Saturday, Aug. 22. **Sandra Waters,** retired, FIWT Liaison and member of Metroplex Insurance Professionals, said seating arrangements will adhere to the safety guidelines of COVID-19. Member-at-Large Representative **Conya Harris,** Johnston Fiss Insurance, notified at large members residing in or traveling in the area that they are also invited to the joint meeting. To attend, contact Waters at sanmic25@yahoo.com.

NAIC

Given the ongoing health challenges associated with holding large in-person meetings in the midst of the COVID-19 pandemic, NAIC officers, in consultation with NAIC members, have decided to hold NAIC’s Summer National Meeting scheduled for Minneapolis, Minnesota, in a virtual format. A revised Summer National Meeting schedule with specific dates and times will be available on naic.org by July 6. Registration for the Summer National Meeting opened June 23. The reduced registration fee is $495. Registration fee credits received from the cancelled 2020 Spring National Meeting may be applied to the registration fees for the 2020 Summer National Meeting and 2020 Fall National Meeting.

WEATHER

On May 21, forecasters with the NOAA’s Climate Prediction Center, a division of the National Weather

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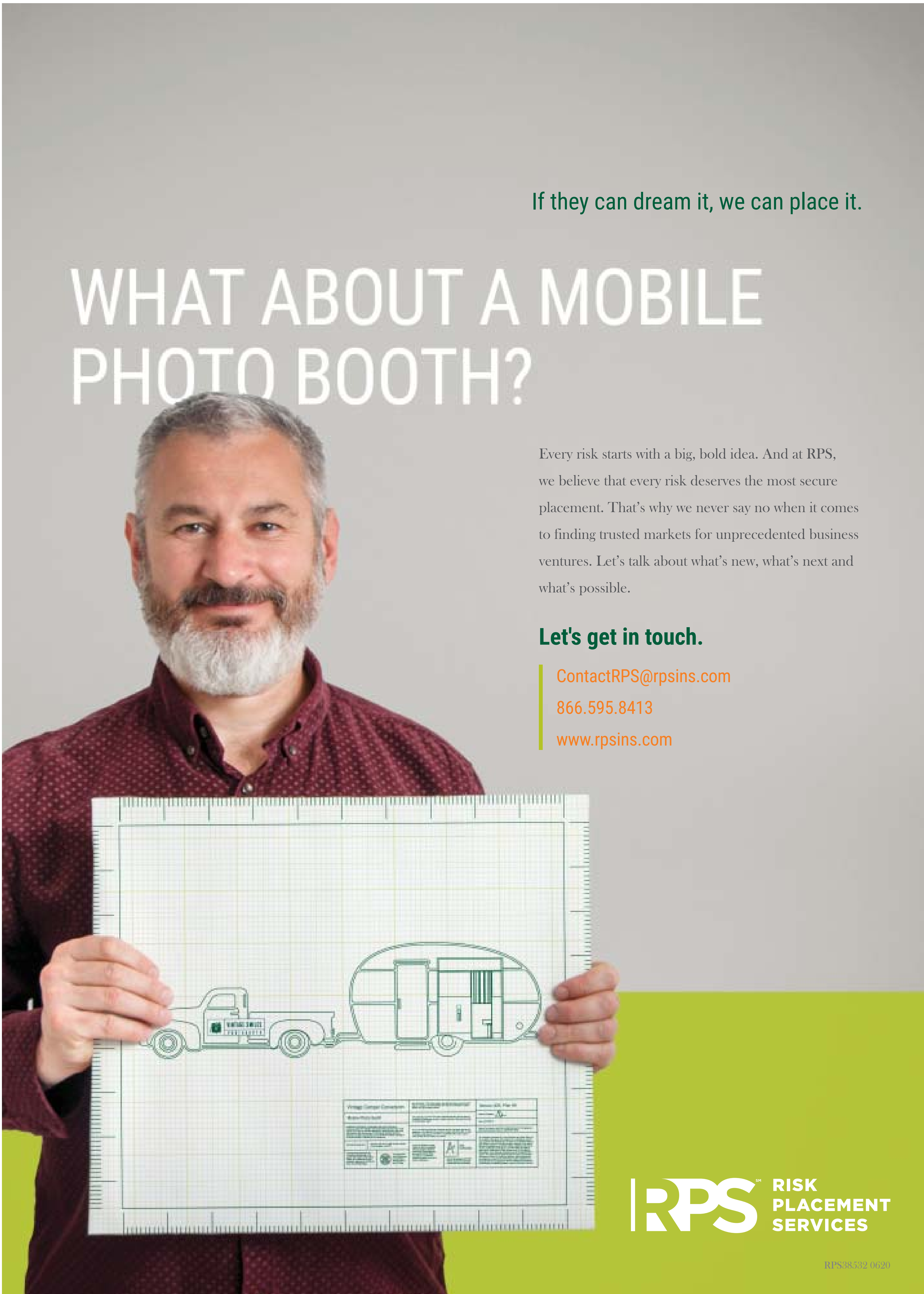
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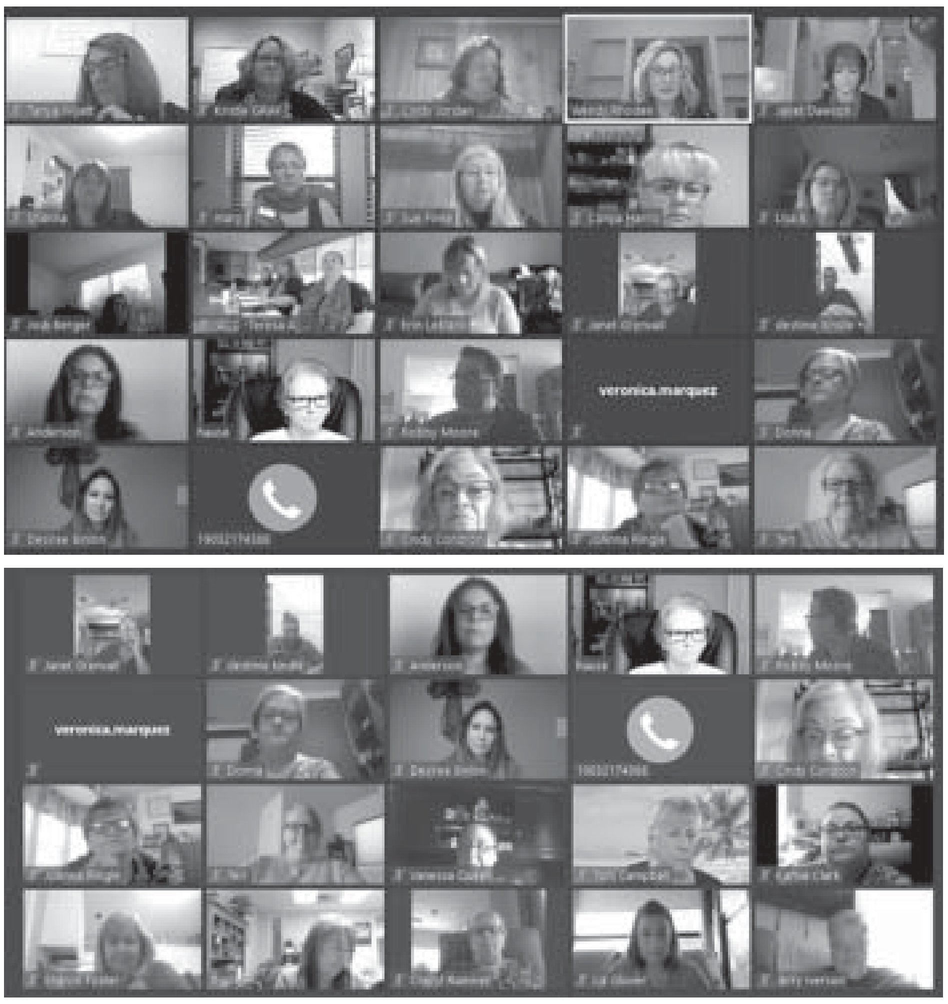
FIWT hosts Zoom mid-year board meeting

