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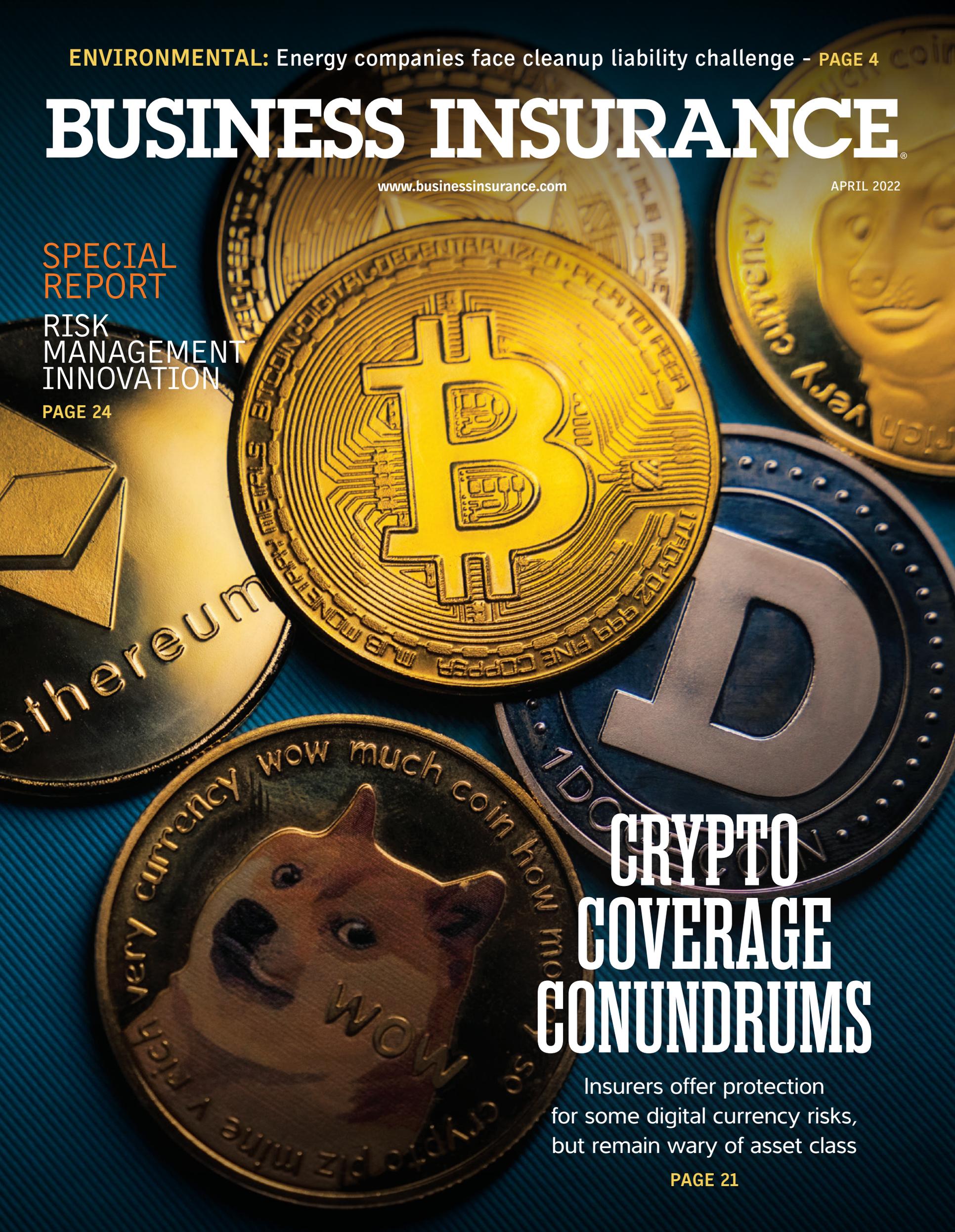
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APRIL 2022

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REPORT**

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BI's parent Beacon buys Italian media group

Beacon International Group, publisher of *Business Insurance*, acquired Italian insurance media group Insurance Connect, based in Milan.

Financial terms of the deal were not disclosed.

The new Beacon subsidiary, Beacon Italia, includes these titles: Insurance Trade, Insurance Connect, Societa e Rischio and IC TV.

Greenwich, Connecticut-based Beacon also owns Commercial Risk (U.K.), Asia Insurance Review (Singapore) and Middle East Insurance Review (Amman, Jordan), as well as U.S.-based Insurance Advocate and Workers Comp Central.

"Today, together with our important media hubs based in Singapore, London, Amman, Tampa, Greenwich and now Milan, Beacon and its 150 professionals serve the world's leading insurance markets," said Steve Acunto, chairman of Beacon.



"Beacon media enjoy more than 1.2 million combined audited readers and visitors each month, and we look ahead to further expansion in the U.K., the EU, South America and other

special sector markets in 2022 and 2023."

Paola delle Torre, founder and publisher of the Milan-based group, and Maria Rosa Alaggio, editor in chief, will continue to lead the media hub. Mauro Benedetti has been appointed to serve as Beacon's executive committee liaison to the Milan office.

Mr. Acunto added: "From Milan, we will 'partner' with Italian risk-focused professionals to serve the advancement of the business of risk transfer, risk financing and risk management, and to serve the best interests of Italian commercial and personal insurance buyers."

INSIDE



COVER STORY

Cryptocurrency is booming globally, but insurers have been slow to offer coverage for the digital assets. The reasons for their wariness include price volatility, the lack of historical underwriting data, regulatory uncertainty and cryptocurrency's association with cybercrime. **PAGE 21**

SPECIAL REPORT: RISK MANAGEMENT INNOVATION

Corporations' heightened awareness of climate risks is driving demand for analytics and technologies from insurers to reduce property losses. Meanwhile, another area seeing increased technology uptake is commercial vehicle fleet management, as telematics help lower incident frequencies. **PAGES 24-29**

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Under-reporting of values undermines the property insurance market, write Alexandra Glickman and Robby Kunz of Arthur J. Gallagher & Co. **PAGE 31**

VIEW FROM THE TOP

GARY BROWN

Gary Brown has spent more than 35 years at McLarens and its predecessor companies and has been CEO of the Atlanta-based loss adjuster since 2016.

Mr. Brown, who started his career in London and was based in several international locations before moving to the United States 25 years ago, discusses changes in the claims sector and McLarens' strategy as risks grow increasingly complex. **PAGE 16**



OFF BEAT

Tequila 512 sues Kendall Jenner-promoted Tequila 818, claiming trademark infringement. **PAGE 34**



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Coal industry on notice for cleanup

BY CLAIRE WILKINSON

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Companies with coal ash facilities should review their insurance coverage as they face regulatory enforcement to safely clean up and close the sites.

While pollution exclusions may be a barrier to coverage for related coal ash liabilities, historic general liability insurance policies and in some instances current environmental policies may provide recourse, experts say.

The U.S. Environmental Protection Agency on Jan. 11 stepped up its actions to protect groundwater from coal ash contamination. The renewed regulatory focus followed the so-called CCR rule, introduced by the EPA in April 2015, that set out rules for the disposal of coal combustion residuals.

One of the EPA's requirements was that linings be installed in coal-ash ponds. The CCR rule also established guidelines on groundwater monitoring.

CCR, or coal ash, is a byproduct of burning coal in coal-fired power plants. It contains contaminants such as mercury, cadmium and arsenic that, without proper management, can pollute waterways, groundwater, drinking water and the air.

There are around 500 unlined coal ash impoundments in the U.S., according to the EPA.

Utilities and other companies that have a coal ash facility and are obligated under state or federal law to close the site or otherwise remediate groundwater should be reviewing their historic insurance policies, said Matthew Jeweler, partner in the Washington, D.C., office of Pillsbury Winthrop Shaw Pittman LLP.

CCR liabilities related to impoundments and landfills that were in use decades ago could be covered under commercial general liability policies issued prior to 1986, he said.

"There's a good argument for coverage," Mr. Jeweler said.

Coal ash sites are considered potential sources of groundwater contamination, and many are old facilities that could trigger historic insurance policies, said Robert D. Chesler, shareholder in the Newark, New Jersey, office of Anderson Kill P.C.

"We're looking principally at property damage in the form of groundwater contamination. The general liability policy provides coverage for property damage and groundwater is property, and in every state pollution of groundwater is covered property damage," Mr. Chesler said.

However, pollution exclusion clauses are a key consideration. In 1986, the insurance industry introduced an absolute pollution exclusion into commercial general liability policies, "so there's no coverage under policies in effect after that date," he said.



The 1986 exclusion removed the "sudden and accidental" exception to the standard pollution exclusion that had been introduced in 1973.

Current environmental liability policies are another potential avenue of recourse, experts say.

When it's a historic liability, typically policyholders' minds go directly to their occurrence general liability policies issued prior to 1986, said Kimberly Mann, a senior vice president in the U.S. environmental practice at Marsh LLC in Philadelphia.

"The general liability policy provides coverage for property damage and groundwater is property, and in every state pollution of groundwater is covered property damage."

Robert D. Chesler,
Anderson Kill P.C.

There is a robust environmental insurance market package currently that can provide "myriad environmental solutions for existing risks," she said.

Pollution legal liability insurance may cover some of the remediation costs associated with environmental property damage arising from coal ash, for example.

From a remediation perspective, the policies can cover currently unknown pre-existing conditions, Ms. Mann said. In the case of a coal ash landfill, "if the contamination has migrated beyond the cells, whether in a sudden storm incident or over many years, and you had to remediate beyond the contained landfill cells, that's covered and very

insurable under a pollution legal liability policy," she said.

In general, if it's a completely known condition, putting a new pollution legal liability policy in place to cover cleanup costs is challenging, said Daniel Drennen, national environmental practice leader at Amwins Group Inc. in Atlanta.

If a company has had an environmental policy in place for several years, depending on how it's structured, there could potentially be some coverage for first-party cleanup costs, Mr. Drennen said. "Historically, I haven't seen a ton of large energy companies investing in those policies. Many tend to self-insure," he said.

Meanwhile, adverse development covers, loss portfolio transfers or legacy covers can help insurers manage their long-tail exposures.

Insurers regularly undertake a ground-up study so environmental reserves at individual companies and across the industry may fluctuate every few years, said Brian O'Larte, director at A.M. Best Co. Inc. in Oldwick, New Jersey.

Hartford Financial Services Group Inc., in its Feb. 4 fourth-quarter 2021 earnings call, reported adverse reserve development of \$155 million before tax for asbestos and environmental, of which \$49 million was for environmental.

"For environmental, the reserve increase was primarily due to the settlement of a large legacy coal ash remediation claim, an increase in legal defense costs and higher site remediation costs," Chief Financial Officer Beth Costello said during the call.

The \$155 million reserve increase was covered under a \$1.5 billion aggregate excess of loss reinsurance cover provided by National Indemnity Co., a subsidiary of Berkshire Hathaway Inc. that Hartford put in place in 2016.

MINING POLICIES FOR COVERAGE

Policyholders can take various steps to increase their chances of securing insurance coverage for coal ash-related liabilities, experts say.

Dating the pollution, finding historic insurance policies and providing timely notice of alleged liability are important considerations, said Robert D. Chesler, shareholder in the Newark, New Jersey, office of Anderson Kill P.C.

Companies should immediately look for their policies, and if they don't have them on hand talk to their brokers or hire an insurance archaeologist who is trained to find old insurance policies, Mr. Chesler said.

"In one of my cases, an insurance archaeologist just found all the policies from 1974 to 1986," he said.

Historical insurance information can be found in a variety of sources, including internal and external records, said Brian Della Torre, vice president at Insurance Archaeology Group in Rutherford, New Jersey.

Internal records related to the purchase of insurance include financial records, accounts payable and canceled checks, Mr. Della Torre said.

If a company has gone through a merger or acquisition, policy records may be subsumed into complex systems at a parent company, he said.

Outside sources such as brokers or court records can lead to outside counsel or law firms that have the certificate of insurance, Mr. Della Torre said. When records don't exist, interviews with people who were involved in purchasing the coverage are important.

Because multiple policies could come into play for coal ash liabilities, it's important to locate and closely review each specific policy, said Matthew Jeweler, partner in the Washington office of Pillsbury Winthrop Shaw Pittman LLP.

"Sometimes there are strict requirements on the timing of things, when the pollution happened and how far it goes back in time," Mr. Jeweler said.

Claire Wilkinson



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Supreme court expected to favor business in bias case, but likely effect of ruling unclear

BY JUDY GREENWALD

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The U.S. Supreme Court is expected to rule in favor of a website designer who wants to refuse to provide wedding-related services to same-sex couples, say many experts.

But the likely pro-business ruling in *303 Creative LLC; Lorie Smith v. Aubrey Elenis* could take several different forms, and it remains unclear whether it will have a significant practical effect on employers' anti-discrimination policies.

Littleton, Colorado-based Ms. Smith, who has not begun to offer wedding-related services, had filed a "pre-enforcement challenge" to Colorado's Anti-Discrimination Act, enacted in 2008, which restricts the ability of businesses in the state to refuse to provide services based on a customer's sexual orientation. She is seeking permission to deny the services to same-sex couples because of her religious beliefs.

"It's hard to imagine this case would require (employers) to change anything, no matter what the outcome would be."

Nicholas J. Nelson,
Faegre Drinker Biddle & Reath LLP

In its July 2021 ruling in the case, the 10th U.S. Circuit Court of Appeals in Denver affirmed a lower court ruling against Ms. Smith. It ruled that the First Amendment's guarantee of free speech "does not protect Appellant's proposed denial of services."

The U.S. Supreme Court accepted the case for review in February, and oral argu-



ments, which have not yet been scheduled, are expected to be held later this year.

The case is considered a follow-up to the U.S. Supreme Court's 2018 ruling in *Masterpiece Cakeshop Ltd. et al. v. Colorado Civil Rights Commission et al.*, in which it ruled in favor of a bakery owner who refused to prepare a wedding cake for a same-sex couple.

The narrowly written and case-specific *Masterpiece* ruling was based on comments made at the Colorado Civil Rights Commission hearing, including one in which a commissioner reportedly disparaged the bakery owner's religious beliefs.

The *Masterpiece* ruling "avoided the direct question of whether or not business owners can deny goods and services under anti-discrimination laws," said Vincent M. Rizzo, a partner with Hinshaw & Culbertson LLP in Chicago.

Mr. Rizzo said that in its *303 Creative* ruling the court will focus on "the more tailored question of how to address non-discrimination laws and the interaction with religious expression."

One of the questions the case raises is whether Ms. Smith's free speech rights would be violated by compelling her to create a website for same-sex weddings, said David S. Flugman, a partner with Selendy Gay Elsberg PLLC in New York.

There are three likely ways the court might rule, said Lisa A. McGlynn, a partner with Fisher & Phillips LLP in Tampa, Florida: Hold that the Colorado law is constitutionally problematic, uphold the law or take more of a *Masterpiece*-like procedural approach and rule there has been no harm yet because the business is not operational.

Many believe the ruling will be in the plaintiff's favor, given the six conservatives on the court. Since the 2018 ruling, Trump appointee Brett Kavanaugh replaced centrist Anthony Kennedy and Amy Coney Barrett, also a Trump appointee, replaced liberal Ruth Bader Ginsburg as associate justices of the Supreme Court.

"The bigger question is, how will they get there, and how broad are the rights that the court is likely to say need to be protect-

ed," said Christopher Jackson, a partner with Holland & Hart LLP in Denver.

Paul E. Starkman, a member of law firm Clark Hill PLC in Chicago, said, "My guess is they want to carve out a business rule exception" to LGBTQ anti-discrimination rules based on religious persons' right of free speech.

A ruling in Ms. Smith's favor would have the most immediate impact in Colorado but would be a persuasive precedent in other states that have similar laws, he said.

Such a ruling would create an issue with respect to federal protection as well as with regard to states that have anti-discrimination laws based on sexual orientation, Mr. Starkman said.

Ruling in the plaintiff's favor would mean that business owners with religious views could "run their businesses in a way that allows them not to service entire, large categories of people based on their religious views," said Ashley I. Kissinger, of counsel with Ballard Spahr LLP in Boulder, Colorado.

However, "it's hard to imagine this case would require (employers) to change anything, no matter what the outcome would be," said Nicholas J. Nelson, counsel with Faegre Drinker Biddle & Reath LLP in Minneapolis. Businesses are already compliant with nondiscrimination statutes, he said.

With so many state and local laws already protecting the LGBTQ community, "the impact of this, in reality, in the workplace would be very, very small," said Eric B. Meyer, a partner with FisherBroyles LLP in Philadelphia.

Reactions may be "state-specific," Ms. McGlynn said. While some states may react by seeking more LGBTQ protections, in others there may be legislation that supports Ms. Smith's position, and the issue may be decided by federal law.

WEB DESIGNER SUES FOR APPROVAL TO BAR SAME-SEX WEDDING CUSTOMERS

Website designer Lorie Smith is seeking the U.S. Supreme Court's legal approval to run a wedding services business she hasn't yet started.

