

MARKET ALTERNATIVES: Property owners look to captives as rates harden - **PAGE 4**

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PRESIDENT

Steve Acunto
(Greenwich)
sa@businessinsurance.com

CHIEF OPERATING OFFICER

Stephen Acunto
(Princeton)
stephen@businessinsurance.com

PUBLISHER

Keith Kenner
(Chicago)
kkenner@businessinsurance.com

EDITOR

Gavin Souter
(Chicago)
gsouter@businessinsurance.com

DEPUTY EDITOR

Claire Wilkinson
(New York)
cwillkinson@businessinsurance.com

ASSISTANT EDITOR

Louise Esola
(New Orleans)
lesola@businessinsurance.com

NEWS EDITOR

John Obrecht
(Chicago)
jobrecht@businessinsurance.com

SENIOR REPORTER

Judy Greenwald
(San Jose)
jgreenwald@businessinsurance.com

REPORTER

Jon Campisi
(Philadelphia)
jcampisi@businessinsurance.com

REPORTER

Matthew Lerner
(New York)
mlerner@businessinsurance.com

COPY EDITOR

Brian Gaynor
(Portland)
bgaynor@businessinsurance.com

ART DIRECTOR

Jeremy Werling
(Cincinnati)
jwerling@businessinsurance.com

**DIRECTOR OF RESEARCH,
PLANNING AND INSIGHTS**

Andy Toh
(Chicago)
atoh@businessinsurance.com

**MAJOR ACCOUNTS DIRECTOR -
NORTHEASTERN U.S. & INTERNATIONAL**

Ron Kolgraf
(Boston)
rkolgraf@businessinsurance.com

**HEAD OF EVENT SALES,
REPRINTS & LICENSING**

Susan Stilwill
(Nashville)
sstilwill@businessinsurance.com

VICE PRESIDENT OF MARKETING

Brian McGann
(Buffalo)
bmcgann@businessinsurance.com

**VICE PRESIDENT OF DIGITAL
MARKETING/COMMUNICATIONS**

Jen Jonasson
(Chicago)
jjonasson@businessinsurance.com

DIGITAL AD OPERATIONS MANAGER

Zeina Alwafai
(Memphis)
zalwafai@businessinsurance.com

DIRECTOR, CONFERENCES & EVENTS

Brittany Collins
(Lafayette)
bcollins@businessinsurance.com

MARKETING COORDINATOR

Jessica Evangelista
(Washington)
jevangelista@businessinsurance.com

SUBSCRIPTIONS & SINGLE COPY SALES
businessinsurance@omeda.com



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VIEW FROM THE TOP

MATT DOLAN

Matt Dolan is president of North America specialty at Liberty Mutual Insurance Co. and its Ironshore unit. Last year, Liberty Mutual changed its commercial, specialty, and excess and surplus lines distribution channels so U.S. wholesalers would access the insurer through Ironshore, which it acquired in 2017. Mr. Dolan discusses the change in distribution strategy and trends in the commercial insurance market. **PAGE 17**



OFF BEAT

A lawsuit may answer the nagging question: Are donkey meat and horse meat the same? **PAGE 34**

Buyers review options as property rates soar

BY CLAIRE WILKINSON

cwilkinson@businessinsurance.com

As businesses continue to see sharp rate hikes and shrinking capacity for commercial property insurance, many are rethinking their risk financing approach and exploring alternative ways to retain risk.

Interest in insuring property risks in captives has grown significantly in recent years, and the trend is accelerating, experts say.

Some 60 additional companies wrote property risks in their captives in 2022 and 2021 across the 1,500 captives managed by Marsh LLC, said Michael Serricchio, Norwalk, Connecticut-based managing director, Marsh Captive Solutions, a unit of Marsh.

Forty of the 60 wrote all-risk property, he said, noting that the growth was heavily weighted toward cell captives.

The breadth of coverages going into captives has expanded, said Steven Bauman, New York-based global programs and captives director, Americas, at Axa XL, a unit of Axa SA.

“With property risks and, in particular, natural catastrophe risks, risk transfer is more expensive and that just lends itself to more captive utilization, especially in the lower layers of that risk,” Mr. Bauman said.

For companies with an overexposure to earthquake or flood, captive insurers are stepping up and filling in and extending the limit in a layer, he said.

Many companies are taking problematic layers in a property tower, a “ventilated layer” where “they save \$200,000 to \$1 million for taking on not a lot of risk and



not a lot of loss ratio in that high excess layer,” Mr. Serricchio said.

