PROPERTY INSURANCE REPORT

The Authority on Insuring Homes and Commercial Property

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INSIDE

THE GRAPEVINE

High Net Worth Households Soar to Record Numbers

The increase in the number of high net worth households last year to pre-recession levels was not an aberration: **Spectrem Group** recently reported that the number of households with a net worth of $1 million or more (not counting their primary residence) grew to a new high of 10.1 million, up nearly 500,000 from 9.63 million in 2013.

Millionaire households, which now represent 8% of all U.S. households, are feeding the growing appetite of insurers to provide valuable and profitable personal lines products with a strong risk management component.

As we reported in the last issue of *Property Insurance Report*

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Insurers Poised to Use Video Chat To Transform Online Interaction

Live online video chat is coming to the insurance industry, with a certain combination of opportunity and disruption in sales, service and claims. A number of carriers are already in test mode, and it seems a good bet that 2016 will see a handful of pioneering insurers implementing video chat into many facets of communication with their customers and service providers.

The impetus for using video for sales comes from the high volume of abandoned shopping sessions online. As

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Customer Images Transform Claims: Faster Decisions at Lower Costs

Insurers are increasingly engaging customers more directly in their property insurance claims, utilizing mobile applications with video and digital photography to speed decisions, improve accuracy, lower costs and increase customer satisfaction. As anyone who has tried video chat using a smartphone can attest, technical challenges remain for these tools. But with advances in cellular and Wi-Fi communications, barriers are falling quickly and public acceptance of these technologies is rising.

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Kentucky Insurers Taking Action To Relieve Long-Term Profit Pain

On the first Saturday in May, 20 thoroughbred horses will break out of the gate at Churchill Downs for the fastest two minutes in sports during the 141st running of the Kentucky Derby. The race horses will be outfitted in hoods with attached blinkers, the cups that block their peripheral vision and keep them focused on the racecourse.

Home insurers in **Kentucky** could use a set of blinders themselves if they want to believe that the Bluegrass State

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consumers enter information about themselves and begin to select coverage levels, they often become frustrated and confused, unsure about exactly what to do. Sometimes they get all the way through the process, but retain a level of uncertainty about the final decision and abandon all their work.

Enter an entirely new "help" button. Instead of static "frequently asked questions" pages, searchable help databases, or even cumbersome text chat, the consumer is offered a button that opens a video chat with an agent or customer representative. The best example of this concept in use today is the "Mayday" video support feature on **Amazon's** Kindle Fire tablet. If Kindle Fire owners are stumped about how to use the tablet, they push a button on the tablet's screen to call a video support person who can not only talk them through the process, but can also "co-browse" on the device, taking control if the customer allows. The video support person can also draw and write directions on the screen, similar to the way a football announcer can "telestrate" on replays to show the way a play unfolded.

> ***Video call centers will require operators to have a telegenic appearance and will put an end to funky cubicle decor.***

Attendees at the most recent Property Insurance Report National Conference had an opportunity to see this technology in action for insurance purposes, courtesy of **Rob Cornwell**, insurance practice lead at **Cisco Systems**. The giant technology company has developed a video chat and co-browsing tool specifically for insurers, and a number of insurers are currently in testing to bring the technology both to their web pages and mobile applications.

Do consumers want video interaction? Cornwell offered this insight: **American Express** was seeing about 1,000 downloads a week of its iPad app for customer interaction. After video chat was incorporated into the app last year, downloads surged to 169,000 in a three-week period. There was no marketing, no announcement, no fanfare, he said, just the modern form of word of mouth – online conversation among customers.

There are significant challenges to implementation. The technology to embed video chat and co-browsing exists, but getting the job done takes a serious commitment, almost certainly at the CEO level, to push development to the top of the technology development queue.

Another challenge is hiring and developing skilled video agents and support staff. It isn't enough to be smart; you have to know how to look good on screen, keep your eyes focused on the camera, etc. Dressing for the telephone call center in t-shirts and unkempt hair with a cluttered cubicle in the background just won't do. Lighting for video chat is different than workplace lighting. Even the headset and microphone can't look too goofy, and, indeed, it might be wise to invest in off-screen speakers and microphones to make the interaction even more comfortable for customers. This all comes at a cost.

In addition, insurers looking to use video chat to end abandonments will require a quick response time – customers on the verge of walking away won't wait 10 minutes for an operator to appear. That means a generously staffed video call center, with the existence of some redundant staff – a costly, if necessary, anathema to any smart call center manager.