Her lawsuit is a "pre-enforcement challenge" to Colorado's Anti-Discrimination Act, which prohibits business discrimination based on sexual orientation, and can lead to fines of \$50 to \$500 for each violation. Ms. Smith said she does not want to offer her

services to same-sex marriage couples.

303 Creative is a for-profit, graphic and website design company, of which Ms. Smith is the founder and sole member owner, according to the July 2021 ruling by the 10th U.S. Circuit Court of Appeals in Denver in *303 Creative LLC; Lorie Smith v. Aubrey Elenis, et al.*

She is "willing to work with all people regardless of sexual orientation,"

as well as to create graphics or websites for lesbian, gay, bisexual, or transgender customers, the ruling said.

"Ms. Smith sincerely believes, however, that same-sex marriage conflicts with God's will," and while she intends to offer wedding websites that celebrate opposite-sex marriages, she does not plan to do the same for same-sex marriages, the ruling said. She also plans to

publish a statement on her website explaining her religious objections.

Ms. Smith is represented by the Scottsdale, Arizona-based Alliance Defending Freedom, which also represented baker Jack Phillips in *Masterpiece Cakeshop Ltd. et al. v. Colorado Civil Rights Commission et al.*, the earlier case based on Colorado's Anti-Discrimination Act.

Judy Greenwald

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States step up vocational comp coverage

BY DANIELLE LING

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More states are aiming to require workers compensation coverage for those enrolled in career apprenticeships and technical schools.

Most recently, Indiana, Oklahoma and Wyoming sought to join states where this coverage is required; California, Georgia, Kentucky, Maryland, Tennessee and Texas have passed legislation that calls on local education agencies to provide workers compensation coverage for students participating in work-based learning, according to the Atlanta-based Southern Regional Education Board.

Safety educators and others familiar with the legislative trend say such regulations help bridge a gap. Opposition to legislation expanding workers compensation coverage generally comes down to cost, as insuring inexperienced workers in risky professions such as construction and manufacturing is typically expensive. A good safety program can help quell fears and potential claim activity, experts say.

“Workers comp will cover anyone that works for us, regardless of what age they are.”

Susan Shemanski,
The Adecco Group

“One of the barriers to work-based learning for secondary students is employers’ concerns about workers compensation and liability in the event of an injury to a student,” said Mary Taylor, industry training and development specialist with the Kentucky Department of Education based in Frankfort.

When Kentucky was starting its program for tech-ready apprenticeships for careers “lack of workers compensation



insurance coverage proved to be a continued barrier in putting students on the job site,” Ms. Taylor said.

To overcome the persistent placement issues and to better provide students with career pathways into registered apprenticeship programs, Ms. Taylor created a program in partnership with staffing agency The Adecco Group. Through the program, students are on Adecco’s payroll and are covered by the company’s workers compensation insurance.

“It’s a standard workers comp policy,” said Susan Shemanski, Lawrenceville, Georgia-based vice president of risk management at Adecco. “Workers comp will cover anyone that works for us, regardless of what age they are.”

For students under the age of 18, hiring and placement proved to be particularly difficult, as insurers don’t let policyholders hire underage workers. Yet with Adecco as the employer of record, the Kentucky program was able to insure underage workers, Ms. Taylor said.

“They also fall under our strict safety guidelines,” she added. “We want to make sure that anybody that participates in the program is able to do so safely — we want them to learn but we want them to return home at the end of each day safely with no injuries.”

Adecco involves its human resources, risk and legal departments to ensure it is in compliance with child labor laws, Ms. Shemanski said. “We basically want to have a support system but also a system that holds the student accountable for learning through this process,” she said.

Since partnering with Adecco, Ms. Shemanski said, the program has recorded two minor injuries.

Safety educators and risk advisers say such emerging programs will help with the labor shortage and bridge the talent gap by educating and protecting the younger workforce in training.

In Indiana, Rep. Bob Behning, co-sponsor of H.B. 1094, which would provide workers compensation insurance

for youth apprentices under the age of 18, said such coverage creates a pathway to employment while minimizing employer liability risk.

“As we have had discussions with a lot of employers, there is concern about the fact that those kids — because they are kids, they’re juniors — potentially have a negative impact on employers, comp, group insurance and/or liability,” Mr. Behning said.

Others say such training programs are at the heart of increasing workforce participation.

“One of the barriers to work-based learning for secondary students is employers’ concerns about workers compensation and liability in the event of an injury to a student.”

Mary Taylor,
Kentucky Department of Education

“We don’t have enough trained individuals to be employed in these professions,” said Georgi Popov, a professor in the safety sciences program at the University of Central Missouri in Warrensburg and an advisor to the American Society of Safety Professionals and National Institute of Occupational Safety and Health.

“If businesses don’t have trained personnel, more likely they will go to another state, or companies will lose bids on big jobs.”

Enforcing stronger safety practices has helped manage worries over comp premium costs, said Sathy Rajendran, an associate professor and program director of the safety and health management program at Central Washington University in Ellensburg.

“The business and the students do well, and premium goes down,” he said. “It’s a win-win situation.”

“We definitely want to make the entrance into youth apprenticeships and work study to be as risk-free as possible for employers so that they see this as a potential pipeline for them as well as an opportunity,” Mr. Behning said.

“The intent of it is so that the employer can actually get a return on investment from this youth,” he said. “They may lose money in year one of the program, but by year two, the productivity of this student will exceed the cost, and it’s at lower cost than what they would have for an adult who is full-time employed.”

Danielle Ling

Results mixed for work-based learner comp bills

Legislation providing workers compensation coverage for work-based learners made its way through three state legislatures early this year, with poor results for most.

In Indiana, H.B. 1094 passed in both the state House and Senate and was signed into law on March 15. The law calls on the state Department of Education to enter into an agreement with employers to pay for workers compensation

insurance coverage for students enrolled in a work-based learning course by no later than Dec. 31, 2022.

Oklahoma’s H.B. 2384, introduced in 2021, would provide the same workers compensation coverage to work-based learning employees and apprentices, both paid and unpaid, and included provisions on premium reductions of up to 5%. The bill died in committee hearings in this year’s

legislative session, yet its sponsor, Rep. Kyle Hilbert, expects the issue to be taken up again next year.

In Wyoming, H.B. 0239 sought to broaden employment and apprenticeship opportunities, creating a workers compensation policy program in which student learners would be covered by employers. The bill died in the Senate in March.



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Opioid use falls, but issues remain

BY LOUISE ESOLA

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When the pandemic hit two years ago a years-long strategy in the workers compensation industry was controlling opioid prescriptions — a goal that has continued despite interruptions stemming from COVID-19 claims and disruptions.

Experts say opioids in new injured worker claims are continuing to trend downward, as state-mandated formularies, monitoring programs and other protocols appear to be working to curb the long-term use of addictive pain medications. Yet emerging, adjusted federal guidelines, along with opioids in older claims, will be challenging. (See related story).

“Pain isn’t going away,” said Silvia Sacalis, vice president of clinical services for pharmacy benefit management company Healthsystems LLC in Tampa, Florida. “We are headed in the right direction in terms of continuing to focus on it ... and ongoing vigilance is going to be important.”

Workers comp opioid spending has declined more than 62% since 2016, according to data collected in 2021 by Maggie Valley, North Carolina-based consulting company Comp-Pharma LLC, which also found that total workers comp pharmacy costs have decreased by 38% over the past decade.

“All the policies that have gone into effect over the past few years have contributed to reducing opioids in our industry,” said Reema Hammoud, Southfield, Michigan-based assistant vice president of clinical pharmacy for Sedgwick Claims Management Services Inc. “In general, everybody is doing what they are supposed to do.”

Preliminary data released by the Cambridge, Massachusetts-based Workers Compensation Research Institute at its annual conference in March showed that formularies — lists of prescription drugs approved for use by workers with injuries, which are now in place in 17 states — have been particularly effective, as most require multi-step utilization reviews for most opioid prescriptions.

In California, where a workers comp formulary went into effect in 2018, per-claim drug utilization and payments fell “immediately”



after implementation, according to WCRI. For opioids alone, there was a 38% reduction in prescriptions for injured workers between the fourth quarter of 2017 and the second quarter of 2018.

Another study by WCRI, released last year, found that other state policies had a hand in reducing opioids for injured workers. Prescription drug monitoring programs — put in place in the past five years — reduced the amount of opioids prescribed by 12% in the first year of implementation, and regulations limiting the duration of initial opioid prescriptions resulted in a 19% decrease in the amount of opioids in workers compensation claims.

Yet “opioids remain the No. 1 as far as the most utilized therapeutic class for injured workers,” said Nikki Wilson, Omaha, Nebraska-based director of clinical products for Mitchell Pharmacy Solutions, adding that “proactive intervention is still there” despite issues brought on by the pandemic.

One such issue was regular access to providers, which Ms. Wilson and others said was bridged with the emergence of telehealth.

“We learned things from the pandemic on how to reach people beyond the traditional pathway of walking into a physician’s office,” she said.

Dr. Dwight Robertson, Pasadena, California-based vice president of managed care services and national medical director for comp insurer Employers Holdings Inc., said a program started in 2017 that zeroes in on opioid prescriptions at the 30-day mark following

a claim wasn’t hampered by the pandemic, in part because of telehealth. Other workers comp insurers and third-party administrators have similar programs in place.

The program at Employers calls for interventions after 30 days, involving both provider and patient, to reduce opioid prescriptions. “That discussion resulted in us having 98% of our claimants — new opioid users — off opioids within 12 months, and 100% within the second year,” Dr. Robertson said. “When COVID hit, we continued that.”

Yet, the industry is now grappling with proposed U.S. Centers for Disease Control and Prevention guidelines on opioid prescribing, introduced in February, that some say represent a step away from 2016 guidelines that drastically limited opioid prescribing by doctors who were fearful of ramifications. Proponents say the voluntary guidelines will put pain management back in the hands of physicians, while critics say the recommendations have the potential to create dependency issues among patients, which prompted the creation of the original 2016 guidelines.

“There’s still a concern on the part of providers that we have gone too far with restricting opioids,” said Brian Allen, Salt Lake City-based vice president of government affairs, pharmacy solutions, for Mitchell International Inc.

Ms. Hammoud said the proposed guidelines are problematic in that they are unclear on the upper limits of opioid dosing. “In the 2016 guidelines, it was clear what the thresholds are for opioid overdose. They are very blurry in the new guidelines, almost like we are going backwards.”

The new guidelines are the pendulum swinging back, Ms. Sacalis said, adding that the shift is not a bad move and that a more patient-centered approach is better.

“We literally have gone too far the other way. There are patients with pain that is not adequately managed,” she said.

“You can use guidelines, analytics, but at the end, you have to figure out what is or is not working for the patient,” she said. “You cannot completely eradicate opioids, and it doesn’t make sense to eradicate opioids.”

PROLONGED PAINKILLER DEPENDENCY STILL HARD TO OVERCOME

Long-term opioid use in older workers compensation claims continue to be a problem.

“The opioids issue is going to be around for another decade and just because fewer are getting opioids and fewer doses ... that’s not consequential. What’s consequential are the existing, older claims,” said Joe Paduda, Skaneateles, New York-based principal for the comp consulting firm Health Strategy Associates LLC. “The legacy claims issue is a really difficult one.”

“Are we getting all those long-term users off opioids? The answer is no,” said Dr. Dwight Robertson, Pasadena, California-based vice president of managed care services and national medical director for Employers Holdings Inc.

“When they have been on them for 10 years it is very hard” to eliminate opioids, he said. “But we can reduce the (morphine equivalent dose) and bring it down to a better level. That has happened.”

Reema Hammoud, Southfield, Michigan-based assistant vice president of clinical pharmacy for Sedgwick Claims Management Services Inc., said stronger prescriptions in long-term claims are down thanks to constant contact and state guidelines that call for providers to document usage.

“It’s not that the medications are not allowed anymore, we just need proper documentation” she said. “If there is proper documentation and it is helping the patient, they can get the medication.”

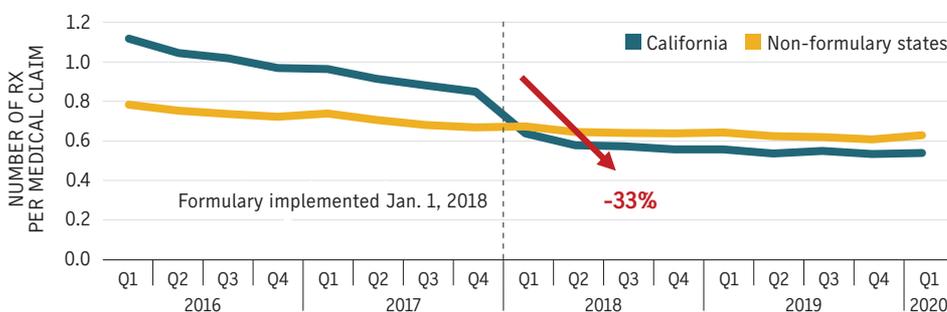
Providers “have to do their due diligence and show that they are re-assessing the injured worker,” Ms. Hammoud said.

Nikki Wilson, Omaha, Nebraska-based director of clinical products at Mitchell Pharmacy Solutions, said being proactive on the legacy claims has been successful.

“There’s a lot of high touch on those older claims in terms of coming up with resolutions,” she said.

Louise Esola

RX UTILIZATION IN CALIFORNIA POST-FORMULARY



Source: Workers Compensation Research Institute



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Captives can play key role in ESG initiatives

BY GAVIN SOUTER

gsouter@businessinsurance.com

TUCSON, Arizona — Captives can be used to help formulate an organization's environmental, social and governance strategy and provide funding for ESG efforts, a panel of experts said.

Attention to ESG issues can also help captives secure reinsurance capacity, particularly with European reinsurers, they said.

"The biggest risk about ESG is ignoring it," said Michael Douglas, Newtown Grant, Pennsylvania-based director of business development for Aon PLC's captive management operations.

Under pressure from regulators, investors, activists and others, corporations, particularly in Europe but also in the United States, must be seen to be working to identify and report what they are doing on ESG initiatives, he said during a session at the Captive Insurance Companies Association international conference in Tucson last month.

Captives, which are designed to solve problems for their parent companies, are well-positioned to act as a focal point to identify ESG issues and implement and document a company's strategy for addressing them, he said.

The Guernsey International Insur-



"The insurers want to make sure that we play fair as a company and that we do the right things, and that we monitor who we do business with. Also, do we follow trade sanctions."

Fredrik Finnman, Sandvik

ance Association last year published a framework for captives and insurers to address ESG risks, said James Stewart, Guernsey-based client services director at Artex Risk Solutions, a unit of Arthur J. Gallagher & Co.

The framework "acts as a handrail for licensed insurers to consider their operations, their own activities against the U.N. sustainable development goals," he said.

It addresses four aspects of captive operations: governance, making ESG considerations part of routine strategic planning for a captive; risks underwritten, including understanding the impact of ESG risks,

such as climate change risks; investments, including the ESG footprint of the investments; and reporting, to ensure that the captive board is comfortable that it has fulfilled its ESG reporting requirements.

Captive boards and risk managers can use the framework to engage on ESG matters with the senior leadership of their organization and discuss whether a captive should cover any of the risks, Mr. Stewart said.

Reinsurers, who must meet their own ESG requirements, will likely look favorably on captives that are addressing ESG issues, Mr. Douglas said.

In addition, captives can be used to fund environmental remediation efforts, he said.

Sandvik AB used its captive to finance a climate change risk assessment, said Fredrik Finnman, head of group risk management for the Stockholm-based engineering company.

In addition, Sandvik has changed its asset management policy for its captive to allow investments in green bonds, which are financial instruments that support projects that have a positive effect on the environment, he said.

In addition, commercial directors and officers liability and general liability insurers in Europe are seeking significantly more information from policyholders about ESG risks, Mr. Finnman said.

"The insurers want to make sure that we play fair as a company and that we do the right things, and that we monitor who we do business with," he said. "Also, do we follow trade sanctions."

While U.S. insurers are less concerned about ESG issues than European insurers and reinsurers, captive surpluses can also be used for various environmental infrastructure projects, such as installing solar panels on buildings, said Karen Hsi, program manager-captive insurance programs for the University of California, office of the president, in Oakland, California.

Captive reviews help overcome creeping claims problems: Panel

TUCSON, Arizona — Businesses should periodically review their captives to ensure they keep pace with changing exposures and claims trends, a panel of experts said.

Failure to adapt can lead to significant losses, even for captives with long records of profitability, they said.

"It's really important not to become siloed and fall in love with your operation. The world is changing out there," said Robert Blasio, a Houston-based managing director at Gallagher Specialty, a unit of Gallagher Bassett Services Inc.

He was speaking during a session at the Captive Insurance Companies Association's international conference in Tucson last month.

Emory Health, the health care system of Emory University in Atlanta, has seen substantial growth in its captive Clifton Casualty Insurance Co. since it was formed, said Shulamith Klein, chief risk officer for the university.

The system has 11 hospitals, 2,800 physicians, 34,000 employees and 6,000 medical students, she said.

The captive was set up in Colorado in 1981 to insure medical professional and

general liability risks. By 1999, it was expanded to cover enterprise risks for the health care system and university and was moved to the Cayman Islands, she said.