Owners are also using captives to provide a quota share cover. “We’re seeing a lot of integrated multi-year, multi-line alternative risk transfer mechanisms, both with and without fronting carriers,” Mr. Serricchio said. Terrorism and cargo covers in captives are increasing, he said.

Property is the driving factor in many captive feasibility studies, said Nancy Gray, regional managing director-Americas at Aon PLC in Burlington, Vermont.

Captives are being used to fund rising deductibles, fill gaps in coverage and layers in property towers, and as a negotiation tool at renewals, Ms. Gray said.

A large Fortune 500 company with a March 1 renewal expected the retention on its property program would almost double because of the quoted rate increase, she said.

“We looked at the captive in terms of the capital required to be able to maintain those retention levels, and they were able to leverage the captive,” she said.

The commercial markets reduced the quoted rates, and the company was able to renew its program at a lower retention, she said.

Kristen Peed, corporate director of risk management at Cleveland-based business services company CBIZ Inc. and a board member of the Risk & Insurance Management Society Inc., said CBIZ is in the process of setting up a captive in Vermont as part of its long-term risk financing strategy.

The captive will mainly fund liability risks such as cyber and a small property deductible, Ms. Peed said.

“Right now, we’re looking at just doing the retentions and deductible buydowns,” she said. Depending on its risk tolerance, CBIZ may explore different deductible options ahead of its Sept. 30 renewal, she said. CBIZ leases its properties and so is not a property-heavy business, but it has some natural catastrophe exposure in California and Florida, she said.

A commercial egg farm in Ohio last year set up a captive for property risk

when its commercial insurer declined to renew its property program, said Nate Reznicek, Miami-based president and principal consultant at Empowered Risk Solutions LLC, which does business as Captives.Insure.

The farm’s total insured values had become too large, and the insurer said it would have to go into a shared and layered program, Mr. Reznicek said. Unwilling to live with the associated increase in premium, the policyholder decided to form a captive, he said.

“That’s the theme I see running through the transactions that I have eyes on,” he said.

Unlike liability risks, which have aggregate limits, property insurance limits reset after each occurrence, said Karen Sullivan, San Francisco-based head of property at USQ Risk Insurance Services LLC.

Stop loss mechanisms are used to limit captives’ exposure to multiple losses in a policy period, Ms. Sullivan said.

“Captives may be comfortable taking the first, second, maybe even a third loss, but after that the capital isn’t quite prepared to take the fourth loss and beyond,” she said. The structured solutions act as a backstop behind the captive on an annual or multiyear basis, she said.

Captives are being used to address terrorism risks by offering broader terms for coverages such as nuclear, biological, chemical and radiological exposures, said Courtney Claflin, Denver-based head of insurance at Fluid Truck Inc., an on-demand truck rental company.

“I once did an arrangement where I used the captive to purchase a wrap around TRIPRA,” the federal terrorism insurance backstop program, Mr. Claflin said.

The tower created included nuclear, biological, chemical and radiological risks as well as coverage for non-certified acts of terrorism, he said. It also provided coverage for the deductible that had to be met before the federal backstop coverage could be accessed.

“With property risks and, in particular, natural catastrophe risks, risk transfer is more expensive and that just lends itself to more captive utilization, especially in the lower layers of that risk.”

Steven Bauman, Axa XL

PARAMETRIC COVERAGE WITHIN CAPTIVES CAN TACKLE TOUGHER CLIMATE RISKS

Organizations are considering using parametric coverage within their captives to cover property risks, especially natural catastrophe and climate exposures, experts say.

Where climate risks can be identified and pared out, there’s increased interest in parametric covers, said Steven Bauman, New York-based global programs and captives director, Americas, at Axa XL, a unit of Axa SA.

If an organization is vulnerable to a

particular climate-related risk, such as excessive rainfall or hail in certain locations, and the risk is driving up the cost of its property program, it could pay to remove it from the traditional program and use a climate parametric structure to cover the exposure, Mr. Bauman said.

Parametric insurance structures are usually based on an agreed trigger, such as wind speed or rainfall in a defined area, and payments are made regardless of physical losses.

The advent of parametric insurance, particularly for property risks, is helpful for captive applications, said Courtney Claflin, Denver, Colorado-based head of insurance at Fluid Truck Inc., an on-demand truck rental platform.

Mr. Claflin said he looked at developing a parametric earthquake coverage for employees via a captive in his previous role as executive director of captive insurance programs at the University of California.

Research shows 90% of homeowners

don’t buy earthquake coverage because it’s too costly and 90% of earthquake losses don’t reach the deductible level when coverage is purchased, he said.