There are plenty of ways to ease into video chat. By offering the video chat option only as a last resort, insurers can be sure they're only spending the money on video chat in the most impactful moments. Experience and further analytics will allow insurers to become increasingly sophisticated about when to offer the video option, and to which customers, to maximize the investment and impact.

Not everything will happen in the call center. "Another scenario that we definitely see is

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VIDEO CLAIMS *Continued from Page 1*

A pair of claims solutions that engage consumers more directly were shared with attendees of the recent Property Insurance Report National Conference courtesy of **Jon Kost**, chief strategy officer of **Symbility Solutions**, and **Paul Donald**, chief executive officer of **EnCircle**. Both companies provide claims solutions to insurers, and while the two systems certainly have different approaches and technologies, they share some characteristics based on a desire to update and improve the property claims process.

In the current claims process, the property owner contacts an insurer. In some cases, the insurer can use a "desk" adjuster to resolve the claim without sending a field adjuster to examine and photograph the loss.

Even when field adjusters are dispatched, may not have the experience, skill and information necessary to make a decision on the spot. Often, adjusters must return to a computer to input all the information into a software system to direct the next course of action. For less skilled adjusters, or more complex claims, experts may be called in to aid in decision-making, either at the location of the claim or reviewing photographs and talking with the field adjuster.

This costly process largely bypasses the property owner once the first notice of loss is filed. The insured is reduced to looking over the shoulder of the field adjuster or expert.

Changing this dynamic requires new tools, primarily through the use of a smartphone app. Though the details are different for each system, the basic concepts are consistent.

In the telephone call making the first notice of loss, the representative will ask if the consumer has a smartphone or tablet. It is best if the phone or tablet is attached to a strong Wi-Fi signal, but video technology over a cellular signal is increasingly effective.

If the customer has the right device, the representative will send a link to download a dedicated application. Once the app is installed, the claims professional on the phone directs the customer to gather images of the loss through photos or video. By sharing the images interactively, the desk adjuster can ensure the customer sends all the images needed, complete with adequate lighting and resolution.

These capabilities will very likely be baked into the insurer's broader customer app, which may already allow for bill paying and other policyholder services.

Software eventually will enable the desk adjuster to calculate measurements directly from the images, allowing more precise assessments of how many square feet of carpet, drywall or cabinetry might be damaged.

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on the agent side," Cornwall told the conference. "Having been an agent, I can tell you that when one of my customers" had a major life event, such as a young couple having their first child, "that is the time I want to get in front of them and talk about life insurance planning, education planning, and all the other needs that they'll have as new parents. About the last thing that young couple wants to do that just had a baby is come into my office and spend an hour in front of my desk going through this, right?

"But what if we can simply say, 'When you have time, once you put the baby down at night, I can send you an easy link. You can click on the link and we can spin up a virtual interaction. I'll show you some of the illustrations we talked about, and we can take this all the way to closing the sale.'"

If the agent gets stuck, Cornwall said, "he can even bring in a subject matter expert."

The challenges of video chat ensure it won't become ubiquitous overnight. But for anyone who thinks of customer interaction in a binary sense – impersonal and online or highly personal with all parties in the same room – there is now a new middle ground that is at once face-to face but not sharing the same space. PIR

Kentucky
Homeowners Multiperil Insurers

Groups Ranked by Total 2013 Direct Premium Written (000)