The captive was profitable during the expansion, Ms. Klein said. In 2017, however, claims began to escalate as jury awards increased and medical inflation accelerated. In 2018, the captive reported an underwriting loss of \$10 million, and in 2019 the underwriting loss was \$27 million, she said.

"Our board requested that we solicit an external site review of our claims and risk management functions," Ms. Klein said.

Gallagher analyzed the operations, including a review of the captive's purpose. In addition, the TPA reviewed Emory's litigation philosophy, Mr. Blasio said.

"That's a question that anybody who is a captive owner should be asking every year as you have your annual captive board meeting," he said.

Over the prior five years, Emory had begun to place a bigger emphasis on patient safety, which drew on resources of the risk management department, Mr. Blasio said. As a consequence, many of

the system's claims were handled by outside counsel.

"Emory was effectively using outside counsel as a component of its claims management process ... at outside counsel rates," he said.

In addition, Emory's risk management information system was little more than an incident management system, Mr. Blasio said.

Emory also reserved early for potentially compensable events, which included any incidents the organization thought might lead to a claim, said Chad Wischmeyer, Atlanta-based managing partner for the actuarial practice of Oliver Wyman, a unit of Marsh & McLennan Cos. Inc.

Substantial reserves were put on the potential claims, but only about 10% of the events resulted in claims, he said.

By analyzing the reserving practices and bringing in outside expertise, the risk management department was able to show the finance department that there was another way to approach the process, Ms. Klein said.

After the review, Emory moved to a collaborative model that used internal

resources and a third-party administrator, Mr. Blasio said.

Other measures that captive owners should take include regularly reviewing policy forms, said Maryann McGivney, Atlanta-based health care industry leader at Willis Towers Watson PLC.

"Make sure you are getting a good, deep, honest policy review on a regular basis," she said. The review should include discussions on policy wordings during captive board meetings.

In particular, boards should review exclusions in the policies, Ms. McGivney said. Board members often raise concerns about how exclusions affect new facilities or operations that an organization's risk management department may not be aware of, she said.

"It's a good opportunity to get senior leaders to eyeball this stuff and let you know if there's something you are missing," Ms. McGivney said.

Going through the list of named insureds and additional insureds at a board meeting is also an effective way to ensure that all risks are covered, she said.

Gavin Souter

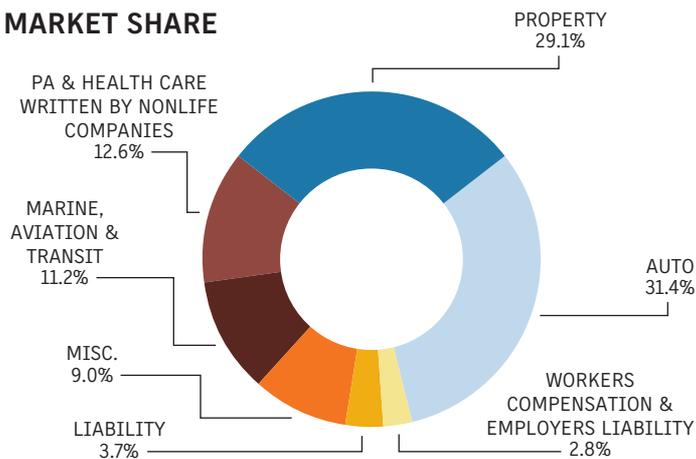
PROFILE: NORWAY

26

GLOBAL
P/C MARKET
RANKING

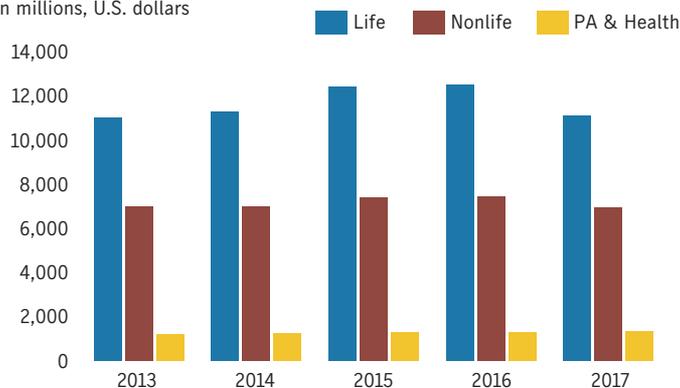
Despite its comparatively small population, Norway's insurance market is relatively large by international standards; the nonlife market is sophisticated and well-developed, with its domestic insurers offering a broad range of products. The nonlife market is divided into two main elements: domestic business, which is essentially non-marine, and international business, including marine hull, energy, and protection and indemnity. Net earned premium income for nonlife insurance in 2020 was NOK \$75.11 billion (\$8.79 billion), up 0.72% over 2019. The non-marine market is concentrated into four main companies: Gjensidige Forsikring, Tryg Forsikring, If Skadeforsikring and Fremtind Forsikring. Over the years, new companies have tried to establish themselves in private lines and niche areas to try to take market share from the larger insurers, but most have either closed relatively quickly or been acquired by the main companies.

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Auto third-party liability
- Workers compensation (part private market, part state coverage)
- Professional liability for insurance brokers
- Natural perils in property covers
- Liability insurance against injury or damage caused by aircraft operators
- Shipowners liability against marine oil pollution (financial guarantee or insurance)
- Railway operators liability (financial guarantee or insurance)

NONADMITTED

By law, insurers must be locally licensed to carry on insurance business in Norway. At the same time, there is nothing in the law to indicate that insurance must be purchased from locally licensed insurers. Insurers from European Economic Area states (all EU member states, Iceland, Liechtenstein and Norway) may provide insurance under freedom to provide services.

INTERMEDIARIES

Local intermediaries are required to be locally licensed and are allowed to place business with nonadmitted insurers. Brokers involved in nonadmitted placements are not required to warn buyers that their insurer is not subject to local supervision.

MARKET PRACTICE

There is nothing to prevent an insurance buyer from obtaining cover outside Norway on a nonadmitted basis, but in practice most industrial/commercial risks are placed with local insurers.



AREA

125,021

square miles

POPULATION

5.51

million

MARKET CONCENTRATION

78.7%

market share of top five insurers

2022 GDP CHANGE (PROJECTED)

4.1%

MARKET DEVELOPMENTS

Updated March 2022

- The impact of the COVID-19 pandemic on the Norwegian insurance market in 2020 was relatively mild, with insurers reporting positive technical results for the full year. Overall, the insurance industry experienced fewer claims than usual, with premium income generally holding up well. As in other markets, business interruption coverage was not triggered, as there had been no associated property damage.
- In 2018, insurers decided that remedial pricing action was required because of underlying profitability issues, and they have pushed through rate increases across all market segments each year since. The market remained hard in 2021, particularly for financial lines such as cyber and directors and officers liability. High costs for spare parts and building materials mean auto and property classes may see increased rates this year.
- Claims experience for natural perils has been generally good over the past five years. An exception was a major landslide in Gjerdrum on Dec. 30, 2020, that caused about NOK 800 million (\$93.62 million) in property damage.
- Under a change in regulations that went into effect March 1, 2020, COVID-19 with serious complications is regarded as the basis for a workers compensation claim. As a result, one insurer has withdrawn from writing this business.
- The acquisition of Royal & Sun Alliance by Tryg and Intact Financial Corp. on June 1, 2021, prompted some significant changes in the Nordic insurance market. As a result, Tryg was to assume ownership of RSA operations Codan Forsikring in Norway and Trygg-Hansa in Sweden, with a target date of April 1, 2022, for the full merger of both operations.

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2022 BUSINESS INSURANCE®

event schedule

WORLD CAPTIVE FORUM

FEBRUARY 9-11 | MIAMI

CYBER SECURITY WEBINAR

MAY 25 | VIRTUAL

BREAK OUT AWARDS

JUNE 9 | CHICAGO

JUNE 23 | NEW YORK CITY

JUNE 30 | LOS ANGELES

LONG-TERM CARE CONFERENCE

JULY 21 | CHICAGO

DIVERSITY & INCLUSION CONFERENCE

TBA

INNOVATION AWARDS

SEPTEMBER 13 | NEW YORK CITY

NOMINATIONS MAR. 22 - MAY 13

U.S. INSURANCE AWARDS

SEPTEMBER 13 | NEW YORK CITY

NOMINATIONS MAY 3 - JUNE 27

CANNABIS & HEMP CONFERENCE

OCTOBER 20-21 | CHICAGO

WOMEN TO WATCH AWARDS & CONFERENCE (EMEA)

NOVEMBER 17 | LONDON

NOMINATIONS JUNE 7 - AUG. 1

WOMEN TO WATCH AWARDS & CONFERENCE (US)

DECEMBER 7-8 | NEW YORK CITY

NOMINATIONS JUNE 7 - AUG. 1

Event dates and formats are subject to change.

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**Event details subject to change*



Insurer must cover BIPA suit defense

■ A federal district court ruled that a commercial general liability policy's employment-related practices exclusion is not applicable to a lawsuit filed against a grocer under the Illinois Biometric Information Privacy Act and that an insurer is therefore obligated to cover defense costs.

Charlene Figueroa, a former employee of Itasca, Illinois-based Tony's Finer Foods Enterprises Inc., a 16-store grocery chain, sued the company in state court in 2018, charging that it used fingerprints for employees to clock in and out of work, in violation of BIPA, according to the ruling by the U.S. District Court in Chicago in *State Automobile Mutual Insurance Co. v. Tony's Finer Foods Enterprises Inc.*

Columbus, Ohio-based State Automobile filed suit in federal court seeking a declaration it had no obligation to defend Tony's in the litigation because of an employment-related practices exclusion in its policy, and because it had received the claims notice 20 months after Tony's had been served with the lawsuit.

The ruling said the employment-related practices exclusion includes a "laundry list" of targeted actions against an employee and that it applies to practices "such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, or discrimination directed at that person."

"Using one's finger to clock in and clock out is an awkward fit in that string, at best," the ruling said, noting that scanning one's finger is not a disciplinary action.

Court reinstates COVID tuition cases

■ The U.S. Court of Appeals for the District of Columbia overturned lower court rulings and reinstated litigation filed by George Washington University and American University students seeking tuition and fee refunds because of the institutions' COVID-19-related moves to online classes.

The appeals court affirmed the dismissal of the claims made in separate lawsuits that the Washington D.C. universities had breached "express" contracts promis-

ing in-person education instruction activities and services in exchange for tuition and fees, according to the appellate ruling in *Mark Shaffer et al. v. George Washington University et al.* and *Maaz Qureshi, et al. v. American University*.

However, it said, "we hold that Plaintiffs' complaints plausibly allege that the Universities breached implied-in-fact contracts for in-person education," the ruling said.

These, "combined with the reasonable inferences drawn from them suffice to support their claims that the Universities promised to provide in-person instruction in exchange for Plaintiffs' tuition payments," it said in reversing the dismissal of the plaintiffs' implied-in-fact contract claims.

The ruling added that the universities "will likely have compelling arguments to offer that the pandemic and resulting government shutdown order discharged their duties to perform these alleged promises."

"However, because the Universities have not raised any such defense before this court, we leave the issue to the District Courts to resolve in the first instance."



Delaware high court rules for AIG, Axa

■ The Delaware Supreme Court unanimously affirmed a lower court ruling and held that American International Group Inc. and Axa SA units were not obligated to indemnify a solar energy company in directors and officers liability litigation under their claims-made coverage.

Shareholders of Tempe, Arizona-based First Solar Inc. filed a class-action lawsuit in Arizona in 2012, charging the company had misrepresented the reduction of its manufacturing costs, among other allegations, according to court papers in *First Solar Inc. v. National Union Fire Insurance Co. of Pittsburgh, PA and XL Specialty Insurance Co.*

In March 2014, a number of shareholders opted out of that litigation and filed a second suit alleging various defects and concealments by the company. Solar agreed to pay \$19 million to settle the case.

AIG unit National Union and Axa unit XL Specialty denied coverage on the basis that the second suit was essentially identical to the suit filed in 2012, and because the litigation was filed in 2013 there was no

coverage under their claims-made policies.

First Solar filed suit against the insurers in October 2020, charging breach of contract. Both insurers filed motions to dismiss the case, and the Delaware Superior Court ruled in the insurers' favor in June 2021.

The en banc Delaware Supreme Court also ruled in the insurers' favor, albeit on different grounds. "The Superior Court found that the follow-on action was 'fundamentally identical' to the first-filed action and therefore excluded them for coverage under the later-issued policies," its ruling said.

The ruling said neither the Delaware Supreme Court nor any other jurisdiction had adopted the "fundamentally identical" standard, and that a "relatedness standard" should have been used in judging the case.

However, in affirming the lower court, the Supreme Court said that under either standard, "the later-issued insurance policies did not cover the follow-on action."

ADA suit reinstated in postpartum case

■ A federal appeals court, in a divided opinion, reinstated an Americans with Disabilities Act lawsuit filed by a woman who was terminated after she sought extended leave because of her postpartum depression.

Kelly Blanchet, who had been hired as a direct sales representative for Stamford, Connecticut-based Charter Communications LLC, took standard maternity leave, short-term disability benefits and Family and Medical Leave Act benefits after giving birth in July 2016, according to the ruling by the 6th U.S. Circuit Court of Appeals in Cincinnati in *Kelly Blanchet v. Charter Communications LLC*.

She developed postpartum depression and sought and was approved for extended FMLA leave, short-term disability leave and long-term disability leave that extended through Feb. 1, 2017, according to the ruling. She then sought additional leave.

Her doctor sent a letter stating she should be expected to return to work in April 2017. Ms. Blanchet was notified in March 2017 that she was terminated effective to January 2017.

She sued the company in U.S. District Court in Covington, Kentucky, charging violation of the ADA, and the court granted Charter summary judgment dismissing the case.

In reversing and remanding the case, the majority of the three-judge appeals court panel said, "At the time Blanchet requested her accommodation, Charter had no reason to conclude that Blanchet's performance would deteriorate when she came back on her proposed return date."

The judge who dissented said Ms. Blanchet failed to meet the definition of a "qualified individual" under the ADA.

DOCKET



APPELLATE COURT ISSUES FIRST COVID BI RULING

The 4th U.S. Circuit Court of Appeals, in its first decision on the issue, joined its sister circuits in ruling against a policyholder in a COVID-19 business interruption case. The Richmond, Virginia-based court ruled against Uncork and Create LLC, which operates art studios in Barboursville and Charleston, West Virginia, in a lawsuit filed against Cincinnati Insurance Co. seeking compensation for its COVID-19 business interruption losses.

DEPARTMENT OF LABOR SUES OPHTHALMOLOGIST

The U.S. Department of Labor filed suit against an ophthalmologist and his practice in Amsterdam, New York, for allegedly firing an employee who raised concerns about the practice's response to state-mandated protocols to protect employees from COVID-19 and later filed complaints with state health officials. The complaint alleges that between March and December 2020 the employee expressed concerns to a supervisor at Kwiat Eye and Laser Surgery PLLC about the alleged lack of COVID-19 safety protocols, including mask-wearing and social distancing, according to a DOL statement.

TOKIO MARINE PREVAILS IN D&O LITIGATION

A federal appeals court ruled that a Tokio Marine HCC unit does not have to compensate an opioid manufacturer for costs incurred in association with subpoenas under its directors and officers liability coverage. Sola Beach, California-based Sentyln Therapeutics Inc., which markets two prescription opioid pain relievers, received subpoenas from the U.S. Attorney's Office for the District of New Jersey in 2018 and 2019 in conjunction with an investigation of potential violations of federal law related to opioids, according to the ruling by the 9th U.S. Circuit Court of Appeals in San Francisco in *Sentyln Therapeutics Inc. v. U.S. Specialty Insurance Co.*



Gary Brown has spent nearly 35 years at McLarens and its predecessor companies and has been the Atlanta-based loss adjuster's CEO since 2016. After starting his career in London, he was based in several international locations, including an extended period in Jamaica. He moved to the United States 25 years ago. Recently, he spoke with *Business Insurance* Editor Gavin Souter about changes in the claims sector and the company's strategy. Edited excerpts follow.

Gary Brown McLARENS

Q You always think of loss adjusting as a hands-on job. How have the restrictions of the past two years changed the business?

A From a working practices point of view, half of our business was already working remotely for most of the time, out on the road inspecting claims and adjusting losses, but we've had to pivot over the last couple of years for the other half of the business that was based in offices. As we move forward, we are definitely returning to offices where there are concentrations of market — New York, London, cities like that where the business of insurance is still done often in person. In some of our other areas where the offices were of less relevance to the marketplace, we will adopt more of a flexible working environment.

Q What about the actual inspection of claims during the pandemic?

A It was very much a different response in different geographic markets. In those markets where there were the most restrictions, we did develop video inspections. We've got new tools now that enable us through iPhones and things to meet and speak and inspect locations when we are restricted from going in. But for the type of work that we do, it's not something that will be anything more than an assist. The ability to physically inspect and meet will always be important.

Q What's preventing it from becoming the norm?