The idea was the captive would sponsor a program where employees paid \$25 a month to purchase \$30,000 of parametric earthquake coverage, he said. The trigger would be based on a “shake table” rather than the Richter scale and pay out if the ground-shaking meets a certain intensity in a ZIP code, he said.

Claire Wilkinson

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First responder comp cancer presumptions set to expand as more states consider reforms

BY JON CAMPISI

jcampisi@businessinsurance.com

Lawmakers in several states are seeking to expand workers compensation cancer presumptions for firefighters, pointing to research linking firefighting activities with more types of cancer, and the latency period for cancer development.

Since the beginning of 2023, numerous states filed legislation that would either expand the types of cancers considered presumptive occupational injuries for first responders such as firefighters, expand the pool of covered first responders, or both.

While lawmakers are addressing cancer in first responder comp, industry researchers are also examining the issue. The Florida-based National Council on Compensation Insurance issued a report last month highlighting cancer and other presumptive occupational injuries in workers comp among firefighters and other first responders.

Firefighters are considered high risk for cancer due to workplace exposure to carcinogens, including toxins from fires, diesel fumes from idling vehicles and chemicals from firefighting gear, according to the American Cancer Society.

It's why presumptions for firefighters suffering from cancer are increasingly common, and an annual topic for state



and federal lawmakers going back to 2001, experts say.

"If it hadn't been for 9/11, we'd probably still be fighting this battle," said Terrence Hannigan, general counsel to

the Firefighters Association of the State of New York, which represents volunteer firefighters. Numerous first responders in lower Manhattan developed lung cancer or other cancers after the attacks, which

in some cases were alleged to have been linked to their exposure to toxic debris at the site of the Twin Towers.

In December 2022, President Joe Biden signed into law the Federal Firefighters



Volunteer firefighters who get injured or sick on the job were not always afforded the same types of workers compensation benefits as their paid counterparts, but much has changed over the years with many states now recognizing presumptive occupational

Volunteer firefighters question consistency of coverage

injuries for volunteers.

Comp presumptions still vary by state, however, and not everything is created equal when it comes to volunteer firefighting.

"There's not parity, which is the fundamental problem," said Terrence Hannigan, general counsel to the Firefighters Association of the State of New York.

New York volunteer firefighters who get sick on the job petition for comp benefits through the long-standing Volunteer Firefighters Benefits Law, not the state's comp statute, Mr. Hannigan said.

"It's essentially a fraternal twin," he said. "It's almost identical to comp but it's its own structure. The language used in the statutes is very similar."

Paid firefighters covered via the comp law, though, can often collect more money than volunteers.

And it wasn't until 2006 that lung cancer

was added as a presumptive occupational injury for volunteer firefighters. Until that point, "you had a huge battle to demonstrate causation," he said.

In 2018, Mr. Hannigan said, New York enacted a separate law covering other cancers for all firefighters.

"There was pushback from local governments other than fire districts to not include additional coverages in the VFBL," he said.

Mr. Hannigan said volunteer firefighters in New York continue to push for legislative reform that would put their benefits on par with career firefighters.

"Right now, we don't have that," he said.

In Virginia and Pennsylvania, volunteer firefighters are essentially considered "employees" for purposes of collecting benefits, with volunteers covered under the respective states' comp statutes.

"Why would anybody work and go out and fight fires if they weren't covered," Bryn Athyn, Pennsylvania, volunteer fire chief Kenneth Schauder said on the importance of comp presumptive eligibility for volunteers.

Mr. Schauder, who also serves as mayor of Bryn Athyn, Pennsylvania, said volunteer firefighters should be treated the same as paid firefighters since they do the same job.

In Virginia, volunteer firefighters are now comp eligible for cancer, but it wasn't always that way, said State Sen. Jeremy McPike, himself a longtime volunteer firefighter.

"The barrier was so high, yet the data time and time again ... kept piling up," he said.

Today, at least 23 states have cancer presumptions for volunteer firefighters, according to the National Volunteer Fire Council.

Jon Campisi

Banking crisis puts focus on D&O underwriting

BY JUDY GREENWALD

jgreenwald@businessinsurance.com

The high-profile federal bank takeovers last month will create a ripple effect that could affect the cost and availability of directors and officers liability insurance in the financial sector, but how things will ultimately settle is unclear, experts say.

While D&O rates have softened over the past several months, the Federal Deposit Insurance Corp.'s takeover of Silicon Valley Bank in Santa Clara, California, and Signature Bank in New York in March and concerns over other banks may lead to higher rates and reduced capacity, they say.