Postponed from April to June, then modified from in-person to virtual, an abbreviated form of the Mid Year Expo of the Federation of Insurance Women of Texas was held on Saturday, June 6. Instead of a full schedule of activities and continuing education opportunities, the meeting shifted to a Zoom-facilitated board meeting open to all members. Thirty-eight members from across the state attended, with 13 of the 14 local associations officially represented.

Following the announcement of the FIWT vice-president stepping down, Recording Secretary Tanya Wyatt, Barnard Insurance Group, was elevated to interim vice president to complete the 2019-2020 term. Past president Shanna Sutton accepted the interim position of recording secretary vacated by Wyatt. Esther Torres, who stepped down, clarified that her employer, Litchfield Special Risks, remains supportive of FIWT, and her passion for FIWT continues despite the unforeseen circumstances that require her to shift focus.


It took two screens to capture all 38 attendees at FIWT's Zoom mid-year board meeting.

The board approved a $35 increase in the registration fee for the annual convention to be held Oct. 22-25 in San Marcos. The board opted for the increase rather than eliminate any of the networking and meal events that have become traditions for the association's annual gathering. Some cost savings will be realized by not having an official convention photographer, said Executive Director Kristie Gray.

Most activities remain the same for the upcoming 76th FIWT Annual Convention, with the addition of continuing education classes and a Bunco fund raising event that are being carried over from the canceled mid-year in-person meeting.

In other business, the FIWT approved some changes to its procedures manual to reduce the time for officers to submit receipts for reimbursable expenses to the executive director from 60 days to 30 days and to clarify some calendared responsibilities of the corresponding secretary. Four additional changes to the procedure manuals were made to make the manuals consistent with what has become customary procedure, such as removing the immediate past president from new officer orientation duties and adding the trade show luncheon to the other convention meal duties for the vice president.

NEWS IN BRIEF

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Service, predicted a 60 percent chance of an above normal Atlantic hurricane season, a 30 percent chance of a near-normal season, and only a 10 percent chance of a below normal season. The Atlantic hurricane season runs from June 1 through Nov. 30. NOAA predicts 13-19 named storms (winds of 39 mph or higher), 6-10 hurricanes (winds of 74 mph or higher) and 3-6 major hurricanes (winds 111 mph or higher). An average season produces 12 named storms, including six hurricanes of which three are major. Before the 2020 season officially began, there were two named storms. The third storm, Cristobal, landed in early June. All three storms had direct impact on the U.S. Arthur brushed past Florida then returned to the Atlantic; Bertha affected Florida and South Carolina, and Cristobal made landfall in Louisiana then tracked north to Wisconsin.