A There's lots of nuance to insurance claims. Each situation is unique, and I think there is never going to be a proper substitute to the benefits of meeting personally with people, building strong working relationships, seeing the damage firsthand, touching it, smelling it. We make far better progress and it leads to far better outcomes for all of the stakeholders if we're able to meet and inspect and visit and work with the contractors and the people that are responsible for the repairs.

Q What specialty strategy are you following?

A Risks are becoming more complex. Failures are getting more significant, and people are continuing to want to put structures on the edges of bodies of water and in areas that heretofore were not necessarily safe to construct. So the incidence of complex risk is going to increase and, as a result, specialists within those complex risks or within those niche exposures are becoming ever more important and we are seeing real value and leverage in getting groups of like-minded experts together to solve problems.



Our first specialization, which was more than 10 years ago, was our aviation business. Most of those people are experts from aviation industry that have become loss adjusters, so to have more experts available for a specific industry that are grouped together and work together is really helpful and it really drives better service, better outcomes for our clients.

Q How are supply chain problems and inflation affecting the insurance claims sector?

A The impact on insurance claims doesn't just affect the physical cost of the repairs, but in the event that a business is suffering some sort of income loss or business interruption loss because of the shortage in materials at any price, that is delaying the incidence of repairs and the ability for businesses to recover so that is on many occasions extending the income losses as well.

Q How do you deal with that?

A Where possible we're trying to use our global network and our tentacles at a local level to expedite delivery of materials, things of that nature.

Q Last year, you hired Kirsten Early and brought in a team to develop a third-party administrator business. What are your plans for that business?

A TPA has always been an important part of our business, but it's been in pockets around the world, and we haven't had a consistent offering that's led, very much in the context of specialty business, by professionals who spent their career in that space. And I think it would also be fair to say that our technology heretofore had not been strong enough to offer a true global proposition, so along with Kirsten and her team, who bring that level of expertise, we're investing very heavily in our software and our claims management platforms to be able to then deliver products in the way that our clients are wanting those products delivered and data mined in a way that they now want them.

Q There seems to be a fair amount of consolidation in the claims sector over the past couple of years. Are you involved in that and how do you view the trend?

A There very much has been consolidation across the industry from those that take risks to those that help service that risk, and the adjusting space is no different. For us, consolidation is sensible where it leads to a greater depth of service in markets that might otherwise be underserved, but I don't think it's necessarily just about getting bigger. McLarens is of a size where we can comfortably meet the regulatory requirements of the industry and of our clients. We're of a size where we can operate in all the global markets that our clients need us to, and for us that consolidation is plugging some holes that we might have in our business on an industry basis or on a specialties basis, on occasion on a geographic basis, but we're getting close to the geography that we think is optimal for the industry already.

Risks are becoming more complex. Failures are getting more significant, and people are continuing to want to put structures on the edges of bodies of water and in areas that heretofore were not necessarily safe to construct.



RISK MANAGEMENT TECHNOLOGY SURVEY

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RISK MANAGEMENT TECHNOLOGY SURVEY

The average annual expenditure on risk management information systems technology is \$249,360, according to the 2022 *Business Insurance* online survey on risk management technology. The survey found there has been a steady increase in the percentage of heavy users of RMIS technology over the past three years, with almost half of respondents saying they are using proprietary or customized systems.

This year's survey was conducted between Jan. 11 and Feb. 23. The results are based on 171 respondents who indicated that they are corporate insurance buyers/users and are involved in their company's/organization's risk management technology purchase decisions. The base used is the total answering each question.

Source: BI Survey

TECHNOLOGY INVESTMENTS

In this year's survey, 19.4% of respondents said their RMIS is bundled with other insurance products and services. That compares with 14.9% last year. Of the companies that did not bundle their RMIS software/platform, the average expenditure is \$249,360.

Fewer than **2.0%** of respondents saw a decrease in technology spending, **48.7%** said there was an increase and **49.7%** said spending stayed the same.

Increased more than 50%	5.7%
Increased more than 25%	8.9%
Increased more than 10%	20.3%
Increased up to 10%	13.8%
Stay the same	49.7%
Decreased up to 10%	0.8%
Decreased more than 10%	0.8%

18.2% of respondents said they use big data, while **17.3%** use artificial intelligence in their risk modeling efforts.

	Big data risk modeling	AI risk modeling
Yes	18.2%	17.3%
No, but planning to	38.6%	29.3%
No	43.2%	53.4%

TOP RMIS FUNCTIONALITIES

Enterprise risk management	36.8%	Premium allocation and calculation	9.4%
Claims management	29.9%	Litigation management	8.5%
Claims administration	29.1%	Renewals/data collection	8.5%
Incident reporting	25.6%	Benchmarking	7.7%
Policy management	24.8%	Captive/pool management	7.7%
Asset management	23.1%	OSHA compliance	5.1%
Loss control/safety analysis	16.2%	Insurer ratings	3.4%
Risk financing	13.7%	Other	3.4%
Contract/vendor management	12.0%	Not sure	1.7%

Nearly **30%** of respondents using RMIS said providers added either general or COVID-19-specific capabilities at additional cost.

	2022	2021
Added general functionalities at no cost	23.7%	26.5%
Added general functionalities at additional cost	20.3%	13.6%
Added COVID-19-specific capabilities at no cost	15.3%	10.2%
Added COVID-19-specific capabilities at additional cost	9.3%	2.7%
Did not add new functionalities	22.9%	29.3%

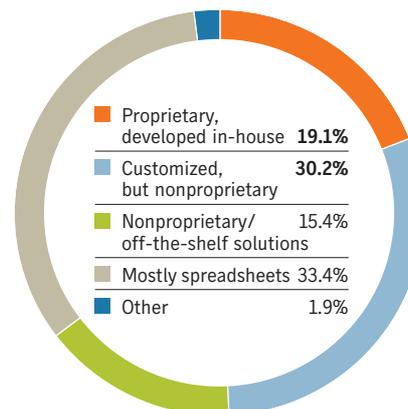
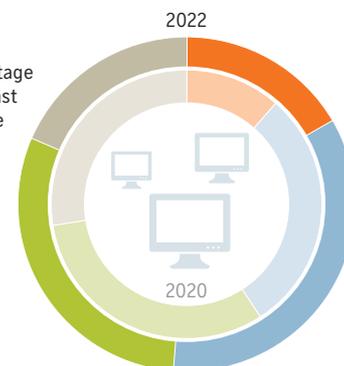
Top 5 things respondents using RMIS said they like most about their company's current RMIS technology software/platform:

Simple to use/user-friendly	58.8%
Adaptable/flexible for growing/future needs	48.5%
Customizable for special/specific needs	44.3%
Low-cost/cost-effective	44.3%
Accessible online/web-based	36.1%

RMIS USAGE

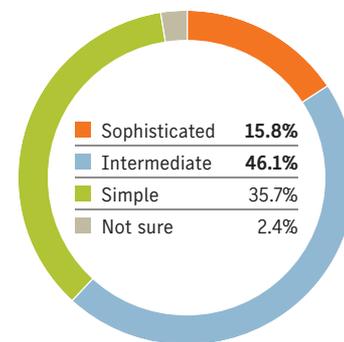
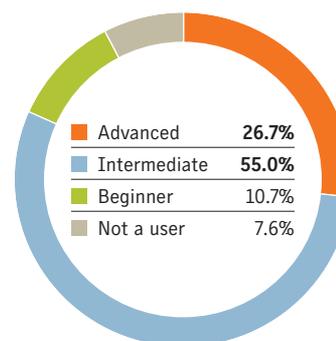
There has been a steady increase in the percentage of heavy users of RMIS technology over the past three years and a corresponding progressive decrease of non-users since 2020.

	2022	2021	2020
Heavy user	16.7%	13.1%	11.6%
Moderate	34.6%	36.4%	29.5%
Light	30.2%	29.0%	31.6%
Not a user	18.5%	21.5%	27.3%



About half of respondents' systems are customized, but 33.4% still rely mostly on spreadsheets.

61.9% of respondents described their organization's RMIS system as intermediate or sophisticated.



Of those whose companies use RMIS technology, **81.7%** described themselves as intermediate or advanced users.

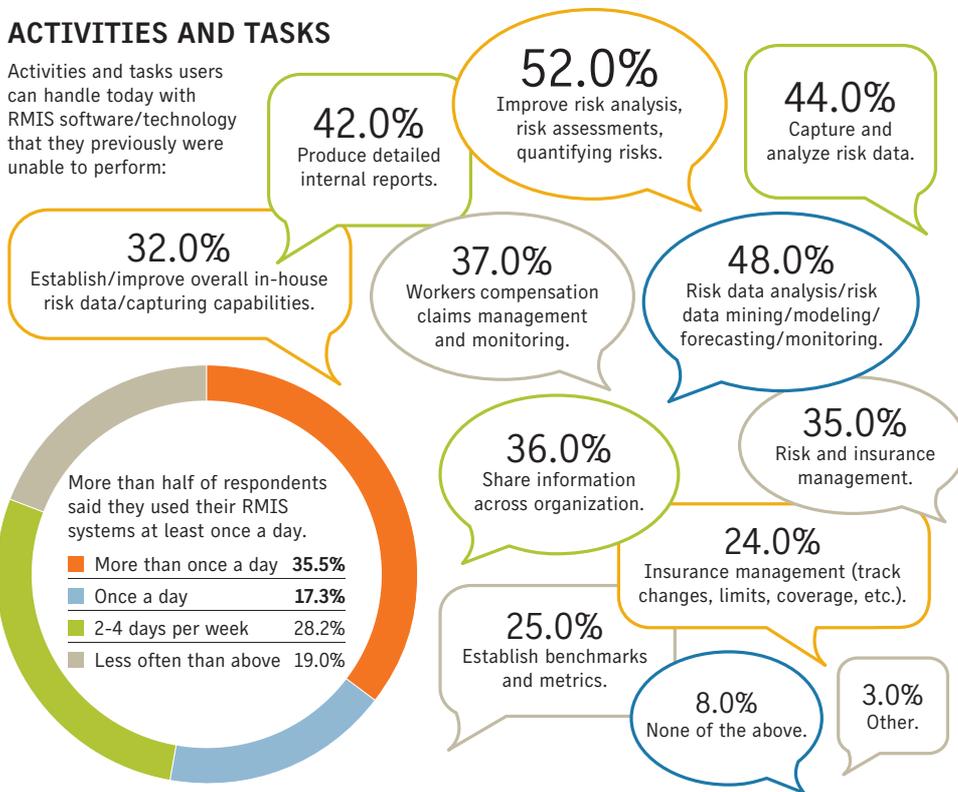
The average time companies have been using RMIS technology is **6.5 years**.

More than 15 years	6.8%
10-15 years	11.0%
6-9 years	18.6%
3-5 years	28.0%
1-2 years	19.5%
Less than a year	4.2%
Not sure	11.9%



ACTIVITIES AND TASKS

Activities and tasks users can handle today with RMIS software/technology that they previously were unable to perform:



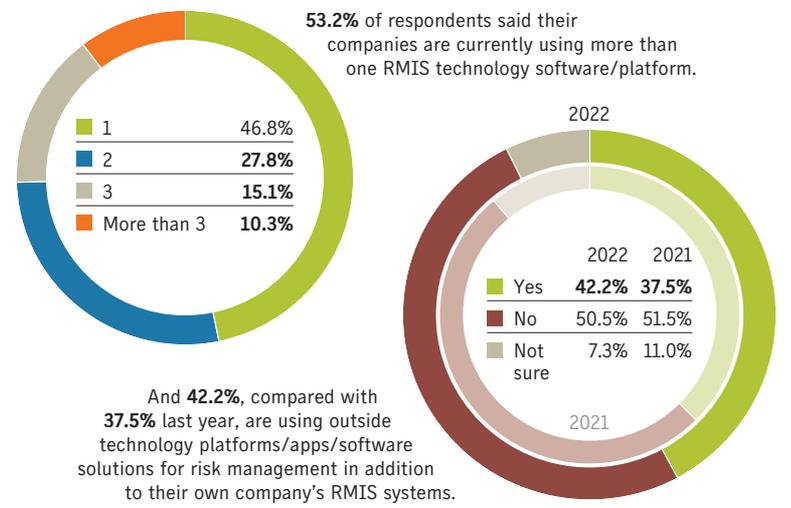
RMIS PROVIDERS

Of those using RMIS, just over half are using technology software/platform from an independent RMIS or specialty technology provider.

Independent RMIS/specialty technology provider	50.4%
Third-party administrator	32.8%
Insurer	23.2%
Broker	19.2%
Other	6.4%
Not sure	11.2%

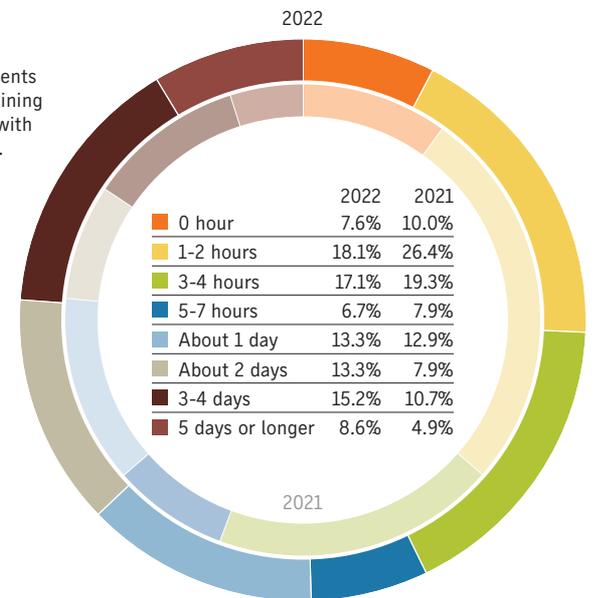
Riskconnect Inc.'s Riskconnect/ClearSight RMIS is the top RMIS system used among survey respondents at **13.8%**, while **9.8%** are developing their own in-house systems.

Provider	Percent using
Riskconnect Inc.'s Riskconnect RMIS or ClearSight RMIS	13.8%
Gallagher Bassett Services Inc.'s Luminos	9.8%
Proprietary system developed in-house	9.8%
American International Group Inc.'s IntelliRisk	8.9%
Origami Risk LLC	8.9%
Sedgwick Claims Management Services Inc.'s viaONE	8.9%
ESIS Inc.'s Global Risk Advantage	8.1%
CrossMark Risk Solutions LLC's solutions	7.3%
CorVel Corp.'s system	5.7%
Helmsman Management Services LLC's RISKTRAC	5.7%
CCMSI Holdings Inc.'s iCE	4.9%
Liberty Mutual Insurance Co.'s RiskTrac	4.9%
The Hartford's TREO	4.9%
Ventiv Technology Inc.'s RiskConsole	4.9%
Zurich Insurance Group Ltd.'s RiskIntelligence	4.9%
APP Technologies LLC's Cloud Claims and other solutions	4.1%
DXC Technology Co.'s RISKMASTER	4.1%
The Travelers Cos. Inc.'s eCARMA	4.1%
Crawford Risk Sciences Group Inc.'s/Broadspire's DMITRI	3.3%
Insurity LLC's solutions	3.3%
WTW's Risk Intelligence Central	3.3%
CHSI Technologies' Connections	2.4%
Ebix Inc.'s RiskEnvision	2.4%
Sedgwick Claims Management Services Inc.'s FOCUS	2.4%
Other	16.3%
None of the above	31.7%



TRAINING

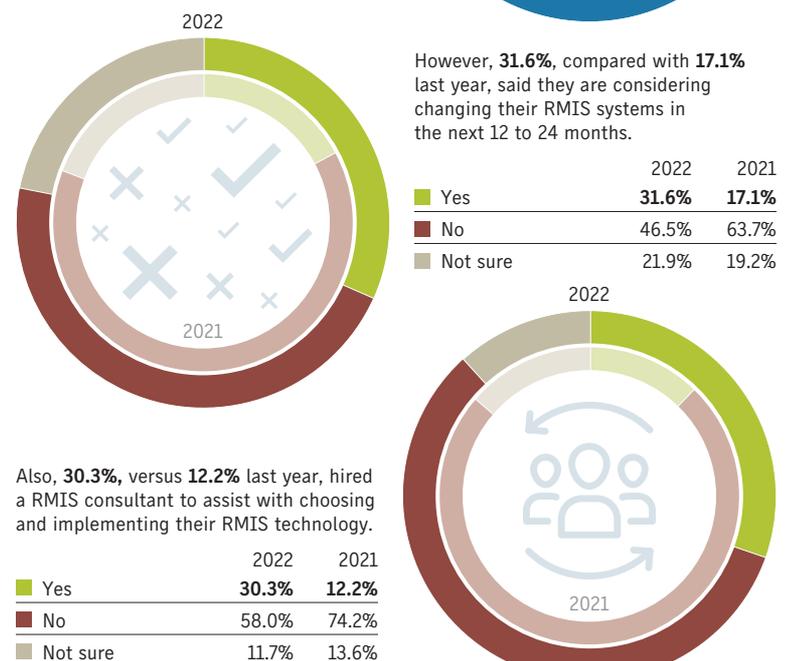
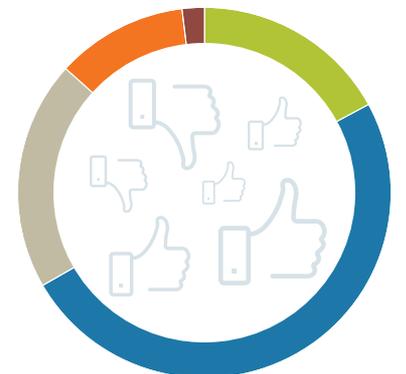
On average, respondents spent **16.3 hours** training in RMIS, compared with **10.8 hours** last year.