Group Name	2013 Premium	Mkt share 2013	Loss Ratio 2013	2012 Premium	Mkt share 2012	Loss Ratio 2012	2011 Premium	Mkt share 2011	Loss Ratio 2011
State Farm Mutual	$247,471	24.3%	39.6%	$221,637	23.2%	122.6%	$210,872	23.5%	61.3%
KY Farm Bureau Mutual Ins Co.	$230,318	22.6%	31.5%	$232,641	24.3%	141.9%	$220,132	24.5%	79.6%
Liberty Mutual	$98,721	9.7%	36.8%	$83,718	8.8%	127.6%	$73,840	8.2%	55.4%
Allstate Corp.	$70,197	6.9%	33.0%	$66,314	6.9%	97.2%	$67,668	7.5%	48.3%
USAA Insurance Group	$38,979	3.8%	56.3%	$31,640	3.3%	127.1%	$25,662	2.9%	66.1%
State Auto Insurance Companies	$31,111	3.1%	34.9%	$32,600	3.4%	133.3%	$32,439	3.6%	61.2%
Auto-Owners Insurance Co.	$28,772	2.8%	26.5%	$28,258	3.0%	145.3%	$27,455	3.1%	79.1%
Travelers Companies Inc.	$27,791	2.7%	20.2%	$30,510	3.2%	95.8%	$30,473	3.4%	50.5%
Nationwide Mutual Group	$26,992	2.7%	33.9%	$26,303	2.8%	199.6%	$24,962	2.8%	81.4%
Cincinnati Financial Corp.	$24,669	2.4%	42.3%	$22,348	2.3%	134.7%	$19,823	2.2%	76.2%
Auto Club Insurance Assoc Grp	$20,639	2.0%	58.7%	$16,695	1.8%	228.1%	$12,530	1.4%	104.1%
Shelter Mutual Insurance Co.	$17,637	1.7%	57.2%	$16,644	1.7%	134.7%	$16,089	1.8%	69.4%
MetLife Inc.	$16,390	1.6%	36.3%	$14,248	1.5%	113.8%	$12,407	1.4%	48.6%
Kentucky Growers Insurance Co.	$13,488	1.3%	48.8%	$12,125	1.3%	105.5%	$11,034	1.2%	83.0%
Grange Mutual Casualty Co.	$12,263	1.2%	43.7%	$11,891	1.2%	112.5%	$11,615	1.3%	79.7%
Munich-American/American Modern	$11,427	1.1%	38.4%	$11,515	1.2%	86.2%	$13,129	1.5%	67.1%
Hartford Financial Services	$11,392	1.1%	26.4%	$10,085	1.1%	171.3%	$9,770	1.1%	64.4%
Farmers Insurance Group	$10,689	1.1%	65.0%	$13,500	1.4%	111.6%	$12,909	1.4%	67.1%
Motorists Insurance Group	$10,225	1.0%	40.2%	$9,489	1.0%	114.4%	$9,211	1.0%	54.5%
Kentucky National Insurance Co	$7,723	0.8%	51.9%	$6,178	0.7%	157.9%	$5,091	0.6%	106.8%
Assurant Inc.	$5,993	0.6%	42.9%	$5,615	0.6%	62.7%	$3,051	0.3%	51.2%
American Family Mutual	$5,751	0.6%	33.8%	$4,757	0.5%	94.0%	$4,215	0.5%	37.9%
Westfield Group	$5,328	0.5%	26.1%	$5,014	0.5%	110.7%	$4,758	0.5%	52.1%
Employers Mutual Casualty Co.	$4,868	0.5%	66.3%	$5,519	0.6%	124.0%	$5,332	0.6%	72.5%
CSAA (Northern California Auto Club)	$4,207	0.4%	42.4%	$2,800	0.3%	87.9%	$1,886	0.2%	164.1%
Chubb Corp.	$3,750	0.4%	23.8%	$3,644	0.4%	81.3%	$3,459	0.4%	38.5%
American National Insurance	$3,703	0.4%	69.0%	$3,693	0.4%	202.5%	$3,704	0.4%	51.3%
Secura Mutual Insurance	$3,335	0.3%	29.0%	$3,070	0.3%	144.9%	$2,731	0.3%	87.9%
Allianz Group/Fireman's Fund	$3,292	0.3%	72.0%	$3,585	0.4%	60.6%	$4,027	0.5%	39.5%
Amica Mutual Insurance Co.	$2,856	0.3%	87.3%	$2,378	0.3%	183.6%	$2,093	0.2%	78.7%
American International Group	$2,798	0.3%	17.8%	$2,125	0.2%	209.3%	$2,048	0.2%	46.6%
Markel Corp.	$2,193	0.2%	43.4%	$2,226	0.2%	133.8%	$1,942	0.2%	48.7%
Virginia Farm Bureau Federation	$1,740	0.2%	42.7%	$2,171	0.2%	79.0%	$2,176	0.2%	52.9%
Kemper Corp.	$1,689	0.2%	82.6%	$1,551	0.2%	53.5%	$1,542	0.2%	47.2%
GuideOne Insurance	$1,668	0.2%	101.8%	$1,864	0.2%	160.9%	$2,036	0.2%	57.3%
Mapfre/Commerce	$1,658	0.2%	24.1%	$925	0.1%	113.7%	$717	0.1%	8.0%
General Electric Co.	$1,431	0.1%	104.9%	$1,341	0.1%	250.1%	$1,215	0.1%	36.5%
ACE Ltd.	$1,372	0.1%	51.7%	$1,150	0.1%	25.9%	$867	0.1%	28.6%
Statewide Totals	$1,019,402		38.1%	$956,706		129.8%	$899,221		66.5%

Source: SNL Financial, by permission, and the *Property Insurance Report* database.
Loss ratio is incurred losses as a percentage of direct premium earned. The ratio does not include dividends or loss adjustment expense. Single year data can be skewed by reserve adjustments.