In light of the crisis, established D&O insurers may leave the banking sector, although they may be replaced by new capacity that has entered the market in recent months.

Banks should also expect close questioning by their D&O insurers during their next renewals (see related story).

Putative class-action lawsuits were filed soon after the banks revealed their problems last month.

Other banks, Silicon Valley venture capital firms, cryptocurrency entities and associated parties, such as attorneys and other professional advisers, may also become defendants in D&O-related litigation, experts say.

Litigation will likely also include derivative lawsuits that charge directors with breaching their fiduciary duties, and federal regulators may also file lawsuits, they say.

The timing of the banking crisis has limited its effect on the D&O market, observers say.

If it had happened 18 months ago, when capacity was more constrained, it would have posed more of a problem, said Kevin LaCroix, executive vice president in Beachwood, Ohio, for RT ProExec, a division of R-T Specialty LLC.

Now, however, even if current insurers leave the market, new markets may be willing to step in, he said.

"There are a lot of dynamics in play," and it is too early to determine how the situation will develop, Mr. LaCroix said.

Despite the high-profile nature of the takeovers, they may not lead to a dramatic pricing change in the overall, softening D&O market.

"Sitting here today, this is an event that doesn't seem severe enough" to have a significant effect on premiums, said William G. Passannante, a shareholder with Anderson Kill PC in New York.

"The feedback we're getting from



The collapse of Silicon Valley Bank, based in Santa Clara, California, and subsequent federal bank takeovers heighten risk concerns.

the market is damage control," said Joe Catalano, Chicago-based executive vice president, professional lines, at Amwins Group Inc.

At least one large insurer said it is nonrenewing and exiting the space, and others are seeking to determine whether other banks have similar risk characteristics, he said.

"There will definitely be some contraction in capacity" in upcoming weeks, Mr. Catalano said. "I do expect rates to flatten out or maybe increase."

"The feedback we're getting from the market is damage control."

Joe Catalano,
Amwins Group Inc.

D&O insurers are assessing other banks that may be on their watch lists as well as related issues, including the role social media has played in the crisis, said Jenny Fraser, a Chicago-based Amwins vice president, referring to reports that social media calls warning depositors to withdraw their funds from Signature created a panic that led to its takeover.

There will be more stringent underwriting "that may spill over into underwriting in general," with insurers

looking more closely at deposits, investments and choice of lending institutions, said Sherilyn Pastor, a partner with McCarter & English LLP in Newark, New Jersey.

For nonbank financial institutions, "there'll be questions about the tentacles that might spread to them" and the exposure they might have to the banks that are in trouble or those that will be, said Andrew Doherty, New York-based national executive and professional risk solutions practice leader at USI Insurance Services LLC.

There is also a more general concern about the implications of the rising interest rate environment.

"We have noticed an increased hesitancy by insurers just because of the adverse impact of the economy" that may emerge from these events, said Tom Orrico, New York-based managing director, financial institutions, at Lockton Cos. LLC.

Renewals will be far more challenging, observers say.

"This means taking a deeper dive," not only into performance but the portfolio, how the management team is structured, executives' backgrounds and the institution's regulator relationships, said Eileen Yuen, Whippany, New Jersey-based managing director of Arthur J. Gallagher & Co.'s financial institution practices.

BANKS REEXAMINE RISK CONTROLS

Policyholders in the banking industry and companies that work closely with banks can expect to be closely questioned by their directors and officers liability insurers during renewals and should be sure to have their risk management programs in order, experts say.

Underwriters will ask many more questions, and companies must be prepared to provide much more detail about their potential exposures than they have in the past, said Kevin LaCroix, executive vice president in Beachwood, Ohio, for RT ProExec, a division of R-T Specialty LLC.

"Right now, there's no doubt in my mind that all bank boards and bank risk committees are reviewing the choices they've made," said Priya Cherian Huskins, San Francisco-based partner and senior vice president at broker Woodruff Sawyer & Co.

"They want to make sure they have a clear record of (overseeing) their responsibilities, in case the worst happens, and they have to defend their record," she said.

Policyholders should review their policies and make sure there are no "hidden traps," said Larry Fine, New York-based management liability coverage leader for Willis Towers Watson PLC. Companies should make sure they do not have regulatory or bankruptcy exclusions, although the latter are rare in the United States, he said.

"Conduct a thorough review of recent events that took down other institutions," and "refine your own company's control and procedures to best manage that risk," said Tom Orrico, New York-based managing director, financial institutions, at Lockton Cos. LLC.

"Investigate any new capacity in the marketplace" and "meet with as many insurers as possible to tell your story," he said.