LEVEL OF SATISFACTION

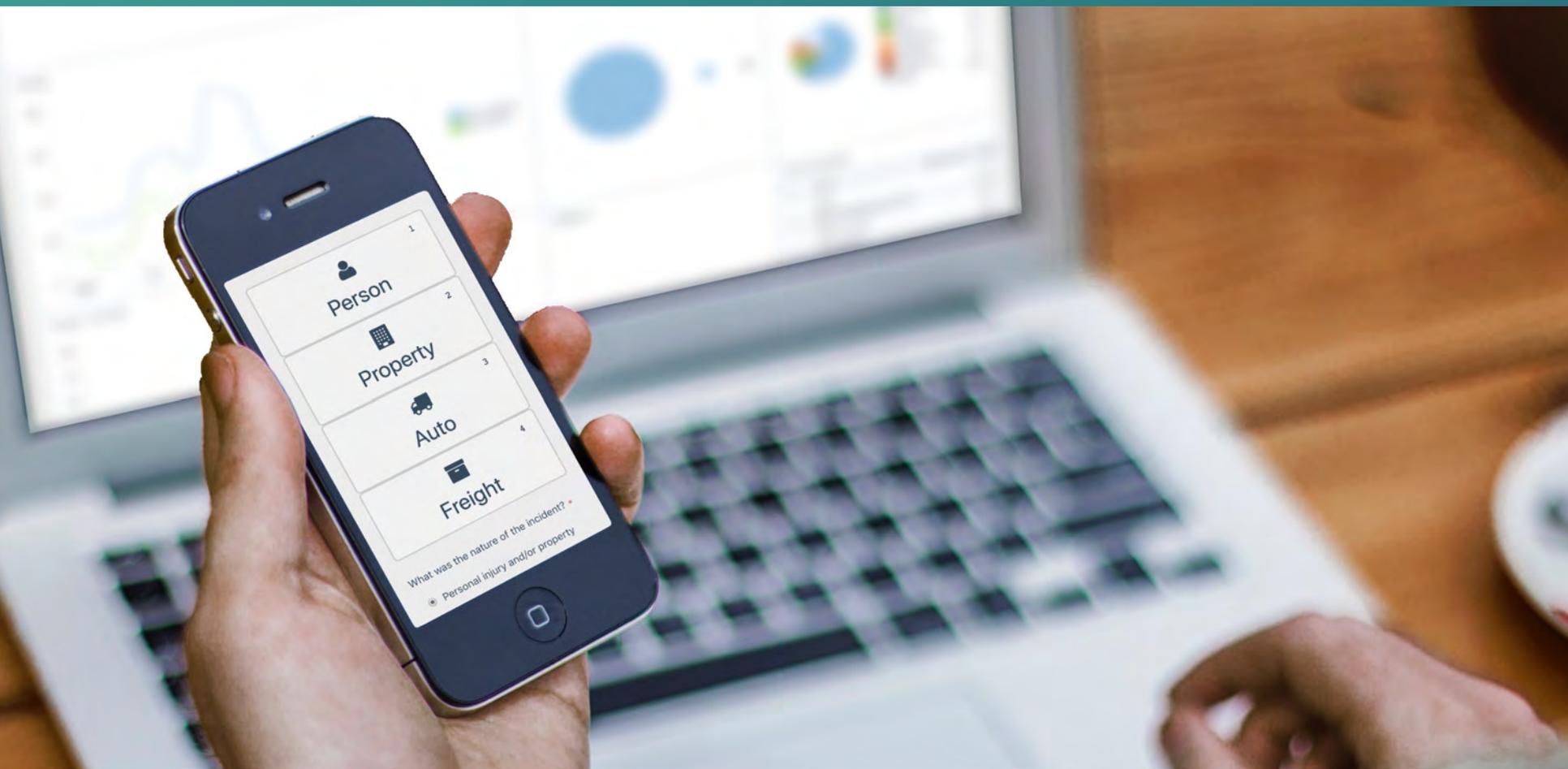
About **two-thirds** of survey respondents are either extremely satisfied or satisfied with their current RMIS systems.

Extremely satisfied	17.1%
Satisfied	49.5%
Neither satisfied nor dissatisfied	20.0%
Dissatisfied	11.4%
Extremely dissatisfied	1.9%





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CRYPTOCURRENCY COVERAGE SLOW TO CATCH ON

Price volatility, regulatory uncertainty, lack of historical underwriting data make many insurers wary.

BY JUDY GREENWALD

jgreenwald@businessinsurance.com

Insurer interest in cryptocurrency is growing as the digital assets boom, but an underlying wariness of the risks involved remains.

Many believe cryptocurrency insurance is in its nascent stage and will expand, although hurdles include its price volatility, the absence of historical underwriting data, a lack of regulation and a poor reputation because of its association with ransomware payments and other criminal activity.

See **CRYPTO** next page

What is cryptocurrency?

Cryptocurrency, based on blockchain technology, comprises digital assets commonly created through a process known as mining that involves using computers to solve complex puzzles.

They are purchased through online exchange platforms and stored in digital wallets, which are apps that allow cryptocurrency users to store and retrieve their digital assets.

“Hot” wallets are connected to the internet, which could make them more vulnerable to online attacks, while “cold” wallets are not.

Unlike traditional currencies, they are not backed by a government or centralized authority and have significant pricing volatility.

They continue to increase in popularity. Last year, their price growth exceeded the Standard & Poor’s 500 stock index.

Popular cryptocurrencies include bitcoin, ethereum and tether, but there are thousands of others.

While cryptocurrency is used for criminal purposes, such as ransomware demands, it is also used for legitimate purchases, such as buying digital artwork through NFTs, and there is an extensive investment market in the assets.

Judy Greenwald

CRYPTO

Continued from previous page

Only an estimated 2% of cryptocurrency assets are insured, experts estimate.

Some insurers are also beginning to accept premium payment in cryptocurrency and others may include it in their investment portfolios (See story, page 23).

Cryptocurrencies, which are digital assets based on blockchain technology, are booming. While bitcoin is the most high-profile cryptocurrency, there are many others.

According to a study by Dublin-based research firm Research and Markets.com, the global cryptocurrency market reached \$1.78 billion in volume in 2021 and is projected to multiply to \$32.42 billion by 2027.

In March, President Joe Biden signed an executive order requiring the government to assess the risk and benefits of creating a central bank digital dollar, as well as other cryptocurrency issues, which analysts view as an acknowledgment of the sector’s growing importance.

Cryptocurrency-related insurance is offered by Lloyd’s of London syndicates, other London market insurers and by insurers in Bermuda and elsewhere, observers say. Buyers of the coverage include cryptocurrency exchanges; asset managers; custodians, which are the third parties hired to look after the assets; crypto miners; and payment remittance platforms.

Most of the coverage written has been for crime exposures, with other lines including cyber liability, directors and officers liability, technical errors and omissions and property coverage, observers say.

Cryptocurrency insurance coverage is limited, said Christopher Grimes, a director at Fitch Ratings Inc. in Chicago. It has been “typically split among a small group of niche insurers and not broadly covered by more mainstream insurers. Lloyd’s is the one big headline that drives the industry, really, on this,” he said.

“There’s a lot of customer clients out there that want this coverage, and there’s a mismatch between demand and supply,” said Timothy Fletcher, Los Angeles-based national financial services group leader for Aon PLC.

Few markets write the coverage and premiums are often high, said J. Gdanski, New York-based CEO and founder of Evertas, a managing general agency that writes on behalf of Arch Capital Group Ltd.’s Lloyd’s syndicate, which was granted coverholder status by Lloyd’s in February.

Concerns

While many are interested in underwriting the business, there is hesitancy “because people don’t fully understand the risk,” Mr. Gdanski said.

DEFINING CRYPTOCURRENCY

Cryptocurrency is a medium of exchange, created and stored electronically in the blockchain, using encryption techniques to control the creation of monetary units and to verify the transfer of funds. Bitcoin is the best known example.



Has no intrinsic value in that it is not redeemable for another commodity such as gold.



Has no physical form and exists only in the network.



Its supply is not determined by a central bank and the network is completely decentralized.

Source: PricewaterhouseCoopers LLP

FACTORS THAT CREATE CRYPTOCURRENCY VOLATILITY



It is influenced by supply and demand



Investor and user sentiments



Government regulations



Media hype

Source: Investopedia



Cryptocurrency is a new technology, and underwriters need “to get to a level of comfort” to commit to underwriting the exposure, said Joseph Ziolkowski, co-founder and CEO of Bermuda-based cryptocurrency insurer Relm Insurance Ltd.

Its price can rise or fall by thousands of dollars day to day. Mr. Ziolkowski said its value changes with geopolitical events, which is a factor hindering its further adoption by insurers.

There is also concern about cryptocurrency-related crime. A report by New York-based blockchain analytics company Chainalysis Inc. states that the total cryptocurrency value received by illicit web addresses reached \$14 billion in 2021, compared with \$7.8 billion in 2020.

Some experts say cryptocurrency’s poor reputation, caused in part by its use in ransomware payments, also dampens demand.

Cryptocurrency has become a “taboo” industry because of its associations with arms dealers, ransomware and drugs, Mr. Fletcher said.

“Insurers need to ignore the noise and

be able to underwrite the various risks,” he said, adding that cash can also be difficult to trace, yet insurers cover banks.

Furthermore, historical loss data for cryptocurrency is limited. Past loss experience gives insurers “a level of comfort” in underwriting, Mr. Ziolkowski said.

“There’s still a lot of education that needs to be done with most insurance companies” around what the asset is and how to protect it, said Jacob Decker, San Francisco-based director of financial institutions for Woodruff Sawyer & Co. But for those willing to do the work, “the components are there,” he said.

The market now is where cyber insurance was several years ago, said a spokesman for Coinbase Global Inc., a cryptocurrency exchange platform, which has insurance through Lloyd’s.

Security

In providing coverage, security controls are an issue.

“We don’t quote, let alone write, cryptocurrency risk” without addressing an extensive list of concerns that include perimeter security, encryption, contract terms, customer data and how it is stored, said Michael Carr, Chicago-based head of risk engineering for insurtech Coalition Inc., which writes cyber and technical E&O coverages as a managing general agency.

“It certainly creates a lengthier underwriting process and requires us to do a little bit more work” in getting insurers comfortable with insuring cryptocurrency, said Jacqueline Quintal, New York-based managing director and digital asset leader within Marsh’s U.S. financial institutions practice.

Insurers’ greater participation in the market in the U.S. is inevitable, but “regulatory clarity” is needed, said Edin Imsirovic, Oldwick, New Jersey-based associate director with A.M. Best Co. Inc. This could come from the U.S. Securities and Exchange Commission, the Commodity Futures Trading Commission, which has taken an interest in the area, or various states, among others, he said.

“There’s a lot of case law to be written, and there’s new regulations coming up that define the space better,” Mr. Carr said.

“There’s a lot of customer clients out there that want this coverage, and there’s a mismatch between demand and supply.”

Timothy Fletcher,
Aon PLC

“We hear all the time that insurers are skittish about the industry because of the uncertain regulatory environment,” said Mr. Fletcher, who added President Biden’s executive order portends a move to more regulatory clarity around cryptocurrency, which will make insurers more comfortable with the business.

However, Mr. Decker said there is “enough regulatory clarity” already. Banks, for instance, are not prohibited from assuming custody of digital assets, although they must have controls in place, he said.

Insurers need to know who the customer is and the source of the funds and confirm that blacklisted countries such as North Korea are not involved, he said.

Among the cryptocurrency coverages offered “crime is actually the most important line,” Mr. Gdanski said.

“You’ve got a big demand for crime insurance from custodians and asset managers,” which “is going to be a hard thing for us as an industry to get done,” Mr. Fletcher said.

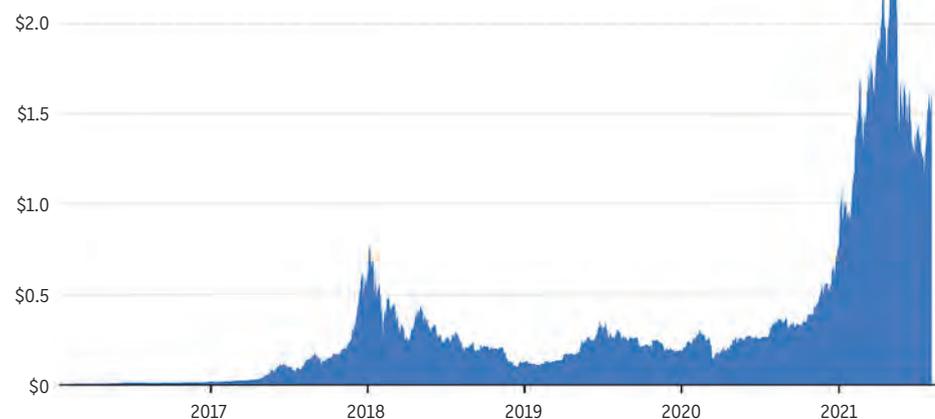
In 2020, Lloyd’s syndicate Atrium, with Cardiff, Wales-based cryptocurrency service provider Coincover, created a liability policy against losses arising from the theft of cryptocurrency held in “hot” wallets, which are internet-connected apps that allow cryptocurrency users to store and retrieve their digital assets.

The policy was backed by a panel of other Lloyd’s insurers, including Tokio Marine Kiln and Markel Corp. syndicates, which are members of Lloyd’s product innovation facility.

Jeff Hanson, senior vice president at Lon-

CRYPTOCURRENCY MARKET CAPITALIZATION

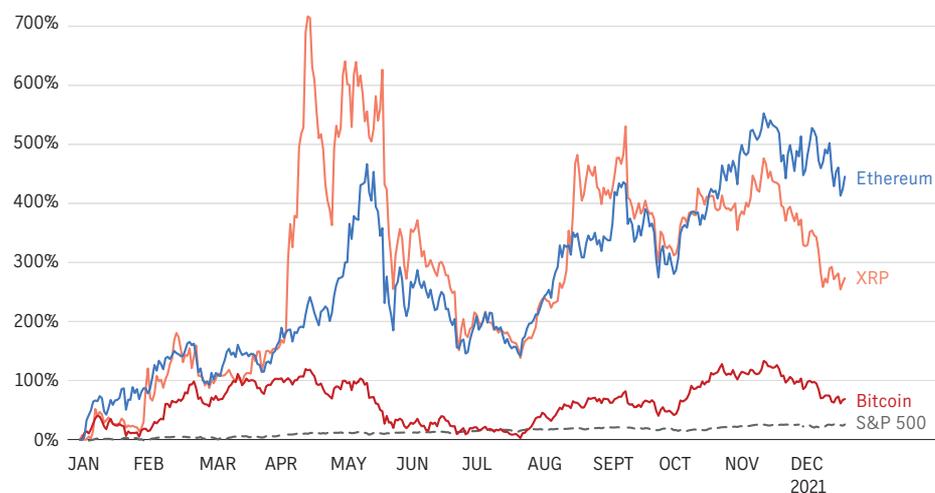
U.S. dollars, in trillions



Source: Morning Brew Inc.

CRYPTOCURRENCY VS. THE S&P 500

In 2021, the price growth of popular cryptocurrencies exceeded the S&P 500.



Source: CoinDesk

don-based Paragon International Insurance Brokers Ltd., said he has seen the number of cryptocurrency crime insurance buyers ramp up significantly over the past three years. There are about 25 crime insurance programs that protect cryptocurrency custodians and exchanges where limits of \$10 million or more have been purchased, he said.

A related coverage is specie insurance for cryptocurrency risks, which covers losses or damages to private keys in cold wallets,

which are unconnected to the internet.

Mr. Fletcher said “more insurers are dipping their toes into” the D&O market where a lot of attention is focused as cryptocurrency companies seek to bolster their boards, sometimes to comply with regulatory requirements.

Many companies that need to raise capital are seeking independent directors, who will not agree to join boards without obtaining D&O coverage, Mr. Ziolkowski said.

CRYPTO MARKET LIKELY TO DRAW CAPACITY

Some observers predict cryptocurrency insurance will eventually be more widely offered.

“Like most things in the insurance space, the pace of entrepreneurial innovation outpaces that of insurance capacity,” said Joseph Ziolkowski, co-founder and CEO of Hamilton, Bermuda-based Relm Insurance Ltd., a cryptocurrency insurer.

However, capacity will likely emerge as the market matures, he said.

Jacqueline Quintal, managing director and digital asset leader within Marsh LLC’s U.S. financial institutions practice, who is based in New York, said in the last six months, more insurers have spent time trying to understand the business.