Severe weather in May pushed the U.S. insurance and reinsurance market to its third consecutive month of insured multimillion dollar losses, according to Impact Forecasting, the weather, climate and risk modeling unit of Aon. In total, economic losses are expected to rise above $5 billion for May, of which more than $2 billion is expected to be insured. This follows April when severe storms (hail, tornado and straight-line wind) racked up around $4 billion in economic losses, with insured losses approaching $2.5 billion. March losses were tagged at $2.4 billion of economic losses, with $1.5 to $1.0 billion of insured losses. A major hail storm in San Antonio in May is expected to approach or exceed $1 billion in financial costs, with the majority likely insured.

WHITE PAPERS

The American Property Casualty Insurance Association has released a white paper Financial Services International Trade Jurisprudence - Revisiting the Prudential Exception and its Implications for Indonesia. Authored by **Steve Simchak,** APCIA's head of international and counsel, examines the recent developments in financial services trade jurisprudence resulting from a reinsurance dispute between Argentina and Panama at the World Trade Organization. The dispute led to the "prudential exception" to financial services trade commitments and established a "rational relationship" test to determine whether a government can invoke the prudential exception in order to justify laws or regulations that are inconsistent with its trade commitments. "This could make it more efficient for governments to hold others accountable for fulfilling their obligations to U.S. insurers and other financial service providers," said Simchak.

A white paper authored jointly by Robert Hartwig, Ph.D., CPCU, clinical associate professor and director for the Center for Risk and Uncertainty Management at the Darla Moore School of Business, University of South Carolina, and **Robert Gordon,** senior vice president of policy, research and international for the American Property Casualty Association, was issued on May 26. Together, Hartwig and Gordon in Uninsurability of Mass Market Business Continuity Risks from Pandemics

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FROM PAGE 6

assert that pandemic risk to businesses is uninsurable. They say that pandemic risk, which has the potential to impact virtually all policyholders, irrespective of location and nearly simultaneously, with losses continuing over the span of months or even years, cannot be spread, shared or diversified across policyholders. The authors assert that the pandemic's destabilizing impacts extended "throughout the entire economy and cannot be diversified away through private insurance." The magnitude of the losses threaten solvency, yet still remain insignificant to remediating the business interruption losses, they said.

MARIT'S READS

"Success is the product of daily habits, not once-in-a-lifetime transformations," says James Clear in his self-improvement book Atomic Habits. This comprehensive guide helps us to change our habits and get one percent better every day. Clear talks about how time magnifies the margin between success and failure by multiplying whatever you feed it. Good habits make time your ally. Bad habits make time your enemy. This book is both motivating and eye-opening. Clear challenges with his advice: "If you want better results, then forget about setting goals. Focus on your system instead." He reminds us that the most effective way to change habits is to focus not on what you want to achieve, but on who you wish to become. Looking to make changes in your

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Property losses

FROM PAGE 1

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.

Insured losses

The costliest U.S. civil disorder before 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(3)
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.

Plan of operation

FROM PAGE 2

The SLTX board saw other provisions in the TDI commissioner's proposal that would discourage industry members from wanting to serve on the stamping office board and offered corrective amendments.

-TDI's version would allow board members to be removed at the discretion of the commissioner. The SLTX board's amendments would limit the commissioner's authority to remove board members for willful misconduct that has been determined by the board. The board's version would also remove any director who has three consecutive unexcused absences from board meetings.

-TDI's version would require board members "to confirm that they do not have an interest that is in substantial conflict with the proper discharge of their duties on the board" by signing a conflict of interest statement that would be subject to a deputy commissioner's determination of adequacy. Noting during the June 10 special board meeting that such language could remove all industry members from the board, the SLTX board offered a clearer statement of what constitutes a conflict of interest for board members. The board's proposed amendment limits the barred conflict to "personal financial interest unrelated to employment."

-TDI's version would authorize representatives of the insurance department to attend closed meetings of the board. The proposed SLTX amendments would delete this provision.

Under existing open meetings law, non-board members may participate in such executive sessions at the discretion of the board chair. "This third-party participation is permitted if … necessary to the board's discussion," said SLTX in the amendment document submitted for the hearing, adding "TDI employees have been invited to participate in executive sessions if their participation is necessary for the board to fully discuss the subject."

During the June 10 board meeting, newest board member Kori Johanson, H.W. Kaufman Group, called this item in TDI's version "a bold and unusual request."

-TDI's version would require the stamping office to develop purchasing policies that "mirror the comptroller's procurement and contract requirements." The SLTX board countered that it is not a state agency and should not be subject to the lengthy and arduous process for making purchases or engaging in contracts. Instead, the SLTX board offered an amendment that would give the agency appropriate competitive bidding procedures and require board approval for any contracts or change orders that exceed a $15,000 threshold, the same threshold in the existing Plan of Operation.

-TDI's version of indemnification for board members gave SLTX board members pause since it removed indemnification too early in the process and permitted, but did not require, the stamping office to purchase liability insurance on behalf of the directors and employees. During the board's June 10 meeting, Johanson, an attorney, was asked to redraft this section. The offered amendment assures that a defense would be provided prior to a finding of gross negligence, malfeasance or reckless disregard, that appropriate insurance would be purchased, and no amendment of the plan of operation would remove this protection after an alleged act or omission.