State Market Focus: KENTUCKY

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is a profitable place to do business. The 23% after-tax profit margin and 38.1% statewide loss ratio for the homeowners insurance business in 2013 look great if you don't see what came before: A 44.9% loss and 129.8% loss ratio in 2012, resulting largely from severe storms and tornadoes that left the town of West Liberty in a pile of rubble and six of its residents dead three years ago this month.

One devastating year does not define a market, but when you look at Kentucky's homeowners insurance profits over time it is clear we are not talking about one bad year. For the decade that ended in 2013, Kentucky home insurers recorded an average annual loss of 4.3%, making it the eighth worst market over that period. During that decade, 2013 was the most profitable year, with the next highest profit margin coming in at 18.9% in 2005.

In fact, insurers have already taken their blinders off. Between 2010 and 2013, the state's top 10 insurance groups raised rates considerably, and only in 2014 did rates moderate.

According to **Perr & Knight's** RateWatch, which tracks rate changes for leading insurers by line and by state, the top 10 homeowners insurance groups raised rates 13.4% in 2010, following major losses in 2008 and 2009.

On two days in early February 2008, 87 tornadoes touched down across the South, 15 of them in Kentucky. Following a few months of rebuilding, Kentucky was one of 11 states struck by Hurricane Ike, leading to massive power outages, the closure of several airports and extensive wind damage. That year, home insurers in Kentucky recorded a 36.1% loss.

In 2009, the situation was even worse. That year an ice storm took down tree limbs and downed power lines, leaving 600,000 homes and businesses in the dark, some for 10 days. That and two other federally declared disasters resulted in a 44% loss for homeowners insurers.

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Kentucky
Property Insurance Profit Margins
10-Year Summary, % of Direct Premiums Earned, With National Averages

Line of Business	2013 Total Profit	2012 Total Profit	2011 Total Profit	2010 Total Profit	2009 Total Profit	2008 Total Profit	2007 Total Profit	2006 Total Profit	2005 Total Profit	2004 Total Profit	Avg Total Profit
State Homeowner	23.0	-44.9	2.6	13.7	-44.0	-36.1	4.6	9.3	18.9	10.0	-6.7
Nat'l Homeowner	16.5	8.1	-3.8	5.7	5.7	-2.4	15.0	17.0	-2.4	3.0	5.5
State Fire	30.0	7.5	19.4	18.1	-0.8	35.6	32.5	13.6	12.8	31.9	17.9
Nat'l Fire	26.9	24.7	24.8	24.5	24.5	13.2	20.2	27.3	8.2	29.8	22.8
State Comm	18.4	-16.7	9.0	14.0	-5.9	-14.1	18.1	19.7	21.0	18.0	8.1
Nat'l Comm	14.9	9.0	4.1	11.0	11.0	9.2	19.9	19.7	6.8	9.8	11.5
State Allied	33.9	-108.3	9.5	-5.4	2.6	4.6	0.0	31.3	-23.7	38.5	-7.9
Nat'l Allied	6.3	-19.4	5.7	21.2	21.2	2.8	29.9	23.9	-125.1	-1.4	-1.5

Note: Profit calculations are by *Property Insurance Report* using data from the National Association of Insurance Commissioners. Calculations are estimates, some based on national averages.

State Market Focus: KENTUCKY

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In next three years, insurers kept the pressure on. In 2011, rates increased 8.4% followed by 9.7% in 2012. In 2013, rates went up another 10.5% on average for these insurers, which represent 82% of the market, according to RateWatch. Last year, rate increases slowed to 3.6%.

Since 2010, the top 10 insurers took a cumulative rate increase of 56.9%, with the largest being 73.1% by **Kentucky Farm Bureau**. Its rate increases drove up premium enough to move into the No. 1 spot among Kentucky home insurers in 2011 and retain it in 2012. **State Farm** returned to No. 1 in 2013, writing 24.3% of statewide homeowners premium.