But the heightened risks are not just for banks.

Joe Catalano, Chicago-based executive vice president, professional lines, at Amwins Group Inc., said corporate bank customers should examine their banking relationships to see if they can diversify them to spread out their deposit risks and perhaps hedge against interest rate fluctuations.

Judy Greenwald





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Comp sector explores physical medicine options

BY LOUISE ESOLA

lesola@businessinsurance.com

As the workers compensation industry takes strides to limit opioid prescriptions and avoid invasive surgeries, hands-on physical medicine is getting more attention than ever.

Physical medicine — an umbrella term for physical therapy and other services that aim to rehabilitate injured workers — is increasingly seen as an early investment in patient care, with outcomes that can reduce recovery time off following an injury, experts say.

Although, in some instances extensive physical therapy can lead to higher costs, an analysis shows.

“We’re seeing opioid use going down, we’re seeing surgical rates going down, and we’re seeing therapy utilization going up,” said Brian Peers, King of Prussia, Pennsylvania-based vice president of clinical services and provider management for MedRisk LLC, which manages physical medicine services for injured workers.

MedRisk’s recent industry trends report describes physical medicine as “conservative care” that can cost more up front but pay dividends through lower overall treatment and workers comp.

In 2022, MedRisk continued to see a lower rate of surgery on claims involving physical therapy, a downward trend it began documenting in 2015 when just under 25% of claims involving physical therapy included a surgery component. In 2021 and 2022 that figure hovered at 16%.

Early manual therapy — a type of physical therapy — for injured workers with lower back pain was associated with lower utilization of medical services, lower medical and indemnity payments, and shorter disability, according to a September 2022 study by the Workers’ Compensation Research Institute.

Using data from 18 states representing



Age trends point to higher utilization of physical therapy, according to an analysis by MedRisk LLC.

Injured employees aged 56 and older have **21% more** physical therapy visits than those aged 18 to 55.

Injured employees aged 56 and older have a **31% longer** duration of overall physical therapy treatment than those aged 18 to 55.

a majority of U.S. comp spending, the Cambridge, Massachusetts-based institute found an average medical cost of \$4,192 for lower back pain claims with early manual therapy, 27% lower than that for similar claims with late manual therapy.

Researchers also found that workers receiving manual therapy within two weeks of traditional physical therapy needed fewer MRIs, 30.3% versus 43.4%; received fewer opioid prescriptions, 18.6% versus 23.3%; and had fewer pain-management injections, 12.6% versus 16.5%.

And the average indemnity payment per claim was 28% lower when manual therapy was initiated early and the average temporary disability duration per claim

was 22% shorter.

The move to more physical medicine was a natural progression in workers compensation, experts say.

“In health care, the push to minimize the footprint of opioids created a void, and the question became what would fill it,” wrote Michael Hough, assistant vice president of managed care for Sedgwick Claims Management Services Inc., in an email.

“Physical therapy has been a constant staple within the health care landscape, but the movement away from passive therapies — like opioid utilization — has given physical therapy an opportunity to better entrench itself.”

Effective physical therapy involves early intervention, adequate treatment time and attention to detail, experts said. But there are pitfalls and concerns, too.

A separate analysis of physical medicine services released by WCRI in February found claims with “extended” physical medicine use had higher overall medical costs, higher indemnity payments and a longer duration of temporary disability. A lack of coordination between providers was the likely cause of the costly extended

care, the report said.

Severity indicators also predict extended physical medicine use, according to WCRI. For example, claims with nerve involvement were 2.4 times more likely to have extended physical medicine use relative to similar cases without neuropathic conditions. Workers with at least one comorbidity were 1.8 times more likely to have extended physical medicine visits. There’s also an element related to mental wellness (see related story).

Dr. Scott Cherry, chief medical officer for The Woodlands, Texas-based Axiom Medical Consulting Inc., said evidence-based care is essential when it comes to physical therapy. More isn’t always better, and one size fits all doesn’t always work, he said.

“It’s important to have a good sense of getting accurate information about each injury on a case-by-case basis, and then also getting a good assessment of severity. From there, you can kind of see what’s the most evidence-based approach to each type of injury,” he said. “There can be overuse of physical therapy when it’s not indicated, or if it’s not effective.”

Continuing physical therapy if it isn’t helping can hinder recovery, said Michelle Despres, Jacksonville, Florida-based vice president of physical therapy at One Call Care Management Inc.