Some inquiries are also coming from incumbent policyholders, which “will make it harder for insurers to keep their eyes closed on it,” she said.

Jacob Decker, San Francisco-based director of financial institutions for Woodruff Sawyer & Co., said insuring cryptocurrency through captives may also be feasible. “I see no reason why that wouldn’t be a really effective way” to provide insurance, he said.

Judy Greenwald

SOME INSURERS ACCEPT PREMIUM PAYMENTS IN CRYPTOCURRENCY

Insurers don’t just cover cryptocurrency; some companies are accepting premiums in cryptocurrency, and others are investing in the digital assets.

Universal Fire & Casualty Insurance Co. accepts cryptocurrency premium payments for its surety bond business.

Customers expressed interest in paying premiums with cryptocurrency and “we found it was not a particularly difficult thing to do,” although it required some regulatory approval, said John Lucker, executive vice president of the Waterford Township, Michigan-based insurer.

Universal cannot hold cryptocurrency on its balance sheet, but it found a payment provider able to accept cryptocurrency

on its behalf that automatically converts the crypto payments into U.S. currency, he said, declining to name the provider.

As a result, “we don’t incur any volatility risk,” he said, and “the payment provider is responsible for making sure the payments are legitimate.”

Axa S.A.’s Swiss unit announced in April 2021 it will allow customers to pay premiums in bitcoin for property/casualty products.

In December 2020, Massachusetts Mutual Life Insurance Co. made a \$100 million investment in bitcoin for its general investment account. At the same time, it made a \$5 million equity investment in New York Digital Investment Group LLC, which provides investment and technology services

for bitcoin, according to the insurer.

Michael Carr, Chicago-based head of risk engineering for insurtech Coalition Inc., said the company has a small cryptocurrency investment in its portfolio.

“It’s going to remain a small part of anybody’s investment portfolio for the foreseeable future” because of its volatility, he said.

Edin Imsirovic, Oldwick, New Jersey-based associate director with A.M. Best Co. Inc., said insurers have only invested in cryptocurrency in “minuscule amounts” because of its volatility and because “the regulatory framework around these assets has not been determined yet.”

Judy Greenwald





RISK MANAGEMENT INNOVATION

Insurers adapt as climate concerns mount

BY CLAIRE WILKINSON

cwilkinson@businessinsurance.com

INSIDE

▶ WORK-FROM-HOME SAFETY RISKS

Pandemic telecommuting creates safety issues for employers grappling with changes. **PAGE 26**

▶ TELEMATICS IN FLEET VEHICLES

Safety features known to reduce claims, come with added costs and concerns. **PAGE 29**

▶ RMIS SURVEY DATA

BI's risk management information systems survey reveals trends in usage, functions and more. **PAGE 18**

Businesses are increasingly seeking new ways to mitigate and manage climate risks, and demand for alternative tools and strategies to help them reduce property losses and adapt to a changing climate is accelerating.

The need for support comes as corporations face rising pressure from regulators, investors, rating agencies, employees and customers to disclose their climate change risks and how they intend to manage them, industry experts say.

Society is starting to grapple with the effects of climate change on the frequency and severity of natural catastrophes, "whether it's increasing wildfires in California, shipping patterns in severe storms or changing behavior of hurricane events," said Liz Henderson, co-head of Americas catastrophe risk analytics for

Aon PLC in Chicago.

The heightened awareness is driving increased demand for climate risk analytics and technologies from insurers, she said.

The insurance industry is seen as a critical component of the response to climate risk, said David Sherwood, a Stamford,

Connecticut-based managing director at Deloitte & Touche LLP.

But necessity is the mother of invention, and “it’s not until we have events like COVID or climate that they become catalysts for the need to reinvent or to think differently,” he said.

Early warning indicators, more rapid claims support after an event, and drones are some of the innovative areas in which insurers are working on climate risk mitigation.

“As we get more data on the nature of these risks, going forward insurers might need to think about how they can incentivize the underlying policy” to encourage policyholders to take proactive steps around mitigating climate-related risks, Mr. Sherwood said.

“As we get more data on the nature of these risks, going forward insurers might need to think about how they can incentivize the underlying policy.”

David Sherwood, Deloitte & Touche LLP

Large global companies in the retail, real estate and manufacturing sectors are showing the greatest interest in climate risk mitigation services, said Adam Hurley, head of property risk engineering for Zurich North America. “Large global retailers have distribution channels, material suppliers, all things that can drive some of these risks. They also tend to have outlets everywhere, so the risk is spread,” he said.

Zurich models future climate change scenarios to give its clients a “forward-looking lens” to manage risks, Mr. Hurley said. It is also helping policyholders manage risks as they transition to cleaner



energy, whether by adding solar panels or another technology. “We want to make sure they don’t add risk while they’re trying to be more sustainable as a company,” he said.

More organizations are installing solar panels on the roof or walls of a building and adding insulation as they look to become energy efficient, said Katherine Klosowski, vice president and manager, natural hazards and structures engineering, for FM Global in Johnston, Rhode Island.

Such technologies can add risk. Solar panels can increase a manufacturer’s exposure to fire, hail and windstorm, while extra insulation can increase fire risk. It takes some forethought, engineering and knowledge to mitigate against these risks, Ms. Klosowski said.

“Clients are making many of these changes to be a sustainable organization, which means their organization is not going to have a big impact on the environment. We want to work with them to make sure their organization is also resilient, which means the environment isn’t going to have a big impact on their organization,” Ms. Klosowski said.

Many companies, including insurers, are partnering with climate risk analytics ventures to boost their climate data and modeling capabilities. For example, ratings agency S&P Global in January

acquired The Climate Service Inc., a Durham, North Carolina-based startup.

The Climate Service models and analyzes both physical and transition risks globally, said CEO James McMahon. The analysis aims to help companies such as auto manufacturers make long-term strategic planning and capital allocation decisions by better understanding how the climate will change and affect supply and demand and production, he said.

It is also intended to provide insight into how risks are changing so a manufacturer can work with its risk transfer provider to ensure it is adequately hedging and transferring risks, Mr. McMahon said.

“We want to make sure [clients] don’t add risk while they’re trying to be more sustainable as a company.”

Adam Hurley, Zurich North America

“With the global view we can look at risk interdependencies within the supply chain,” said Steven Bullock, global head of ESG Innovation and Solutions, S&P Global Sustainable1, in London.

For the auto sector there is a huge

CLIMATE TECHNOLOGY

In its State of Climate Tech 2021 report, PricewaterhouseCoopers LLP found:

- Investment in companies developing climate technologies such as electric vehicles, solar power, wind power and green hydrogen production surged to **\$87.5 billion** in the year ended June 30, 2021, up from \$24.8 billion in the prior 12-month period.
- Some **\$56.5 billion** of the funding went to U.S. climate tech companies.
- Mobility and transport** continue to receive the lion’s share of climate tech funding as electric vehicles, micro-mobility and other innovative transit models attract investor attention.
- After plateauing between 2018 and 2020, investment **rebounded sharply in the first half of 2021**, driven by the focus on environmental, social and governance issues, emerging regulations and standards, and companies committing to net-zero strategies.

Source: PricewaterhouseCoopers LLP

opportunity in the transition to a low-carbon economy, understanding the role electric vehicles can play and the net benefit that they might produce in different locations, Mr. Bullock said.

There is also growing interest from insurers, as well as banks and other industries, in modeling the effect that climate change may have on asset allocations in their investment portfolios, said Matthew Lightwood, a director, risk solutions, at Conning Inc. in Cologne, Germany.

With Conning’s cloud-based climate risk analyzer, companies can posit a particular climate scenario, such as a temperature change happening over the next 20 years and model the future impact on their portfolio’s market value, Mr. Lightwood said.

Captives fill gap in insurance market for climate cover, ESG exposures

Captive insurers have a growing role to play in financing climate-related risks and environmental, social and governance initiatives, experts say.

There’s been an increase in activity in the area, whether it’s a captive taking a piece of an environmental policy, such as a layer or deductible, or companies in a particular industry forming captives, said Ellen Charnley, president of Marsh Captive Solutions in Las Vegas.

Companies are also exploring how a captive could help them better retain risk and provide an alternative to the commercial market, Ms. Charnley said. “It’s the start of a trend that we’re likely to see more of,” she said.

Commercial marketplace conditions for climate risk and property specifically have been challenging, said Anne Marie Towle, Carmel, Indiana-based global captive solutions leader at Hylant Group Inc.

Captive owners with a mature captive that has a surplus are using them to access parametric coverages, for example, Ms. Towle said. New captives are also being formed that have a key interest in climate and are starting to finance some of this risk, she said.

Captives could also play a role in supporting low-carbon technologies, such as self-driving or electric vehicles, that the commercial market has limited

experience with, Ms. Towle said.

Even as many insurers walk away from coal or reduce capacity for polluting industries, plenty of providers want to support companies and accelerate their transition away from carbon-intensive industries, said Liz Henderson, co-head of Americas catastrophe risk analytics for Aon PLC in Chicago.

Key performance indicator-based insurance and parametric covers are examples of recent risk transfer innovation, Ms. Henderson said. “All of these things are on the table, and we are exploring them with our clients regularly,” she said.

Claire Wilkinson



Safety risks hit home for employers

BY MICHAEL BRADFORD

Remote and hybrid work arrangements, which were put in place when pandemic lockdowns forced many workers to stay home, have left employers with lingering safety-related concerns even as COVID-19 fades.

Many ergonomics concerns related to remote work were well-known before the pandemic, but with home offices commonplace those issues demand an extra level of attention, sources say. And employers should be particularly careful about workers compensation exposures that have evolved as employees continue to operate from remote locations.

Employers can use technology to help set employees up remotely and train them on safety protocols, they say.

A workers comp claim filed in a state where an employee didn't previously work could create problems if the employer did not update its records and filings, said Peter R. Siegel, an attorney in the labor and employment and litigation practice groups at Greenspoon Marder LLP in Fort Lauderdale, Florida.

"The employer could become liable not



only for the claim and medical bills and lost income but could also be subject to penalties and fines in the state in which the claim was filed," Mr. Siegel said. "We tell companies all the time, you need to do a better job of tracking your employees."

"Employers are, unfortunately, failing to have workers comp policies that accurately reflect their workforce," he said. Many assumed the pandemic would be over quickly and "are still operating under an obsolete policy, meaning that nowhere in the policy does it contemplate the reality of having employees throughout the United States."

The fix usually requires an investment of time to sort out coverage.

"Employers need to get with their broker and insurance carrier and make sure that their workers comp policy reflects this new reality of remote work," Mr. Siegel said.

Some employers obtain "all-states policies" that give them flexibility if they have a multi-state workforce, while others buy a separate policy for remote workers, he said.

Insurers may provide a policy that allows employers to list the residences and working locations of all employees.

"One of the key issues in managing this type of risk is determining compensability," said Rich Ives, vice president responsible for workers comp claims at Travelers Cos. Inc. in Hartford, Connecticut. That means sorting out whether an injury occurred in the course and scope of employment, he said.

Insurers will also want to know whether an injury was related to a pre-existing condition, Mr. Ives said. That's the aim of a Travelers unit that investigates claimants' medical histories to determine whether injuries occurred prior to working remotely, he said.

Polly James, senior director of risk management at Feld Entertainment Inc. in Palmetto, Florida, who also worked in risk management for a major hotel company, said most employees wouldn't try to hoodwink employers. "Most people who have an accident at home are more likely to take responsibility for it themselves and not submit a workers comp claim," she said.

That appears to be true for Lockton Cos. LLC, said Paul Primavera, the broker's executive vice president and national risk control services practice leader in Irvine, California. The burden is on the remote worker to prove whether injuries are work-related, and the broker has not seen a noticeable difference in claims as workers have moved their offices to their homes, he said.

But employers do increase the odds

of workers comp claims if they ignore employees' home-office ergonomics, experts say.

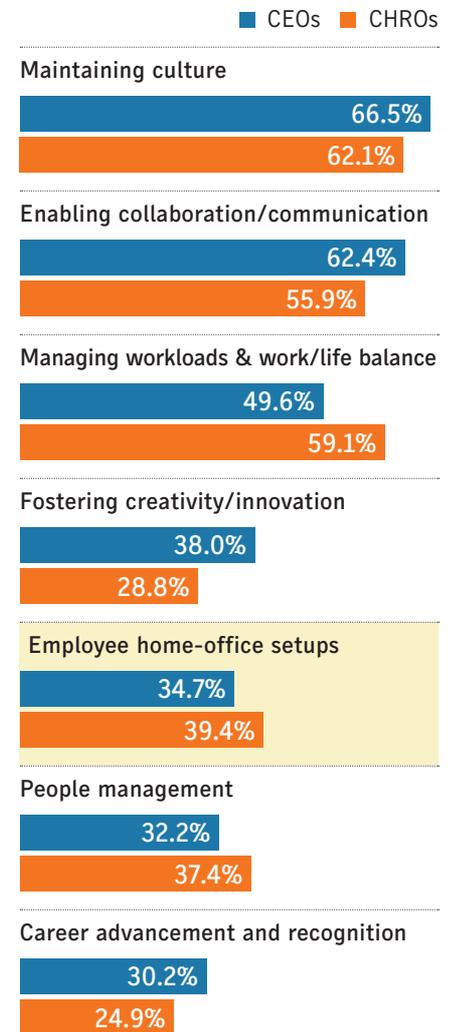
"The amount of time they are spending on their computers is skyrocketing, and the potential for ergonomic-related workers comp claims can increase with remote workers," said Liz Petersen, San Diego-based quality manager in the Society for Human Resource Management's knowledge center.

"Many people who started working from a virtual office two years ago might still be sitting in the same chair in their kitchen and working off the same table," said Chris Hayes, Hartford-based assistant vice president in risk control for workers compensation and transportation at Travelers.

"If you have someone working from home for any period of time, you need to

REMOTE WORK CHALLENGES

CEOs and chief human resource officers are in widespread agreement about the biggest talent management challenges posed by remote work.



Source: Chief Executive and SHRM 2021

"Many people who started working from a virtual office two years ago might still be sitting in the same chair in their kitchen and working off the same table."

Chris Hayes, Travelers Cos. Inc.

CLASSIFIED

REQUEST FOR PROPOSAL (RFP) FY2023 Group Health Insurance Program DOA/HRD/EB-RFP-GHI-23-001

The Government of Guam will be announcing the annual RFP for interested health insurance companies licensed under the applicable Guam laws, to provide group health insurance coverage for eligible Government of Guam active employees, retirees, survivors, their dependents and foster children under the legal custody of the Child Protective Services Division of the Department of Public Health and Social Services.

Prospective carriers are advised to monitor the Department of Administration, Human Resources Division's website at www.hr.doa.guam.gov for the RFP publication.

All questions regarding this RFP must be submitted in writing and received by the Director of the Department of Administration, as identified in the RFP.

All hard copies and electronic files of the entire proposal must be received by the Director of the Department of Administration as indicated in the RFP.

DOA reserves the right to amend the RFP at any time during the procurement process. Potential offerors that submit their acknowledgement receipt as instructed by this RFP will be notified of any amendments and inquiries to the RFP.

Should you have any questions regarding this RFP, please call the Employee Benefits Branch, Department of Administration at (671) 475-1121/1179.

“Employers need to get with their broker and insurance carrier and make sure that their workers comp policy reflects this new reality of remote work.”

Peter R. Siegel, Greenspoon Marder LLP

make sure they have a good ergonomic setup” that includes a chair that supports appropriate posture as well as proper monitor height, keyboard reach, mouse position and other features, he said.

Alan Roberts, senior risk engineering consultant with Zurich Resilience Solutions in San Francisco, a unit of Zurich Insurance Group Ltd., said many companies use self-assessment software to identify and manage ergonomic risk factors when workers report problems.

Employers should stress the importance of early reporting of discomfort, Mr. Roberts said. Knowing as soon as possible what’s troubling workers can reveal the kinds of changes that need to be made and get them healthy quicker, he said.

Ideally, ergonomics training should take place before a worker moves to a remote location, according to Mr. Roberts and other experts.

Close attention to ergonomics has apparently paid off for employers, said Jennifer Law, vice president, senior loss control consultant, with Lockton Cos. LLC in Charlotte, North Carolina. “We see the risk,” she said, but have not seen an increase in workers comp claims.

Ms. Law said employers were forced by pandemic lockdowns to advise workers on setting up remote offices and to supply them with furniture and equipment designed to keep them safe. Many consult virtually with employees to determine their office needs and contract with third-party vendors to help set up the workspaces, she said.

Company culture at stake with telecommuting workforce

Remote worker safety is a top concern of executives, but other workplace issues are bigger challenges, a study reveals.

In a 2021 report, “The CEO-CHRO Partnership,” 67% of 243 CEOs surveyed and 62% of 406 chief human resources officers polled agreed that maintaining company culture is a major challenge posed by remote work.

The report, produced by the Chief Executive Group and the Society for Human Resource Management, said 35% of CEOs and 39% of CHROs put home-office arrangements among the top concerns (see chart).

It is meaningful that more than one-third of the executives consider employee home-office arrangements a top issue, said Liz Petersen, San Diego-based quality manager in SHRM’s knowledge center.