Kentucky Farm Bureau's rate increases were among the steps the company took to stabilize itself after significant underwriting losses prior to 2013, driven largely by hailstorms, severe wind storms and tornadoes in 2012. On March 12, **A.M. Best Co.** revised the outlook for Kentucky Farm Bureau's credit rating from negative to stable. The carrier's financial strength rating remained strong at "A."

The ratings "reflect its improving trend of underwriting and operating earnings since 2012, with underwriting profits posted in 2013 and 2014," A.M. Best wrote. It attributed that im-

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Kentucky
Commercial Multiperil Nonliability Insurers
Groups Ranked by 2013 Premiums Written (000)

Group Name	2013 Premiums	Mkt share	Loss Ratio
KY Farm Bureau Mutual Ins Co.	$48,997	14.4%	24.3%
Liberty Mutual	$35,210	10.3%	24.7%
Cincinnati Financial Corp.	$29,683	8.7%	29.9%
Travelers Companies Inc.	$21,788	6.4%	14.6%
Auto-Owners Insurance Co.	$17,329	5.1%	34.7%
Chubb Corp.	$15,046	4.4%	230.4%
State Farm Mutual	$8,980	2.6%	71.9%
Westfield Group	$8,406	2.5%	27.2%
CNA Financial Corp.	$8,327	2.4%	37.4%
Nationwide Mutual Group	$7,782	2.3%	58.4%
Hartford Financial Services	$6,921	2.0%	32.7%
Tokio Marine Group	$6,798	2.0%	5.8%
American International Group	$6,794	2.0%	30.7%
State Auto Insurance Companies	$6,345	1.9%	63.9%
Grange Mutual Casualty Co.	$6,210	1.8%	23.9%
Motorists Insurance Group	$6,126	1.8%	69.0%
Brotherhood Mutual Insurance Co.	$6,092	1.8%	27.6%
Zurich Insurance Group	$5,795	1.7%	27.3%
QBE Insurance (Gen Cas/Unigard)	$5,657	1.7%	-92.9%
Secura Mutual Insurance	$5,607	1.7%	35.1%
Undrwrtrs at Lloyd's London-KY	$5,528	1.6%	-91.3%
ACE Ltd.	$4,803	1.4%	15.3%
Allstate Corp.	$4,391	1.3%	51.5%
Acuity Mutual Insurance	$3,923	1.1%	29.4%
MS&AD Insurance Group Holdings Inc.	$3,820	1.1%	-85.5%
Church Mutual Insurance Co.	$3,607	1.1%	301.9%
Munich-American/American Modern	$3,223	1.0%	37.3%
Catlin Group Ltd	$3,209	0.9%	15.5%
Everett Cash Mutual Ins Co.	$3,136	0.9%	65.4%
GuideOne Insurance	$3,134	0.9%	51.1%
American Financial Group Inc.	$2,610	0.8%	70.2%
Allianz Group/Fireman's Fund	$2,108	0.6%	38.4%
Statewide Totals	$322,587		111.7%

Data Source: SNL Financial, by permission, and the *Property Insurance Report* Database.
Loss Ratio is incurred losses as a percentage of direct premium earned. The ratio does not include dividends or loss adjustment expense. Single-year data can be skewed by reserve adjustments.

Kentucky
2012 Insured Home Values

Home Value	Kentucky	National Average
<$50K	0.3%	0.4%
$50-75K	2.2%	0.9%
$75-100K	7.5%	2.8%
$100-125K	13.5%	6.2%
$125-150K	15.4%	9.1%
$150-175K	13.9%	10.9%
$175-200K	10.8%	10.7%
$200-300K	23.3%	31.2%
$300-400K	7.9%	14.9%
$400-500K	2.7%	6.5%
>$500K	2.5%	6.5%
Total exposures	767,995	50,660,829

Source: NAIC, *Property Insurance Report*

State Market Focus: KENTUCKY

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provement, in part, to "the concrete steps being taken to reduce catastrophic loss exposure and further improve earnings. These steps include multiple rate increases across all lines, tightening property underwriting guidelines, increasing deductibles and canceling or nonrenewing unprofitable or higher risk accounts."