“If somebody’s low back is hurting, often it’s chronic. ... They’ve probably tried many things, and many things haven’t resolved their problem,” she said. “They’re coming into physical therapy, and they’re not getting better. Then it’s just one more on the list of things that didn’t work. We’re setting a person up to sort of affirm in their mind that they’re never going to be better.”

Patient buy-in and communication are also essential, Ms. Despres said.

If a patient isn’t improving, it’s important to determine the reason, she said.

THERAPISTS AT FOREFRONT OF CONNECTING PATIENTS’ PHYSICAL, MENTAL WELLNESS

The number of injured workers self-reporting anxiety and depression jumped “significantly” between 2019 and 2020 and had not yet returned to pre-pandemic rates in 2022, according to an industry trends report released in February by MedRisk LLC.

In 2019, 24.4% of injured workers reported they had anxiety, 19.8% reported depression, and 14.8% reported symptoms of both; in 2022, 30% reported they had anxiety, 23.5% reported depression and 20.5% reported both, according to MedRisk.

The report also found that, in general, injured employees reporting anxiety and/or depression have a 7% higher utilization of physical therapy than those who do not report these conditions.

Brian Peers, King of Prussia, Pennsylvania-based vice president of clinical services and provider management for MedRisk, said the nature of physical therapy work — hours spent with patients in treatment — could be at the root of the connection between mental wellness and physical medicine.

“Therapists are positioned well to have

the types of conversations that lead to uncovering these things,” he said.

Kate Farley-Agee, Plainfield, Illinois-based vice president of network product management for Coventry, an Enlyte Group company, agreed that physical therapists are often on the front lines of gauging overall wellness.

“Physical therapists are seeing them more often than a doctor typically ... and they can see the progress as they’re going through that whole process and figure out if there’s something else going on,” she said.

A physical therapist’s notes are another portal to understanding mental factors, according to Michelle Despres, Jacksonville, Florida-based vice president of physical therapy for One Call Care Management Inc.

“We use predictive analytics. We have a machine learning model that actually uses artificial intelligence to read through the notes and look for key words and phrases that indicate there could be a psychosocial component to this individual’s recovery,” she said.

Louise Esola

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Machine learning seen as cybersecurity tool

BY CLAIRE WILKINSON

cwilkinson@businessinsurance.com

RANCHO MIRAGE, California — Intelligent automation and machine learning technologies can help businesses and their captive insurers address cyberattacks in microseconds.

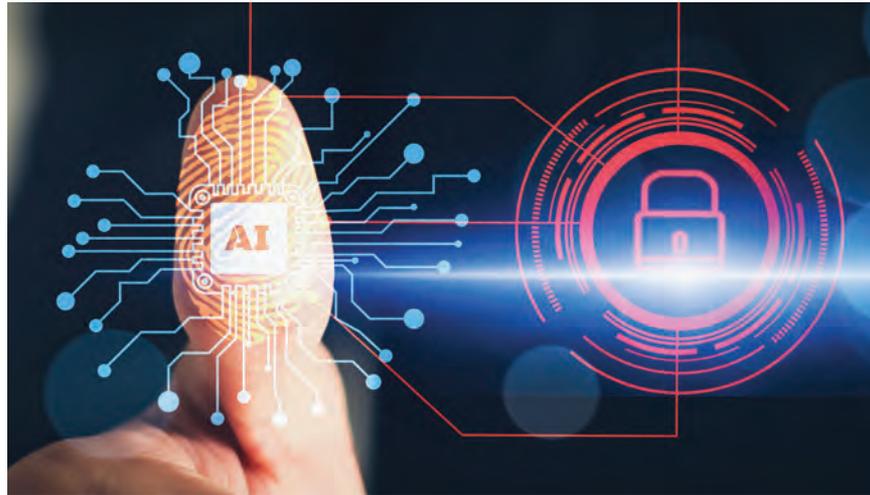
Businesses should harness these advanced technologies to bridge the gap between the rapid rate of attacks and their cybersecurity response time, experts told attendees at the Captive Insurance Companies Association 2023 International Conference held March 5-8.

Information technology organizations use “bows and arrows” to respond to bad actors that are deploying high-speed attacks, said Michael Steep, Stanford, California-based founder and executive director of the disruptive technology program at Stanford University and president of consultancy Transform Innovation Ventures.

“The problem is the technology to fight (attacks) is super slow, and in some cases obsolete. That is the reason why cyber insurance is now experiencing this big financial crisis,” Mr. Steep said during a panel session at CICA.

“We cannot figure out what the risk factor is in a fast enough time to be able to address these concerns,” he said.