Other amendments sought by the SLTX board would clarify that the stamping office assists TDI by facilitating and encouraging compliance in accordance with the Insurance Code and would remove any hint of a regulatory role for the stamping office; eliminate the commissioner's discretionary role in the hiring and termination of the SLTX executive director; impose anti-nepotism restrictions on the executive director; offer a clear schedule for adopting the next year's budget, subject to the commissioner's review; set duties for standing committees of the board and standards for creating special committees and work groups by the chairman; and provide rules for bank accounts, credit and debit cards, investment policy and loans. The stamping office board recommended that the office be prohibited from lending money.

The stamping office board also requested that the Plan of Operation include clauses on antitrust, legislative and agency relations, and the necessity for the office to maintain written policies and procedures that apply to the employees and to the board.

A briefly worded change from the existing Plan of Operation in the commissioner's proposed plan adds individual board members to those who can request records and documents from stamping office staff. In the existing plan, this authority is given only to TDI staff and the Comptroller of Public Accounts of Texas. The section appears to require that the purpose of the request for documents must be for regulation, examination or tax collection; however, board members have no such governmental authority. Asked by the Reporter how the additional language might be rephrased to better safeguard a broker's or its customers' private financial information, the TDI has not commented, as of June 22.

Another provision unique to the new TDI version that escaped discussion is the removal of board members' one-term limitation of service.

Slape assured hearing attendees that all comments presented at the hearing, both written and verbal, would be reviewed and considered prior to final adoption of the Plan of Operation. No target date for final adoption was set during the hearing. According to Alex Gonzales, the board's general counsel, the final approved plan is determined completely by the insurance commissioner. When the SLTX Plan of Operation was severed from the Texas Administrative Code in December 2018, oversight by the legislature was removed from the process.


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Accidental insurance broker to lead Austin association

Like many in the insurance industry, Robby Moore, newly installed president of the Austin Association of Insurance Professionals, claims to have fallen into an insurance career path by accident rather than plan. Moore is a broker with Professional Lines Underwriting Specialists (PLUS), a wholesale insurance brokerage that he joined 2012.

Moore worked for 10 years as a manager for a restaurant. While managing an Outback Steakhouse, he enrolled at the University of Texas in San Antonio in a business degree program to open up new opportunities. Upon earning a bachelor's degree in business administration with a minor in management in 2011, he started looking.

In June 2012, he joined a technology solutions company as a solutions sales representative, but due to unexpected company layoffs and with little seniority, Moore found himself jobless for the first time in his adult life. With a wife who is a teacher, a toddler son, and a daughter on the way, Moore readied himself to earn a paycheck as soon as possible.

He turned to his Aunt Judy and Uncle Steve for, in Moore's words, "parental advice." The couple had served in parental roles for Moore since Moore's mother passed away from cancer when he was 16, then even more so when his father passed away unexpectedly 12 years later. Judy Sprowls, vice president of management and human resources of PLUS, is the sister of Moore's late father, Robert.

Moore recalls that the Sprowlses listened patiently and reassuringly to his dilemma. Minutes after the original phone conversation, Steve Sprowls, president of PLUS, Inc., called Moore back.

"We have a vacancy in the front office," Sprowls said, conceding that the position was one Moore was overqualified for and would require a daily commute from San Antonio to Austin. Moore jumped at his offer.

In September 2012, Moore set his first foot into the door of an insurance career. As soon as he started at PLUS, Moore watched for an opportunity to become a producer. He worked long hours, proved his value to the agency, and commuted for seven long months. Moore, his wife Stephanie, and two young children moved to Austin, where Moore had begun to establish himself in an insurance career.


Moore

Moore said he, like others at PLUS, is a "specialist generalist." The brokerage works exclusively in professional and management liability lines, so all the brokers are prepared to sell specialty lines of E&O, D&O and EPL, he said.

PLUS is very supportive of industry-based professional education and associations, said Moore. He is currently pursuing the Registered Professional Liability Underwriter, a designation held by both Steve Sprowls and his son, Garrett. Both Steve and Garrett Sprowls served terms as president of the Texas Surplus Lines Association and are greatly involved with it, so Moore looked for another organization to make his mark.

Recalling his late mother's somewhat feminist teachings of providing higher career goals and opportunities for women, Moore gravitated to the local association of the Federation of Insurance Women of Texas. In 2014, Moore set out to bring value to the primarily female insurance association by joining AAIP. "My goal then," he said, "was to help level the field for women in the industry."


AAIP officers take oath, raising their right hand at a Zoom installation attended by members and guests.

His goal was short-lived. "They changed me," he said. "The women in the association showed me the industry. I found strong women who were knowledgeable leaders. I couldn't not be involved."

Moore is the second male president of AAIP. Danny Journeay, Specialty Insurance Managers, served as the local association president in 2018-2019. It was Journeay and Janie Frias, Risk Placement Services, who planted the seed for Moore to join the board of AAIP. The three had struck up a friendship while attending a Markel event.

Moore served as vice president of the local association in 2018-19, then president-elect the following year. On May 19, he was installed president of AAIP in a virtual meeting by FIWT president Wendy Rhoden, Patterson and Associates.