“The ergonomics piece is part of the puzzle,



and it’s a difficult one,” she said.

Ensuring the safety of remote workers is the responsibility of an employer’s ergonomics manager, and human resources should provide employees with best practices that will keep them healthy, Ms. Petersen said.

“Also, HR and risk management are going to be working together to ensure that there’s communication, training and resources,” she added.

Michael Bradford

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Risk-reducing telematics come with costs

BY MATTHEW LERNER

mlerner@businessinsurance.com

Telematics have become a more integral part of commercial vehicle fleet risk management, helping to lower incident frequencies, but they can also raise repair and replacement costs.

The advanced hardware, however, is only the front end of the story, as prudent management of the data trove produced by telematics systems is imperative for effective risk management, sources say.

Telematics hardware, such as sensors, cameras and other data collection devices, merges telecommunications and informatics and enables information to be shared wirelessly.

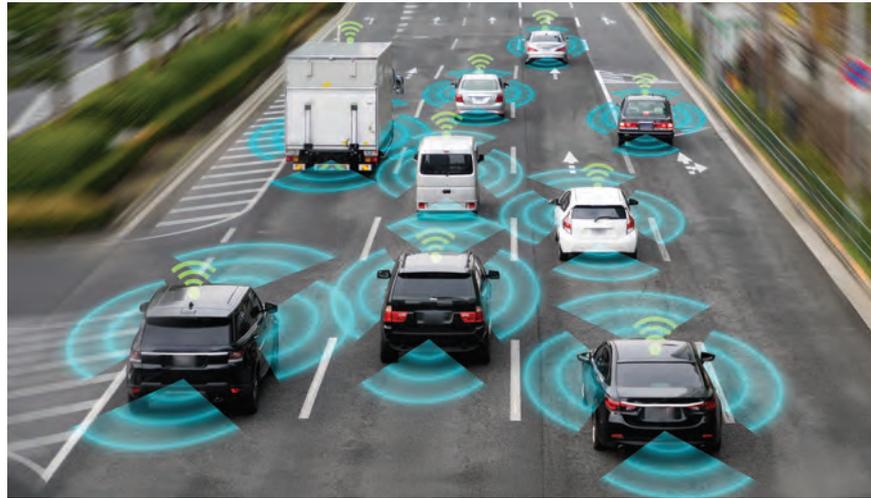
Telematics “can be very useful” and are becoming more common in large fleets, said Dennis McGuire, casualty underwriting director in Des Moines, Iowa, for Nationwide Insurance Inc.

“As part of an overall fleet program, more businesses are utilizing telematics data to evaluate and improve driving behavior and fleet safety,” said Sergio Cartagena, assistant vice president, senior underwriting manager, Global Risk Solutions, for Liberty Mutual Insurance Co.

The technology generates a vast amount of data measuring a wide variety of attributes, which requires business owners and fleet managers to have a sound plan to determine what data is most useful, how it will be collected and how it will be used, Mr. McGuire said.

Knowing how to transform the data into information that can be incorporated into action plans is an important part of a successful telematics program, Mr. Cartagena said.

“Installing this technology is not the answer to everything. You must manage the data and the drivers,” said Nicole McMurtry, national transportation vertical leader in Oak Brook, Illinois, for USI Insurance Services LLC. Failing to act on telematics data, such as hard braking



or lane departure notices, could indicate negligence on the part of a fleet manager, she said.

While specific technologies reduce accident rates, the cost of the technology can add to repair costs, data shows.

Physical damage claims payments for vehicles equipped with forward collision warning systems were on average \$117 higher than for those without the system, according to a study from the Insurance Institute for Highway Safety and Highway Loss Data Institute. That same study, however, shows decreases in frequency for loss incidents and claim rates when a vehicle is equipped with forward collision warning.

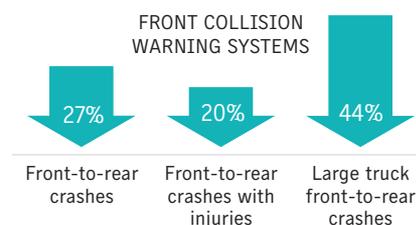
“It does cost more,” Ms. McMurtry said, adding, however, that from a liability standpoint, telematics information can help manage and mitigate claims.

Telematics have proven useful in exonerating drivers who were not at fault in an accident, said Matt Merna, New York-based senior vice president and Chubb Group division president, North America major accounts, for Chubb Ltd.

Telematics are “certainly all helpful from a loss reduction standpoint,” but they inflate both repair costs and times, Mr. McGuire said. There are more parts

BENEFITS OF TECHNOLOGIES

Forward collision warning systems are just one example of crash avoidance technologies. Others include: forward collision autobraking, lane departure warnings, blind spot detection, rear automatic braking, rear cross-traffic alerts and rearview cameras.



Source: Insurance Institute for Highway Safety

in vehicles equipped with telematics, and in some cases component supply can be limited.

In addition to the safety gains shown in the study, telematics users are viewed more favorably by underwriters, sources said.

Cars and trucks equipped with telematics cost more, but “underwriters like safety features in vehicles,” said David Carlson, U.S. automotive and manufacturing industry practice leader in Cleveland for Marsh LLC.

“In general, underwriters like to see a newer fleet where the technology is most likely to be available,” said Nationwide’s

Mr. McGuire.

Better and more comprehensive data can also help a business owner provide more complete information to underwriters during the application process. “Completing applications robustly. That’s where technology and telematics helps,” said James Auden, Chicago-based managing director of insurance at Fitch Ratings Inc.

Sources generally agree that although telematics programs should be rolled out by management with great transparency for drivers and workers, the technology’s growing use means employees should not be surprised to find telematics onboard, especially amid rising industry adoption rates.

Mr. Auden said that concerns over privacy and stewardship of the data persist against the backdrop of rising incidences of data breaches and other cyber incidents.

Katie Wildman, a risk advisor in alternative risk transfer in McKinney, Texas, for BevCap Management LLC, said some 75% of the wholesale distributors in one of the captives she manages have implemented telematics “and not one has regretted doing so,” she said.

Fleet managers and business owners consider telematics one of their best risk management tools, and none have removed equipment because it wasn’t working out or providing benefits. While upfront costs vary, users believe the systems pay for themselves.

While return-on-investment analyses are still being evaluated, available data indicates telematics can boost communication, potentially reduce the number of incidents and claims filed, improve safety and productivity, and cut downtime — “all of which may lead to better outcomes for a company’s safety program,” Mr. Merna said.

Drivers and employees, after some initial resistance, embrace telematics once they are shown the tools can be used to reward improved driving behavior and bolster a liability defense in the case of an incident, Ms. Wildman said.

SAFETY DESIGN TECHNOLOGY OFTEN EXPENSIVE TO REPAIR, MAINTAIN

Automotive technology, specifically safety technology, is often thought of as sensors and computerized systems designed to avoid collisions.

Safety technology, though, also involves vehicle design and engineering, such as adding so-called “crumple zones” and designing lighter-weight vehicles for environmental reasons, which also enhance safety, albeit sometimes at the cost of increased physical damage to a vehicle, sources say.

“Technology isn’t just electronics,” said David Carlson, Cleveland-based U.S. automotive and manufacturing industry practice leader for Marsh LLC.

When vehicles are lightened to meet emissions targets, stronger materials and components — such as newer “super steels” — are used.

“Steel can be very light and very strong,” Mr. Carlson said, adding that physical safety components continue to protect the occupants when

electronics safety measures fail.

The U.S. Department of Energy says a 10% reduction in vehicle weight can result in a 6% to 8% fuel economy improvement. “Advanced materials are essential for boosting the fuel economy of modern automobiles while maintaining safety and performance,” the DOE says on its website, and it supports such efforts through its Vehicle Technologies Office.

Vehicles built with crumple zones,

which are designed to absorb energy and protect passengers, often see extensive physical damage.

“A big part of the car needs to be replaced,” said James Auden, Chicago-based managing director of insurance at Fitch Ratings Inc. This can lead to increased parts and labor costs and sometimes longer repair times.

“Cars get totaled a lot more,” as well, Mr. Auden said.

Matthew Lerner

Global disruptions test risk managers

In April 2019, when risk managers and other insurance professionals headed to Boston for the Risk & Insurance Management Society Inc. conference, few if any would have thought there would be a three-year hiatus before the next in-person RIMS.

The annual get-together was a peripatetic ritual for many in the U.S. and international risk management community but was placed on hold when the Denver conference slated for 2020 was canceled due to COVID-19 and the 2021 edition was shifted from Chicago to a virtual format.

A lot has changed in the insurance world over those three years. While the hardening market was already a key topic of conversation in Boston, insurance prices have continued to climb at sometimes astonishing rates, stretching risk management budgets and the placement capabilities of brokers.



Gavin Souter
EDITOR

While underwriters have benefited from those increases, they have faced other challenges. The annual consumer price index increased nearly 8% in February, compared with 2% in April 2019, which makes pricing insurance coverage difficult as replacement costs surge. In addition, so-called social inflation, or rising jury awards and settlements, appears to be driving yet

more increases as insurers try to adjust.

Of course, even more has changed in the wider world, which has had a direct effect on the risk management sector. The pandemic brought some businesses to a halt and curtailed the operations of many others while providing a dramatic boost to a few. The resultant supply chain crisis is still affecting companies and increasing their exposures.

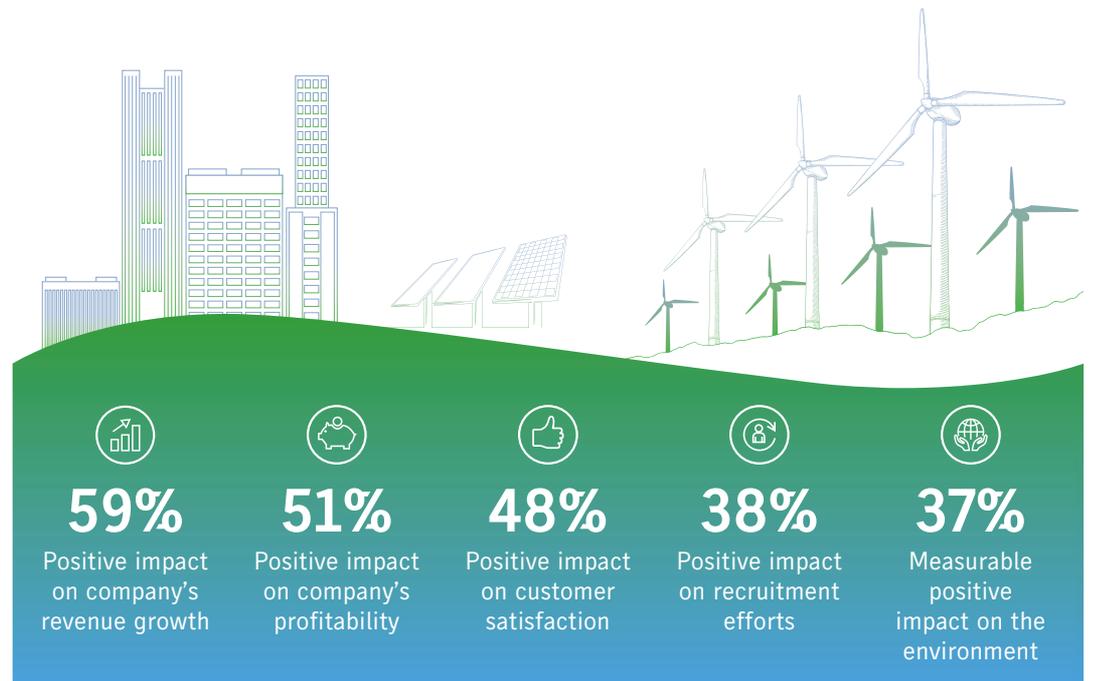
In addition, ransomware attacks and other cyber breaches have surged since late 2019, with hackers from around the world extorting hundreds of millions from inadequately protected companies. The subsequent increase in cyber liability insurance costs and reduction in capacity have created even more problems for commercial insurance buyers.

While the pandemic and enduring cyberattacks are relatively novel experiences for most people, the effects of war on those involved and the rest of the world unfortunately are not. Nevertheless, the repercussions of Russia's invasion of Ukraine have been shocking. Obviously, the lost lives and other humanitarian costs are of the most concern, but the economic consequences, including sky-rocketing prices for oil and other commodities and yet more supply chain disruptions, are affecting everyone.

Tackling problems with such a global scope is difficult if not impossible to do in isolation but it looks like people are ready to trade ideas. If the price of my airfare is anything to judge by, an awful lot of people plan to descend on San Francisco to reconnect at RIMS, which resumes this month.

As organizations strive to adapt to such rapidly changing times, pulling on the experience and expertise of numerous people in the world of risk management, including peers and service providers, will be vital.

Businesses are starting to see some results from environmental, social and governance investments



Source: Deloitte Global, "Climate check: Business' views on environmental sustainability," April 2020

VIEWPOINT

Time for action on ESG

BY CLAIRE WILKINSON
cwilkinson@businessinsurance.com

Whether it's who they do business with, the impact of their operations on the environment, or how they govern themselves and comply with the law, organizations everywhere are facing a pivotal moment.

For years, businesses have been talking about corporate social responsibility, their championing of various causes and their commitment to doing good, but now the statements they make and actions they take on a wide range of environmental, social and governance issues are being evaluated and measured by an array of stakeholders. From customers to employees, investors and regulators, organizations are being scrutinized on their ESG commitments and held to account.

Russia's invasion of Ukraine has thrown this issue into sharp focus. Since the start of the conflict, more than 400 companies have withdrawn from Russia, according to the Yale School of Management. What began with a handful of bold moves by corporations spanning oil and gas, consulting and technology sectors in the immediate days following the Feb. 24 invasion, soon gathered momentum with CEOs of consumer products companies, fashion and fast-food behemoths like McDonald's joining their peers.

Insurers and reinsurers, too, have been part of the exodus as major players such as Allianz, Munich Re, Swiss Re and Zurich responded to global economic and financial sanctions against Russia and took steps to mitigate their exposure to the war. Leading brokers Marsh & McLennan, Aon

and Willis Towers Watson followed suit. Marsh McLennan and Willis said they would exit the Russian insurance market, while Aon said it would suspend operations in the country and put its staff there on paid leave. FERMA, the Federation of European Risk Management Associations, said it had suspended Russian member RusRisk.

As with any corporate strategic decision, these actions are more complex than a simple withdrawal or non-renewal would suggest, and the ultimate effects have yet to fully resonate. Yale's initial list of companies leaving and those staying in Russia, for example, has become a more nuanced catalog of those companies withdrawing all business, those suspending operations, those reducing activities and those remaining.

Whichever category a business falls into, what has been demonstrated is that companies can no longer ignore ESG-related risks and the potential damage to their reputation.

Nor should they. Researchers have found that companies that pay attention to and act on ESG concerns, beyond the humanitarian need to do the right thing, will see the value to their organizations and their stock prices. Whether it's climate; cybersecurity and data privacy; diversity, equity and inclusion; or executive compensation, being transparent about their operations is also critical if businesses are to manage ESG-related litigation and regulatory risks. With their risk mitigation skills and risk transfer capabilities, risk managers, brokers and insurers are arguably at the center of opportunity and risk when it comes to ESG. But moving forward will be less straightforward than a simple check of the box.

Telling the truth on property valuations creates trust, promotes sustainable market



It does not take a great deal of soul searching to recall the basic moral lessons many of us learned at an early age: “Don’t lie,” “don’t steal,” and “don’t cheat.” However, in today’s day and age, headlines are plagued with tales of those who have forgotten these lessons. Unfortunately, unsustainable property insurance practices implemented by a few, unintentionally impact the insurance marketplace for the many in a big way.

This article will address the underreporting of property values and the negative impacts on the property insurance market, the importance of accurate property valuations for policyholders and steps they can take to maximize the benefits of true and accurate replacement cost valuations for best-in-class balance sheet protection.

Unsustainable valuation practices

Insurers rely on a diverse pool of funds covering a wide variety of insurable interests to bolster against the possibility that one of them might incur a large loss. So long as everyone is participating in good faith with true and accurate valuations, underwriters can charge appropriately to cover the risks of the broader group. Conversely, when the statement of values submitted to an underwriter does not reflect true and accurate values, the insurer is not charging enough premium to cover the risks it is assuming.

This upsets the basic economic equilibrium of supply and demand. We reach a point where the premium dollars collected no longer accurately support the normal loss expectancy for which it was written. These premium dollars get caught up in paying out claims at levels that were not properly planned, and this decreases the supply of capital that can be deployed as limit capacity. With no change in demand for limit capacity combined with a supply shortage, we arrive at

today’s pricing environment and insureds of all sizes are feeling the effects.

Underwriters who are not confident in submitted values will resort to four strategies that make the insurance marketplace more difficult for policyholders:

- 1) Insurers may choose to deploy less limit capacity than they had in past years.
- 2) They may ask the policyholder to assume more of the risk through increased deductibles and retentions.
- 3) Insurers may opt to tighten the terms and conditions under which a policy might pay out for a loss.
- 4) They have the option to raise rates and charge higher premiums for the same limits, deductibles, and terms and conditions.