In addition, hackers backed by nation-states are manipulating information via artificial intelligence technologies, leading to greater high-speed attack vulnerabilities.



“We must rethink how to enable sub-second response against data breaches,” Mr. Steep said.

“People can get all spooked out, but AI, quite frankly, is a useful tool when it’s applied correctly.”

Stephen Cardot,
CloudCover

The problem is there’s been a disconnect, said Stephen Cardot, CEO of CloudCover, a Minneapolis-based cybersecurity company.

While the insurance sector traditionally

looks back at historical loss scenarios and loss ratios, businesses are starting to think about cybersecurity strategies that anticipate cyber threats, he said.

“People can get all spooked out, but AI, quite frankly, is a useful tool when it’s applied correctly. I don’t refer to AI as artificial; it’s actually augmented, or autonomous, or automated intelligence,” Mr. Cardot said during the panel discussion.

AI-generated technology and machine learning are “a game changer” because they can help insurers and other businesses not only predict cyber threats before they occur but also address them in real-time, he said.

The total cyber insurance market was estimated at roughly \$10 billion in premi-

um in 2022, but is expected to grow to up to \$25 billion by 2025, said Nick Pearson, Tampa, Florida-based vice president of BMS Group Ltd.

“It’s been a very hard market and that means pricing is going up, up, up,” Mr. Pearson said during the panel session.

In 2021, prices increased by up to 400%, but since then cyber rates have “leveled off,” with some books seeing increases more in the 10% to 50% range, he said. Underwriting discipline and security protocols have improved, while losses have increased, he said.

Increasing use of AI, including chatbots such as ChatGPT, raises risk concerns, but it also presents opportunities to improve risk management, Mark Field, director, risk and insurance operations team, office of the general counsel, at Sutter Health, a Sacramento, California-based health care system, said during another panel session at the CICA conference.

“Risk management and insurance decisions or events are driven by data,” Mr. Field said.

“Think of yourself as a primary care physician and your patients are your insurance claims information, underwriting information, exposure information. Wouldn’t it be nice if you could have assistance to pull data information from large datasets to make better decisions?” he said.

There’s a trend toward AI improving decision making by risk managers and insurers, he said.

AI tools should align with captive parents’ strategic goals: Panelists

RANCHO MIRAGE, California — Captive insurers can harness new technologies and help organizations innovate, but these efforts must be aligned with the strategic goals of the parent company, experts say.

They were speaking during a session at the Captive Insurance Companies Association 2023 International Conference.

Artificial intelligence and machine learning technologies may offer captives positive ways to mitigate risks, said Mark Field, director, risk and insurance operations team, office of the general counsel, at Sutter Health, a Sacramento, California-based health care system.

For example, ChatGPT, an artificial intelligence chatbot developed by OpenAI, has racked up 100 million users, based on news reports, Mr. Field said.

When he went online and asked the chatbot what innovations will artificial intelligence bring to the insurance industry and how can artificial intelligence help



Mark Field, Sutter Health; Deyna Feng, Cummins Inc.; and Heather McClure, Aon PLC, talk about AI and captive strategy.

captive insurance companies, it provided an answer in about 15 seconds, he said.

Captives may be able to apply AI technologies in the areas of fraud detection, claims processing and underwriting, he said.

“I don’t think, and I don’t hope for all of our sakes that we’re going to be replaced by robots or AI, but perhaps there’s an

advantage or opportunities,” to applying these types of technologies, Mr. Field said.

AI tools have limitations, said Deyna Feng, director, captive programs, for Columbus, Indiana-based power technology company Cummins Inc., noting they may incorrectly answer questions regarding simple calculations.

It will take time for AI technologies to add value and using them in combination with humans brings a level of competency, she said.

“The value of a human being is that you answer something, and you may wonder whether it’s right or wrong, but for the robot, it doesn’t matter as long as you get the answer it is competent to answer,” Ms. Feng said.

Captive boards and operations need to be aligned with the parent organization’s goals to move forward with innovation, said Heather McClure, Dallas-based chief risk officer, national health care practice,

commercial risk solutions, at Aon PLC.

Establishing a captive as a partner with an organization’s innovation strategy, making sure it’s known to a company’s board as more than just a tool to finance risk in a hard insurance market, is important, she said.

Captives also need to act as a source to enable innovation within the organization, rather than as a department that says “no,” she said.

Defining objectives rather than using technology for technology’s sake is key, Mr. Field said.

“Define your objective. If it’s technology-enabled, great, but don’t go out and say, ‘OK, we’re going to come up with the best AI tool for whatever you want,’” Mr. Field said.