While rate hikes were clearly necessary given the substantial losses, the increases impose a significant burden on Kentucky homeowners. According to the **National Association of Insurance Commissioners**, the average homeowners insurance premium in Kentucky was $916 in 2012, the year before the last big increase and the most recent data available. That ranked 27th in the nation and well below the national average of $1,034. That premium may not look too bad until you consider that Kentuckians have among the lowest incomes in the country. In 2012, the average household income in Kentucky was $56,738, the 48th highest. On our HURT Index, which compares premium to income as an indicator of affordability, Kentucky ranks 13th.

While State Farm and Kentucky Farm Bureau jockeyed for position as Kentucky's largest writer of homeowners insurance, other insurers in the top 20 were shifting positions. In 2013, **USAA** went ahead of **State Auto** to become the commonwealth's fifth-largest home insurer. Kentucky remains State Auto's third-largest market, accounting for 6% of the carrier's overall business. Meanwhile, **Auto-Owners** surpassed a shrinking **Travelers** to become No. 7.

Perhaps the biggest shift in homeowners market share in the top 20 was that of **Farmers Insurance**. Ranked ninth in the Kentucky homeowners market in 2008, Farmers is now ranked 18th, having seen its market share diminish to just over 1%.

The shifting market share indicates that even as it presents challenges, Kentucky is competitive state. **Erie Insurance** recently joined the fray, introducing auto home and life policies last year with plans to offer commercial lines in early 2016. It was Erie's first geographic expansion in

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Kentucky
Fire Insurers
Groups Ranked by 2013 Premiums Written (000)

Group Name	2013 Premiums	Mkt share	Loss Ratio
American International Group	$20,474	14.9%	6.8%
FM Global	$9,831	7.1%	2.8%
Liberty Mutual	$9,827	7.1%	18.2%
Assurant Inc.	$7,945	5.8%	19.4%
Auto-Owners Insurance Co.	$7,630	5.5%	15.8%
Zurich Insurance Group	$7,129	5.2%	111.7%
Travelers Companies Inc.	$5,781	4.2%	17.4%
Munich-American Holding Corp.	$4,920	3.6%	42.2%
Cincinnati Financial Corp.	$4,121	3.0%	41.9%
State Auto Insurance Companies	$3,952	2.9%	42.8%
AXIS Capital Holdings Ltd.	$3,271	2.4%	-1.6%
KY Farm Bureau Mutual Ins Co.	$2,851	2.1%	43.2%
Undrwrtrs at Lloyd's London-KY	$2,677	1.9%	64.4%
Alleghany Corp.	$2,492	1.8%	16.1%
Shelter Mutual Insurance Co.	$2,311	1.7%	40.7%
Allianz Group/Fireman's Fund	$2,197	1.6%	-4.1%
Tokio Marine Group	$2,080	1.5%	14.3%
Employers Mutual Casualty Co.	$1,877	1.4%	6.5%
CNA Financial Corp.	$1,794	1.3%	92.5%
Swiss Re Ltd	$1,748	1.3%	-11.6%
HDI-Gerling America Insurance Co.	$1,684	1.2%	141.4%
Berkshire Hathaway Inc.	$1,663	1.2%	14.1%
USAA Insurance Group	$1,583	1.1%	2.2%
Pennsylvania Lumbermens Mutual Ins	$1,504	1.1%	94.3%
ACE Ltd.	$1,473	1.1%	32.4%
XL Group plc	$1,464	1.1%	40.3%
Acuity Mutual Insurance	$1,427	1.0%	16.2%
HCC Insurance Holdings Inc.	$1,351	1.0%	112.7%
Nationwide Mutual Group	$1,135	0.8%	59.1%
Farmers Insurance Group	$1,054	0.8%	8.2%
Selective Insurance Group Inc.	$1,011	0.7%	3.9%
SCOR	$949	0.7%	30.6%
Statewide Totals	$121,696		63.2%

Data Source: SNL Financial, by permission, and the *Property Insurance Report* Database.
Loss Ratio is incurred losses as a percentage of direct premium earned. The ratio does not include dividends or loss adjustment expense. Single-year data can be skewed by reserve adjustments.

State Market Focus: KENTUCKY

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a decade. "The Kentucky market has been very receptive of our agents and our brand, and we are very please with our success today," Erie President and CEO **Terry Cavanaugh** told analysts in an earnings conference call last month.

One reason that Kentucky invites competition is its regulatory environment under the leadership of Insurance Commissioner **Sharon P. Clark**, who was first appointed in 2008 by Democratic Gov. **Steve Beshear** and reappointed in 2012. Kentucky has among the most liberal flex rating laws for property/casualty insurance products. Any rate changes under 25% can be used 14 days prior to filing. The state also has a reputation for speed-to-market initiatives.