He is looking forward to resuming regular in-person monthly meetings of AAIP when guest speakers will include a rotating program of representatives of charitable causes, insurance carriers and life coaches who dispense health and wellness advice to the members.

The charitable community work of AAIP will continue, Moore said, following the model of the past president, Lindsey Burton, Risk Placement Services. "AAIP is very charity focused," he said. "We have a heavy emphasis on making a difference in the local community."

Wooten Elementary, Sammy's House and the Central Texas Table of Grace are three of the continuing beneficiaries of AAIP's financial generosity and volunteerism.

Moore said his term as president will continue AAIP's emphasis on continuing education and promotion of the industry. Even after his term ends, Moore said, he will continue his goal of promoting the industry and inviting the next generation into insurance careers. He said he sees a great need for industry promotion, given the large disparity in the number of insurance veterans reaching retirement age and the number of new entrants into the business.

Moore was honored by the AAIP with the association's 2019-2020 Insurance Professional of the Year Award in May, just prior to his installation as president. Two years ago, he was honored by TSLA as the recipient of the Jack Claitor Scholarship Award, which gave him his first opportunity to attend a midyear meeting of TSLA. He has served for two years as co-chairman of the TSLA's Host Committee for its two semiannual conferences and expects to become chairman of the Host Committee next year.

Moore's hobbies are child-centered. He serves as Cub Scout leader for his son's den and assists his soccer and basketball teams. He is a cheering parent for his daughter's gymnastics and dance activities. His passion for mountain biking is resuming now that his children, ages nine and seven, both ride, but his previous activities of golf and softball have been set aside for now.

Moore is joined on the AAIP board by officers President-elect Jill Duggan Hale; Vice President Rhonda Bowles, Summit; Recording Secretary Laura Farmer, Service Lloyd's, and Treasurer Jessica Hahn, Risk Placement Services. Named as directors to the board were Immediate Past President Burton; Tamra Johnson, Marsh|Wortham, and Marjolyn Varano, Service Lloyd's.

When monthly luncheon meetings resume, they will be held at Cover 3 Downtown ATX on the third Tuesday of each month. Moore also expects to have an installation dinner to more formally mark the beginning of his term as president.

French court orders AXA to pay BI claims to restaurants

Unclear language affects 1,700 AXA policies

After a Paris court ruled in May that insurer AXA must pay a restaurant owner for two months of coronavirus-related revenue losses, which no doubt opens the door to an onslaught of similar cases, AXA said in June that it has identified 1,700 insurance policies on restaurants in France that contain terms which are not clear as to whether business interruption losses due to the COVD-19 pandemic should be covered, Reuters reported that AXA's CEO told French newspaper Le Monde in an interview.

AXA had argued to the court that its insurance policy covering the four restaurants did not cover business interruption caused by virus related lockdowns.

According to Reuters, even though AXA contended its policies did not cover business interruption and it would appeal the court's decision, the Paris-headquartered multinational insurer decided it would look for an amicable solution for problematic contracts and offer compensation.

AXA's chief executive told Le Monde that the company has 20,000 contracts with restaurants, the vast majority of which do not cover operating losses in the event of a pandemic, according to Reuters. The CEO said there is some debate concerning only 1,700 of the contracts because they are not clear, and the company has reached agreement with 200 of them with payouts expected to cover a substantial part of the insureds' costs.

Reuters speculated that the court's decision could set a precedent for coronavirus-related disputes around the world.

Stephane Manigold, the owner of the four Paris restaurants who brought the case against AXA, told Reuters that subsequent to the court decision, his team had received calls from the United States, United Kingdom, South Africa and Spain asking for details about his policy and the court's ruling.

In June AXA estimated the company would pay $1.34 billion in 2020 claims related to the COVID-19 pandemic and the group's board of directors decided to cut its 2020 dividend approximately in half, AM Best reported.

The overall property/casualty claims costs are after taxes and net of reinsurance, AXA said in a statement. Management expects the most material impacts to come from business interruption and event cancellation, with some impact from other lines, including directors and officers, liability and travel, partly offset by reduced claims in some areas, notably motor.

NICB helps investigate dubious claims and solve crimes

A homicide detective in Kansas City needed information from a suspect's car's navigation system showing that the car was present at the site of the homicide; a multi-year multi-jurisdiction investigation busted a cargo theft ring in the jurisdiction of the U.S. Attorney's Office for the Southern District of Indiana, and a truck and RV, owned by a New Hampshire couple murdered in Corpus Christi, were tracked to Mexico. These are instances where the National Insurance Crime Bureau (NICB) helped local, state and national law enforcement agencies, Director of Field Operations, Southwest Region Fred Lohmann, NICB, told attendees at the LDI Conference 2020 hosted by the Louisiana Department of Insurance in March.

The NICB, headquartered in Des Plaines, Illinois, has 250 field agents and analysts who cover the United States and Mexico. NICB's funding source is its membership of more than 1,300 property-casualty insurance companies, vehicle rental companies, auto auctions, vehicle finance companies, self-insured organizations and strategic partners.

The NICB serves both law enforcement and the insurance industry, Lohmann said. The investigative focus of the NICB is multi-claim, multi-carrier investigations of major criminal activity including auto theft, heavy equipment theft, cargo theft, staged accidents and medical fraud.