While underreported values are not the sole driver of difficult property market conditions, this type of corporate malfeasance directly correlates to other market-driving factors. Contractors are reporting material and labor shortages, inflation is running red hot and supply chain bottlenecks abound. All these factors are contributing to the increased cost of construction. Replacing an asset with “like kind and quality” material becomes even harder when an asset is intentionally undervalued.

Impact on policyholders

As a policyholder, it is important to understand that insurance is an investment in the future of an organization, not a line item expense from easily replaceable vendors. Therefore, the brokers and insurers that a policyholder chooses to partner with should be integral players in the business decisions made, not an afterthought. Some policyholders may feel they are being clever and creating cost savings by underreporting values; however, as we already noted, insurers have many avenues for ensuring a risk fits within their tolerance.

If an underwriter feels uncomfortable with the submitted valuations, it may already be charging for a level of uncertainty. Let’s use a simple numeric example on a scale of 1-10. If a policyholder submits an asset value of 6, but the underwriter believes it is closer to 8 and possibly as high as 9, it may accept a value of 6 but err on the side of caution and charge a premium associated with 9. In this case, the policyholder is not being clever, it is behaving to its detriment. Using the same example, if the policyholder were to secure a third-party appraisal that valued the property at 7 or even 8 that would remove the uncertainty gap. Thus, an increase in submitted values does not always mean a premium increase. In this example, the policyholder receives a fair and lower premium charge and the underwriter is not putting its book of business at risk.

Maximizing efficiency

Achieving best-in-class balance sheet protection via insurance starts with a best-in-class market submission process. When a policyholder submits accurate, defensible, data-driven statements of value, and details the methodology by which the values were achieved, it removes the layers of uncertainty that may be baked into the premium it is paying.

True and accurate property valuations start a relationship with potential insurer partners on a note of good faith. Holding yourself to a high standard of data quality will also ensure that your submission is attractive to underwriters. Underwriters receive far more submissions in a difficult market, and they will select the opportunities they feel most confident that they can win. The probability of success increases when they have the right information to decide.

Engaging a third-party appraiser is the launchpad for this process and policyholders that have already engaged a third-party appraisal service have a leg up. With a true and accurate starting point, it becomes easier to trend valuations based on industry-accepted cost indices. For policyholders that do not have a third-party appraisal as a jump-off point, the cost indices will not suffice. Trending inaccurate original values will undoubtedly turn out an inaccurate result.

Cutting corners never pans out. Take the time to aggregate true and accurate property valuations. When we all play by the honor system, we are putting our best foot forward in maintaining a healthy underwriting ecosystem.



Alexandra Glickman is the senior managing director-practice leader for Arthur J. Gallagher & Co.’s global real estate and hospitality practices. She can be reached at Alexandra_Glickman@ajg.com.

Robby Kunz is managing director of operations for Gallagher’s global real estate and hospital practices. He can be reached at Robby_Kunz@ajg.com.

Mosaic enhances Bermuda cyber unit

■ Mosaic Insurance Holdings Ltd. said that cyber team underwriter George Cole, who transferred from London to the company's Bermuda headquarters temporarily late last year, will remain there permanently.

Mosaic said this adds another cyber underwriting hub to its cyber underwriters in London, New York and Chicago, with plans to add Toronto and Frankfurt later this year.

Mosaic said in a statement that Mr. Cole will focus on securing high-excess layers of coverage for its global clients.

Marsh offers tool for ESG performance

■ Marsh LLC launched a tool to help organizations to measure their environmental, social and governance performance and gain access to additional insurance market capacity for ESG-related risks.

As part of the initiative, Liberty Mutual Insurance Co. will offer its U.S. and Canada policyholders that opt into Marsh's ESG rating tool complimentary access to its risk advisory services on sustainability and climate-related risks.

The rating tool scores an organization's performance across 18 ESG areas measured against more than 10 internationally recognized standards and frameworks from organizations including the Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures, and the World Economic Forum, Marsh said.

RPS unit unveils real estate E&O program

■ RPS Signature Programs, the program administration division of Risk Placement Services Inc., said it has launched an errors and omissions program for real estate appraisers with General Star National Insurance Co.

The program provides E&O coverage for individual residential and commercial real estate appraisers, with available limits of up to \$1 million for each claim to \$2 million aggregate on an admitted basis, said RPS, the excess and surplus lines broker and managing general agent unit of Rolling Meadows, Illinois-based Arthur J. Gallagher & Co.

Coverage is available in all states except Alabama, Louisiana, New York and West Virginia.

The zero deductible program has a broad definition of professional service and covers defense costs outside the



Falvey adds cyber coverage for cargo

■ Falvey Cargo Underwriting, part of Falvey Insurance Group, said it is offering cyber coverage for cargo.

The coverage protects against physical loss or damage to goods while in the ordinary course of transit and/or while in storage caused directly or indirectly by the operation of any computer, computer system, computer software program, malicious code, computer virus, computer process or any other electronic system that are otherwise excluded under the LMA 5403 Cyber Endorsement.

Coverage is available as an add-on for all new and existing Falvey cargo marine and stock throughput policies, the insurer said. Limits are available up to \$5 million, and coverage may be purchased mid-term.

limits of liability. It also provides prior acts coverage with proof of continuous coverage.

General Star National Insurance Co., also known as GenStar, provides specialty insurance via its affiliate General Star Management LLC to wholesale brokers and program administrators.

Attento adds trucking inflation endorsement

■ Attento Underwriting Agency Ltd. said it has launched an inflation endorsement coverage for the U.S. trucking market.

The coverage is designed to respond to rising vehicle values as supply chain issues have left many vehicle owners with a financial shortfall in the event of a total loss.

Under the policy, claims payouts are no longer capped to the original insured value, regardless of changes to the value of the vehicle.

Inflation protection is factored into the premium charged, and revalued at six months, so that vehicle owners receive the actual cash value of the vehicle at the time of loss, the London-based specialty underwriting agency said.

Pathpoint adds restaurant cover

■ Pathpoint Inc. said it has added restaurant coverage to its online excess and surplus coverage platform.

Coverage is available for restaurants operated by concessionaires, including bring-your-own bottle establishments, restaurants that don't serve alcoholic beverages, and those with alcohol sales constituting less than 75% of total sales.

Limits for general liability are from \$500,000 to \$2 million and for property total insured value up to \$2.5 million. Coverage is available in all U.S. states, but not in Washington D.C.

Other Pathpoint products include coverages for contractors, vacants and cyber products. Pathpoint is licensed in all 50 states and a coverholder at Lloyd's of London.

Lloyd's syndicate, Marsh partner on activist cover

■ Volante Lloyd's Syndicate 1699, managed by Asta Managing Agency Ltd., said it has partnered with Marsh LLC to develop a coverage for listed companies in the United Kingdom facing shareholder activist activity.

Available to companies operating across all sectors with a market capitalization of between \$5 million and \$10 billion, the shareholder activist protection insurance will provide limits of between \$1 million and \$6 million.

The policy will cover the costs a company incurs to defend against a shareholder activist campaign, including fees related to the appointment of legal, consulting and communications specialists, and any proxy costs.

Rollout in the European Union is planned for the second quarter.

DEALS & MOVES

Hub, Bold Penguin team up to buy Insureon

Hub International Ltd. and insurtech Bold Penguin are partnering to buy online insurance agency Insureon, the companies announced.

Hub will acquire Chicago-based Insureon's digital insurance agency and brand, and Columbus, Ohio-based Bold Penguin will acquire its technology platform.

Terms of the deal were not disclosed.

Mosaic to buy SiriusPoint MGA

Mosaic Insurance Holdings Ltd. has agreed to buy SiriusPoint Ltd.'s Lloyd's of London managing agent as part of a wider deal between the Bermuda-based companies.

SiriusPoint, which writes property/casualty and accident and health insurance and reinsurance, will become an investor in Mosaic, which launched as a specialty insurer last year.

Terms of the deal were not disclosed.

Under the deal, Mosaic will acquire Sirius International Managing Agency, which manages Lloyd's syndicate 1945 and take on about 30 employees. SiriusPoint Chairman and CEO Sid Sankaran will join Mosaic's board.

Gallagher acquires social services specialist

Arthur J. Gallagher & Co. said it has acquired Bellevue, Washington-based Hawley & Associates LLC, a brokerage that places specialty coverage for adoption, foster care and child welfare agencies.

Terms of the deal were not disclosed.

Founded in 2005, Hawley & Associates places specialized coverage across social services for both nonprofit and for-profit organizations with U.S. and/or international exposures.

Acrisure buys Spanish brokerage

Acrisure LLC has bought Madrid-based Summa Insurance Brokerage, the acquisitive brokerage announced.

Summa was founded in 2005 and has more than €11.5 million in annual revenue (\$13.7 million), Grand Rapids, Michigan-based Acrisure said in a statement.

The deal marks Acrisure's first acquisition in Spain. The company has existing operations in Italy, the Netherlands, Switzerland and the United Kingdom.



UP CLOSE

Betsy Knowles

NEW JOB TITLE: Charlotte, North Carolina-based senior vice president, marketing account executive, at McGriff Energy.

PREVIOUS POSITION: Hong Kong-based senior vice president, head of specialty of Greater China, Lockton Cos. (Hong Kong) Ltd.

OUTLOOK FOR THE INDUSTRY: There is an increasing demand for specialists to handle clients' needs. As risks are becoming more complicated, clients are expecting specific and innovative advice from their brokers.

GOALS FOR YOUR NEW POSITION: Reconnecting with my ex-peer risk managers and U.S. markets as quickly as I can, building a trusted partnership among clients, brokers and insurance and reinsurance markets, providing effective and efficient risk solutions to my clients and sharing my prospects within the McGriff team.

CHALLENGES FACING THE INDUSTRY: With an accelerated move toward renewables (including offshore wind), the insurance capacity for coal-fired units is becoming limited. This is a challenge for some of our clients with coal-generation assets. Meanwhile, offshore wind is relatively new in the U.S., and we need to learn from Europe and Asia.

FIRST EXPERIENCE: My first job out of college was working at North China Power Group, a vertically integrated power company based in Beijing.

ADVICE FOR A NEWCOMER: Be brave and flexible, especially if you join the insurance field at a younger age. You have the freedom of taking calculated risks, doing everything without the worries of losing anything.

DREAM JOB: A reporter for a travel magazine.

COLLEGE MAJOR: I grew up in Beijing and went to the Beijing Institute of Machinery, now part of Beijing Information Science & Technology University. My undergraduate major was industrial engineering and management, and I received a bachelor's degree in engineering. Later, I moved to the U.S. and got my MBA in energy finance from the University of Texas at Austin.

LOOKING FORWARD TO: My experience as an insurance broker in Hong Kong made me appreciate the importance of building a trusted partnership among clients, brokers, and insurance and reinsurance markets more than ever.

FAVORITE MEAL: Sushi.

BOOK: "Rich Dad Poor Dad," by Robert Kiyosaki. To me, it showed the importance of financial literacy.

HOBBIES: Travel is one. I would love to visit some interesting places and enjoy local food. Hiking is another one I picked up while I was living in Hong Kong.

FAVORITE TV SHOW: "The Office." I love comedy shows. This one made me laugh out loud.

ON A SATURDAY AFTERNOON: Now that I am back in Charlotte, I am settling down on a new routine to read a book or spend time with my husband and our two children.

"There is an increasing demand for specialists to handle clients' needs. As risks are becoming more complicated, clients are expecting specific and innovative advice from their brokers."



Allianz Global Corporate & Specialty SE promoted **Tresa Stephens** to head of cyber, tech and media in North America. Ms. Stephens, based in New York, succeeds Thomas Kang,

who left AGCS in January. Ms. Stephens had been regional product leader, Northeast region, for financial lines.



McGriff, a unit of Truist Insurance Holdings Inc., named former M&T Insurance Agency executive **Kyle Samuel** chief operating officer. Most recently, Mr. Samuel was president

of the Buffalo, New York-based insurance agency division of M&T Bank Corp.



Willis Towers Watson PLC hired Aon PLC construction executive **Doug Wheeler** as contract surety leader for North America in its risk and broking business.

Mr. Wheeler previously served as regional managing director for the construction services group at Aon. He is based in Radnor, Pennsylvania.



NFP Corp. launched an energy group within its specialty business and hired former Marsh Wortham senior vice president **Vilma Vanegas** as senior vice president

to lead the new unit. She will be based in Houston and Dallas.



PCF Insurance Services named **Felix Morgan** chief operating officer. Mr. Morgan will also continue as chief financial officer of the Lehi, Utah-based brokerage.

He joined PCF last year from CareXM, a telehealth provider.



Sedgwick Claims Management Services Inc. appointed **Marwan Shibliq** president of its workforce absence division. Mr. Shibliq assumes the role from

Darryl Hammann, who recently retired after a 28-year career with the company. Columbus, Ohio-based Mr. Shibliq most recently served as a managing director.

SEE MORE ONLINE

Visit www.businessinsurance.com/ComingsandGoings for a full list of this month's personnel moves and promotions. Check our website daily for additional postings and sign up for the weekly email. *Business Insurance* would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to editorial@businessinsurance.com.



Insurers can pay when gamers play

The virtual reality gaming trend is getting real when it comes to homeowners claims, with insurers saying popular virtual reality headsets are the cause of a 31% surge in claims.

As reported by the Guardian newspaper in the United Kingdom, the anecdotes involving overenthusiastic players are stacking up: A man hitting his ceiling fan with his fist; a woman slamming into her furniture; a player smashing through a lighting fixture. And, not to mention, busted television sets galore.

In addition to the 31% jump in claims over last year, the trend of crashing into furniture while in the metaverse has accounted for a 68% overall increase since 2016, British insurer Aviva PLC told the newspaper. Aviva said the average VR-related claim for accidental damage in 2021 was about £650, or \$885.

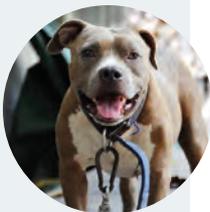
But it's so hard to say goodbye

While kissing and hugging your dog before you leave your home might make you feel better about potential separation anxiety, Nationwide is on your dog's side when it comes to what is considered normal for most dog owners.

In a survey of 2,200 pet owners, Nationwide Mutual Insurance Co., which provides pet insurance, found that 87% of pet "parents" have some sort of goodbye routine with their animals: 65% give them a pet; 40% give them a kiss; 42% just say goodbye; 33% play with them before leaving; and 30% give them a treat.

But saying goodbye could cause additional stress for pets that suffer from separation anxiety, according to Nationwide's chief veterinary officer.

"Performing a specific, ritual 'goodbye' behavior with them can trigger or heighten their fearful behavior," Dr. Jules Benson said.



TEQUILA MAKER CALLS OUT REALITY STAR



Tequila 512 is taking a shot at Kendall Jenner's tequila brand 818 Tequila. The Austin, Texas, brand is suing, claiming trademark infringement, false designation of origin and unfair competition. It alleges its competitor copied its logo and color scheme — side-by-side comparisons featured on numerous news outlets show one could easily confuse the two, at least after a few.

In its lawsuit, filed in U.S. District Court in Central California and accessed by NBC News, Tequila 512 accused K & Soda LLC, which owns 818 Tequila, of "simply and blatantly" copying its branding.

The suit says Tequila 512, whose trademark was established in 2015, uses an "immediately recognizable 512 mark in black lettering inside a vertical yellow rectangle," according to NBC. Tequila 818, which launched last year with Ms. Jenner as its face, is accused of using the same branding with "immaterial tweaks," the outlet reported.

The lawsuit also claims similarities between the companies' digit brand names and their references to a "prominent area code." Tequila 512 pays homage to Austin, Texas, where the company is based, while 818 Tequila refers to a metro Los Angeles area code.

Doggone accident costs insurer plenty

A dog in the United Kingdom flooded a homeowner's kitchen after figuring out how to turn the tap on, costing the owner's insurer £4,000, or about \$5,229, The Daily Mirror reported.

Amusingly, the young Labradane — a mix of Labrador and Great Dane — was caught in the act on a home security camera. It turned on the cold tap in the kitchen while his owners were out, flooding the room, the newspaper reported.

Whiskey was pictured standing tall on his hind legs to reach the cold tap at the kitchen sink, then continues to stare at the pouring water.

The insurer, Aviva PLC, said it gets about 800 dog-related accidental damage claims in the U.K. each year.



More heat over ice cream machines

McDonald's became famous for its burgers and fries, but the fast-food giant's ice cream dilemma is garnering infamy.

Technology company Kytch, which devised a solution to Mickey D's notoriously unreliable ice cream machines, filed suit against McDonald's, alleging it defamed and harmed Kytch's business.

Kytch co-founder Melissa Nelson was quoted by Wired magazine as saying: "They've tarnished our name. They scared off our customers and ruined our business. They were anti-competitive. They lied about a product that they said would be released."

Kytch's device would allow remote monitoring of the machines' operations, with the goal of limiting losses and repairs.

The devices were piloted in 500 franchises until McDonald's ordered them removed, alleging that they not only violated the ice cream machines' warranties and intercepted their "confidential information" but also posed a safety threat and could lead to "serious human injury."

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