The Kentucky legislature responded to insurers' push for reforms to stem rising fraud in the no-fault auto insurance arena by passing an anti-solicitation bill, but lawmakers, for a second time, did not pass a bill that property insurers say is necessary to correct a state Supreme Court decision concerning dog bite liability.

Under state law, the owner of a dog is strictly liable for any damages the dog causes. In the case *Benningfield v. Zinsmeister*, the state Supreme Court considered whether the landlord could be considered the "owner," and therefore be held responsible for injuries caused by a tenant's dog. In a 2012 decision, the Supreme Court said that the landlord can be considered the owner of the tenant's dog under certain circumstances, but that any liability extends only to injuries caused on or immediately next to the landlord's property.

In this particular case, an 8-year-old boy was attacked by a rottweiler that chased him when he started to run away. The dog escaped from the fenced backyard of a rented home whose owner lived across the street. The court found that because the landlords had not taken any steps to ensure the tenants had removed the dog after being told to do so, they could be considered as the dog's owners under the statute. However, the landlords were not found liable in this case because the injuries occurred away from the leased premises.

Insurers, along with Realtors, have been pressing lawmakers to change the definition of owner in the dog liability law so a landlord would not be liable. They argue that more land-

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Kentucky
Allied Lines Insurers
Groups Ranked by 2013 Premiums Written (000)

Group Name	2013 Premiums	Mkt share	Loss Ratio
FM Global	$20,476	18.5%	-12.7%
American International Group	$11,630	10.5%	116.3%
Liberty Mutual	$6,221	5.6%	20.6%
Zurich Insurance Group	$6,102	5.5%	144.6%
Assurant Inc.	$5,183	4.7%	54.9%
State Auto Insurance Companies	$4,927	4.5%	41.3%
Travelers Companies Inc.	$4,332	3.9%	59.4%
Cincinnati Financial Corp.	$2,936	2.7%	48.1%
KY Farm Bureau Mutual Ins Co.	$2,873	2.6%	1.3%
Undrwrtrs at Lloyd's London-KY	$2,624	2.4%	81.6%
Munich-American/American Modern	$2,587	2.3%	41.3%
USAA Insurance Group	$2,493	2.3%	57.5%
Endurance Specialty Holdings	$2,151	2.0%	341.3%
Employers Mutual Casualty Co.	$2,039	1.8%	28.6%
Shelter Mutual Insurance Co.	$1,895	1.7%	49.2%
Alleghany Corp.	$1,856	1.7%	-46.9%
ACE Ltd.	$1,459	1.3%	-8.0%
Wells Fargo & Co.	$1,430	1.3%	120.7%
Nationwide Mutual Group	$1,388	1.3%	50.0%
Selective Insurance Group Inc.	$1,355	1.2%	63.4%
Acuity Mutual Insurance	$1,346	1.2%	20.4%
HDI-Gerling America Insurance Co.	$1,123	1.0%	4.2%
Tokio Marine Group	$1,090	1.0%	3.5%
CNA Financial Corp.	$1,074	1.0%	1.6%
CUNA Mutual Insurance Group	$1,034	0.9%	145.0%
QBE Insurance (Gen Cas/Unigard)	$1,014	0.9%	22.6%
Statewide Totals	$93,019		165.4%

Data Source: SNL Financial, by permission, and the *Property Insurance Report* Database.
Loss Ratio is incurred losses as a percentage of direct premium earned. The ratio does not include dividends or loss adjustment expense. Single-year data can be skewed by reserve adjustments.

VIDEO CLAIMS *Continued from Page 3*

Technology can also help the desk adjuster identify a damaged kitchen appliance, television set, etc.; shop an online pricing database; and offer a settlement or even order a replacement to be shipped immediately.

In smaller claims, the desk adjuster can make a settlement offer immediately during the first notice of loss phone call, and either issue a check or make a deposit directly into the customer's bank account.

A slightly more complex claim might require the desk adjuster to share the images with a specialist who can better assess the damage. That specialist can be looped into the first notice of loss call, or at a later time.

These claims communications systems are not only for interaction between customer and claims organizations. Field adjusters who arrive to assess a claim are also communicating with experts through live video and photo consultations, speeding claims and cutting down on time and costs.