"NICB will also take on single cases that have large economic losses; NICB does not say 'no' to requests for help," Lohmann said.

Insurance companies can make fraud referrals by submitting questionable claims to NICB and state fraud bureaus after detecting suspected fraud. The alleged insurance fraud cases are investigated by NICB and presented to law enforcement and prosecutors for possible prosecution. NICB has access to ISO claim files from multiple insurance carriers. NICB also handles law enforcement requests for assistance.

NICB has a database that contains the location of the secret VINs on vehicles, and only qualified law enforcement personnel can have access to the information. The law enforcement person requesting the information must be a qualified vehicle theft investigator. "NICB must protect this data because NICB and vehicle manufacturers don't want this information to get out," Lohmann said.

NICB acts as a liaison between vehicle manufacturers and law enforcement. The vehicle manufacturers started sending vehicle information to NICB over 20 years ago so that NICB could act as a single point of contact for law enforcement. This information includes secret VIN locations on the vehicles as well as shipping records, manufacturer contact information and sales records.

NICB can also give law enforcement access to data on factory key purchases/replacement keys to allow law enforcement to know which key fob was the last one to cycle on the engine.

In addition, when a VIN is entered into the national MVR database there can be a note attached to the MVR record that shows NICB interest in the vehicle. "The MVR database will have instructions for law enforcement to contact an NICB agent," Lohmann said. NICB also provides a hotline that is available for 24/7 assistance.

NICB, through its Foreign Operations Office, serves as a liaison with foreign governments and provides assistance with international vehicle location, recovery and repatriation services for stolen vehicles.

NICB also assists local law enforcement by purchasing bait-cars and license plate readers to help reduce the number of stolen vehicle incidents in a hot spot. "NICB does not monitor the license plate readers; NICB just purchases the equipment for the local jurisdiction to use," he said.

In addition to assisting in the investigation, identification and recovery of autos, NICB assists with heavy equipment thefts, cargo thefts, commercial vehicle thefts, burned vehicles/arson for profit rings, and marine thefts.

NICB offers analytical support by producing its annual trend reports: "Hot Wheels" – that shows the top five car models stolen and top five model year cars stolen and "Hot Spots" – that shows the top 10 municipalities with the highest rate of vehicle theft per 100,000 residents. "NICB has an analyst embedded with the Texas Department of Public Safety in Austin who handles all five states of the Southwest region," Lohmann said.

NICB offers special operations funding for law enforcement operations – Nexus Insurance Crime; medical fraud; staged accidents; vehicle, cargo, heavy equipment, marine vessel and aircraft thefts; commercial and residential burglaries and theft losses; life insurance fraud; store front undercover operations targeting property crime; bait vehicle programs, vehicle thefts, and burglary of motor vehicles.

NICB produces reference materials for use by law enforcement, such as passenger and commercial VIN manuals, passenger vehicle identification manuals, pocket guides for cargo theft, fire, staged accident and vehicle theft investigations.

NICB developed QCNet to help member companies in the speedy review of information to help identify potential insurance fraud. The QCNet dashboard allows members to quickly identify involved parties in the claim who have been designated as a subject of investigation in a questionable claim within the two previous years and have been involved in at least two questionable claims in the previous five years.

NICB also provides member companies with the Geospatial Intelligence Center (GIC). This combines NICB's unique position in the property and casualty insurance industry with advanced imagery capabilities, so members have enhanced disaster response capabilities to expedite claims and improve fraud detection following catastrophe events.

London views

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seven percent and the rest of the world 20 percent. These figures won't make anyone confident who is hoping to make a claim on their business interruption policy.

John Neal, CEO of Lloyd's, said, "The global insurance industry is paying out on a very wide range of policies to support businesses and people affected by COVID-19. What makes COVID-19 unique is not just the devastating continuing human and social impact, but also the economic shock. Taking all those factors together will challenge the industry as never before, but we will keep focused on supporting our customers and continuing to pay claims over the weeks and months ahead."

Lloyd's is never slow to spot an opportunity, and already its experts and innovators have started creating new policies to support the immediate health response to COVID-19 as well as the longer-term exit strategy. They include coverage in the search for diagnostics, treatments and vaccinations, and one syndicate is already insuring over 100 individual clinical trials relating to COVID-19 that are taking place around the world. Lloyd's Lab and Product Innovation Facility is helping fast track development of insurance products to support the response to COVID-19, and further initiatives are expected in the coming weeks. One initiative is the establishment of a Recover Re insurance vehicle offering after-the-event cover for pandemic-related business recovery, including the current COVID-19 pandemic.

Meanwhile, the underwriting room remains closed, and nearly everyone is working from home. Things seem to be going well, and Lloyd's hopes to reopen the market in mid-August. How the market will react is anybody's guess. Some broking houses feel they can cut down on active staff if they use electronic placing, and underwriters seem to be more productive electronically. In fact, the only people with problems are the business producers who can't go out to get new business.

One thing is certain, with losses on their way, a hard market will follow. Market observers believe rates will rise across the board, and they forecast three years of increases. Just as well when you look at Lloyd's projected figures for 2018 and 2019.