Contractors are also making use of these systems. They can connect directly with an insurer to discuss repair/replace decisions as well as document supplements to the original claim. Technicians in the field can also reach out to experts on how to make a repair in the same way adjusters can connect to experts to better define the scope of loss. In a recent visit to the training center for **CodeBlue**, a water loss remediation firm, we saw this concept already in action.

Acquiring good video and still images in real time will also be a profound benefit to claims-response triage. It is one thing for a customer to tell an operator over the phone that "there's a lot of water on the floor," and quite another to show the adjuster exactly what is going on. Armed with better information in real time, the desk adjuster can decide if it is critical to immediately dispatch a water remediation team to deal with a deluge, or urge the customer to get a few towels to clean up a modest spill.

In addition to the improved speed and reduced costs, many of the purveyors of these systems argue that engaging the consumer more directly should improve customer satisfaction. By making the claimant a key part of the claims settlement process there should be fewer disputes as claimants will be better informed of the reasons behind decisions.

These gains are not achieved easily. It would be folly to underestimate the challenge of getting customers to install mobile applications, and anyone who has tried to video chat over a smartphone or tablet is aware that the experience is not yet seamless. If there is to be two-way video chat between the customer and the claim center, proper lighting and sound will need to be installed in call centers, and operators will need to be trained in how to present themselves. The skills of the operators in claims call centers will also have to be stronger than today because they will be more deeply involved in decision making with a greater move toward desk adjusting.

> ***Video consultation will enable insurers to dispatch field reps with strong people skills while grumpy experts stay in the office.***

The call center is not the only place that will require new skills. Symbility's Kost said early-adopting insurers are changing their views of who should fill the role of field adjuster. Some insurers are considering sending customer service representatives who are "very, very good at soft skills" into the field in place of adjusters. The field claims representative can focus on communicating with the customer and make use of video consultation with experts in a specific type of loss to adjust the claim. Rather than a generalist in all kinds of losses, field representatives can be highly trained in customer satisfaction, and the technical aspects of the claim can be handled by a specialist, not a generalist. The outcome should be higher customer satisfaction, and more accurate claims adjusting. PIR

GRAPEVINE

Continued from Page 1

(3/9/15), the competitive landscape for property casualty insurers targeting high net worth customers is heating up with **Ace** purchasing the renewal rights for the personal lines business of **Fireman's Fund**, **Nationwide** expanding into more states with its high net worth subsidiary **Crestbrook Insurance**, and **Cincinnati Insurance** preparing to roll out a product for high-value homes later this year. They join high net worth market leaders **Chubb** and **AIG** and the small but fast-growing **Privilege Underwriters Reciprocal Exchange**, better known as **PURE**.

In that story, we reported the high net worth business of Ace Private Risk Services has had a less profitable record than competitors based on statutory results for the home and auto lines of business. Ace says the results we relied upon do not accurately reflect the profitability of Private Risk Services or its competitors "because they omit the significant impact of the marine, valuables and umbrella lines of business, as well as reinsurance agreements that can affect the profitability of all lines of business."

Spectrem Group's annual report details the number of households in America based on net worth, ranging from the "mass affluent" – those worth \$100,000 to \$1 million – to the \$25 million-plus segment. The research firm examines how affluent investors invest their assets and what they expect from their investments.

Last year, there were 29.5 million mass affluent households, up from 28.97 million in 2013. The number of households with a net worth between \$1 million and \$5 million grew by 400,000 to another record high of 8.79 million households. The ultra high net worth market, between \$5 million and \$25 million, grew by 60,000 households to \$1.17 million. At the apex of wealth, there were 142,000 households with a net worth of at least \$25 million, 10,000 more than in 2013. PIR

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lords would be sued for injuries caused by dogs owned by their tenants, even if a landlord didn't know the dog was there.

With plaintiff lawyers opposing the bill, it did not advance.

Another bill of some interest to insurers also died this session. HB 302 would have required roofers to be certified and registered in order to do business in Kentucky. The **Kentucky Roofing Contractors Association** was pushing the bill to protect consumers from fraudulent contractors. The association said that complaints made to the state attorney general's office against roofers tripled since 2011.

Insurers previously supported a 2012 "storm chaser" bill lawmakers passed. That law gives consumers the right to terminate contracts within five days, prohibits roofing contractors from requiring deposits or advance payments in most cases and bars them from offering rebates or other compensation to induce consumers to enter into contracts. PIR