Lloyd's holds firm on BI claims

The disputes between Lloyd's managing agents and their clients over the payment of business interruption claims continues. One of the main sellers of this insurance, Hiscox, has offered a nominal goodwill payment to a number of clients to apologize for not making it clear that pandemics are not covered under their policies. Not surprisingly, the clients are not impressed.

Like many insurers, Hiscox faces legal action from hundreds of firms and has admitted its explanation of cover "should have been clearer." The managing agent says it is paying claims that are covered by its policies fairly and quickly. Hiscox is adamant that its policies do not include diseases linked to pandemics such as coronavirus due to the difficulty of insurers' being able to quantify the potential risk.

Hiscox admits that some policies cover denial of access by public authorities when policyholders are ordered not to use or access their premises following a small number of localized incidents, but Hiscox says these policies do not cover general shutdowns ordered by governments.

The feeling in the market is that it is unlikely that Hiscox will be held liable for these losses. Over 90 percent of all business interruption policies clearly do not cover a pandemic risk because clients did not want to buy it at the cost quoted.

According to a survey by Lloyd's broker Aon last year, risk managers rated a pandemic crisis as only the 60th most pressing risk. The facts are that most firms did not want to buy the cover; the cover was not generally available, and buyers did not consider the rates quoted to be commercially viable. Unfortunately, history has shown that attitudes and memories change when a major loss occurs.

FCA confirms court action

Hiscox is one of five Lloyd's managing agents involved in the test case run by the U.K.'s Financial Conduct Authority. Managing agents Arch Insurance (UK) Limited, Argenta Syndicate Management Limited, MS Amlin Underwriting Limited and QBE UK are also involved. The insurance companies involved are the Royal Sun Alliance, Ecclesiastical Insurance and Zurich Insurance. The case will examine 17 wordings from these eight and from a number of different insurers. The insurers face possibly responding to thousands of claims they have so far denied.

With billions of pounds at stake, the London market is looking at this case with some unease. If the wordings are found to be ambiguous, the result could be financially ruinous and potentially force some of the insurers into bankruptcy.

The court action is expected to begin shortly and should last around two weeks. The FCA warned policyholders that, although their insurers are named in the action, it does not mean they will have a valid claim. The FCA already said that, in its view, the pandemic has not triggered valid claims under most business interruption policies.

Insurers are not the only ones concerned with the outcome of the case. If policyholders are denied a valid claim from their insurers, they are expected to take action against the advisors who arranged their coverage.

There are concerns among brokers that some may have failed to meet their clients' instructions to cover a pandemic loss. Brokers have relied on insurers' policy wordings, and if these are found not to cover

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London views

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the pandemic, brokers can expect huge claims for alleged negligence. Apparently, there is a particular problem with clients who tried to purchase cover early this year when cover for notifiable diseases was still available. Allegedly some brokers drafted their own wordings, and there are concerns that the details of the cover are ambiguous.

There are also allegations that some brokers did not believe their clients' cover was valid for the pandemic and failed to pass on claims notifications to insurers. Some of these claims are now time-barred. However, the word on the street is that, while some claims can be expected, there is no likelihood of a surge of negligence claims.

U.S. Treasury gives Lloyd's optimism

A senior member of the U.S. Treasury, Frederick W. Vaughan, has written a letter making it clear that Treasury is opposed to wholesale forcing insurers to pay business interruption claims. London has been worried that retroactive legal action by some U.S. states could lead to changing the terms of insurance contracts and compel them to cover business interruption losses caused by COVID-19. Vaughan's letter says that, while insurers should pay valid claims, he is concerned over fundamental conflicts that could threaten the stability of the industry.

Hard years ahead for Lloyd's underwriters

Lloyd's has released its latest update for the 2018 and 2019 underwriting years. With 2020 already declared a loss due to the COVID-19 virus, it seems the next three years will be all red ink and underwriting losses for Lloyd's. While figures for the whole market are supplied, only individual figures are provided for the nonaligned syndicates.

As usual, Lloyd's has published figures for the worst case, best case and mid case scenarios. For 2018, the market as a whole is expected to have a loss of 9.76 percent of its capacity based on the worst-case figures, with only one syndicate estimating a profit and one a breakeven. The other 31 syndicates have losses varying from 65.00 percent of capacity to 2.50 percent. Even the best-case forecast shows a 3.52 percent loss for the market overall, while the mid-case is a 6.64 percent loss.

Managing Agents with some explaining to do are those that manage Hiscox's Syndicate 6104 with a loss of 65.00 percent on the worst-case figures, Charles Taylor 1884 with a loss of 55.01 percent and Astra 6123 with a loss of 48.58 percent of their underwriting capacity. On the plus side, only Chaucer's Syndicate 1176 shows an expected profit of 15.00 percent.

The best-case figures for the 2018 underwriting year show 15 syndicates reporting an estimated profit, but only two of these are in double digits – Chaucer's Syndicate 1176 at 35.00 percent and Beazley Syndicate 623 at 10.00 percent. A further three syndicates hope to break even on the year, which leaves 13 forecasting a loss.

For 2019 the market as a whole is expected to have a loss of 4.76 percent of its capacity, based on the worst-case figures, with seven syndicates estimating a profit and four expecting to break even. This still leaves 21 nonaligned syndicates making losses. The best case shows a 2.05 percent profit for the overall market, while the mid-case is a 1.35 percent loss.

Individually, the worst-case figures for 2019 show Hiscox Syndicate 6104 forecasting a 75 percent loss, way ahead of Brit's Syndicate 2988 which forecasts a 21.26 percent loss. Seven syndicates forecast profits ranging from MAP Syndicate 6103 with a 12.50 percent profit to Covery's Syndicate 1991's 1.09 percent. A further four syndicates expect to break even which leaves 19 syndicates expecting losses.

The best-case figures for 2019 show a lot of black ink, with 25 syndicates expecting profits ranging from MAP Syndicate 6103's 32.50 percent to Canopius Syndicate 4444's 0.83 percent. Two syndicates hope to break even which leaves five with losses.

Underwriters will grasp the expected hard market like it is a life raft.

New funds at Lloyd's portal

Lloyd's is going to launch a digital platform to develop its existing Lloyd's Members Access system. To join Lloyd's, one has to deposit funds, but finding out the value of these at any one time has been paper driven and difficult. The new platform will enable capital providers and supporting stakeholders to have access to their data and documents through a simple and intuitive portal 24/7, and access can be via laptop or mobile.

London Matters 2020 is out

Some years ago, the London market felt the need to advertise its value to the industry and published information about the market in a report called London Matters. The London Market Group, which started life as the Market Reform Group, now updates the report regularly, and the latest edition came out recently.

The report states that the London market remains the largest global (re)insurance hub in the world. Like Mark Twain, the reports of its death are greatly exaggerated, and the predictions that its significance would diminish as business moved elsewhere has not borne out. The gap between London and the total amount written in Bermuda, Switzerland and Singapore has, in fact, widened from $16 billion in 2015 to $23 billion in 2018.

It came as no surprise that North America replaces the U.K. and Ireland as the biggest source of income to the London market. The U.S. has been Lloyd's biggest market for years, and now the London company market has jumped on the bandwagon. While London's share of the developed markets is secure, it continues to underperform in emerging markets in Asia and Africa.

Matthew Moore, chairman of the LMG said, "This report finds the London market in good shape. Aggregate market share held steady, maintaining its dominance over other (re)insurance centers, attracting more U.S. business than ever before and increasing its contribution to U.K. gross domestic product. Nevertheless, some of the underlying challenges from the first London Matters report in 2014 remain. Our share of reinsurance business is shrinking, and our share in emerging markets remains small. We need to replace an aging workforce, and there is more work to do on closing the gender pay gap."

The report was written before COVID-19 emerged, and does not include its impact on the market, but does state that effects of COVID-19 on market structure, products, processes and working practices are likely to be profound and long-lasting.

Moore added, "The current crisis shows that the market can support its trading partners and clients through the toughest of challenges. The fact that it is doing so today is in part down to its adoption of previous LMG initiatives. For example, electronic placement through PPL has meant that remote working has been possible and that contracts have been placed and renewed with legal certainty."

NEWS IN BRIEF

FROM PAGE 7

life? This is the book.
-**Marit Peters**, IIAT president and executive director

TDI

The Texas Department of Insurance returns to normal processing for temporary agent licenses beginning Aug. 15. Anyone with a temporary license issued Aug. 15 or earlier will have until Nov. 13 to get a regular license. Those with temporary licenses issued on or after Aug. 15 will have 90 days to get a regular license. TDI will continue to waive the requirement that temporary agent licensees get training in a classroom setting, as applicants for a temporary license may take approved webinars and courses listed as "classroom equivalent" to satisfy the 10 hours requirement. Also waived is TDI's requirement that, during any two consecutive quarters, at least 70 percent of an organization's applicants for temporary licenses take the required licensing examination.

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House burns, dog dies, arsonist says he deserves lenience

Owner says blaze wasn't that dangerous

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 firefighting 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.

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.*

NEWS IN BRIEF

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SLTX

The Surplus Lines Stamping Office of Texas reported continued record-breaking results for each month of 2020. By May 30, $3.18 billion in surplus lines premium was reported in Texas, a year-to-date increase of 14.3 percent over 2019. The May-to-May comparison showed an increase of about $90 million in reported premium, a 13.4 percent increase for the single month. So far, SLTX has recorded 294,727 policies, which represents a decrease of 5.9 percent, compared with the first five months of 2019. SLTX reported an 18.3 percent year-to-date increase in the number of policies filed for exempt commercial purchasers. The office has collected $4.77 million in stamping fees as of May 30, 2020.

TDI Final Disciplinary Actions May 2020*

Date	Name and City	Action Taken	Violation
5/1/2020	Humana Insurance Company; Humana Health Plan of Texas, Inc., Louisville, Kentucky	Fined $500,000; agreed to $139,607.33 in restitution	Failed to offer each covered individual on guaranteed issue basis the option to purchase other coverage at time of discontinuation; failed to provide small employer association groups sufficient notice of modification or discontinuation; failed to file association eligibility documents with TDI; improperly rated small employer association groups
5/11/2020	Vaught Insurance Services Inc; Mary Desilva Vaught, Houston	Fined $5,000	Failed to notify client of discount, retained discount as servicing fee

*** Consent orders: Parties agreed to consent order with express reservation that they do not admit to a violation of the Texas Insurance Code or of a rule and that the existence of a violation is in dispute.**

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