Whether the technology adds value and accomplishes an organization’s operational goals is critical, he said.

Claire Wilkinson

Social inflation leads to higher claims costs as mistrust of corporations drives decisions

RANCHO MIRAGE, California — Higher court awards and settlements are having a growing impact on insurance claims, but there are steps captive owners can take to combat the effects, experts say.

All sectors of the insurance industry are being affected by so-called social inflation in some way, said Amy Klatt, Atlanta-based vice president of captives and programs-claims, at Skyward Specialty Insurance during a panel session at the Captive Insurance Companies Association 2023 International Conference.

“It’s across every claim, across every line of business, across every sector out there in the market,” Ms. Klatt said.

Commercial auto/transportation, medical malpractice, professional liability, directors and officers liability and product liability are the five areas of the industry that are most impacted by social inflation, or higher court awards and settlements, she said.

Many of these claims have a bodily injury component, which is what is driving losses, she said.

Some 80% of potential jurors don’t trust corporations and think they value profits



over safety, said Caryn Siebert, Orange County, California-based vice president of carrier engagement with Gallagher Bassett.

People are trying to teach large companies a lesson, Ms. Siebert said. “There’s a feeling by jurors that if I hit them with a \$100 million verdict, it’s not going to

teach them a lesson. It’s got to be a billion dollars,” she said.

The impact of jury trials and higher jury awards is seeping down earlier in the claims mediation stage, said Colin Donovan, Chicago-based president of Stico Mutual Insurance Co., a risk retention group. Stico provides pollution liability

coverage to storage tank manufacturers and contractors.

About a year ago, the risk retention group noticed an uptick in the frequency and severity of its claims, Mr. Donovan said. In its first 15 years of existence, Stico averaged about one large claim — those over \$100,000 — every three years, but in the past five years it has averaged nearly three large claims every year, he said.

“What’s driving that in our case is the settlement costs,” Mr. Donovan said.

In an environment in which insurance losses are rising due to social inflation, there are various steps captive owners should take to manage the impact, Ms. Klatt said.

Maintaining compliance with state regulatory and licensing requirements, ensuring adequate hiring practices and retention, and establishing a safety culture and documenting it are important, she said.

Using technology such as vehicle cameras, consulting with insurance professionals, and documenting claims can also help tell an organization’s story and avoid a nuclear verdict, Ms. Klatt said.

Claire Wilkinson

Negotiating early with insurers key to captive success: Experts

RANCHO MIRAGE, California — Risk managers with captive programs need to negotiate early with insurance markets and collaborate with their insurer partners, experts say.

“You can never have enough information,” said Jennifer Guidry, Hartford, Connecticut-based division vice president of business development and marketing-alternative markets at Great American Insurance Group during a panel session at the Captive Insurance Companies Association 2023 International Conference.

Captive managers need to negotiate early on and focus on preparing and understanding how their insurer partners are structured, Ms. Guidry said.

Collaborating with others to understand how they’re structured is “a key piece of critical information,” because in that negotiation process “it’s going to play out in terms of how they view pricing fees and their expense structure, which is obviously important to you,” she said.

As captive managers are putting together their captive, coverages and advisers, asking questions to determine if insurer partners have the product filings they need is also important, Ms. Guidry said.

Great conversation starts with col-



laboration, said Adriana Scherzinger, Chicago-based vice president, head of captive sales and execution, U.S. national accounts and middle market, at Zurich North America.

It’s important that insurers consider the limits, claims history and risk mitigation factors the captive and customer have implemented, along with any changes in the regulatory environment, she said.

“We look at financial information, the financial risks of the parent company and

the financial risks of the captive. This is really integral with credit risk decisions,” Ms. Scherzinger said.

Timing is “a keystone” for negotiating in the captive sector, said David Raymond, vice president of specialty group captives at Travelers Cos. Inc. in Hartford, Connecticut.

Negotiating with captive clients is much more akin to a family than a business relationship, he said.

“You can have negotiations with your

spouse and you can leave the room and not be happy with that negotiation, but you’re expected to come back into the room at some point,” Mr. Raymond said.

“That thought process of how am I coming into this conversation really drives the rest of the conversation. If you don’t prepare for that you’re going to be woefully underrepresented in your own position,” he said.

Trust and active listening are also important, to be sure that clients get what they need, he said.

Seeing insurers as partners that are working with you is important, Ms. Guidry said.

“I’ve had times when different captive owners have come in and have conceptually had an idea they wanted to put together. We were able to engage with them as a partner by bringing in expertise,” she said.

Building partnerships with insurers, with their fronting arrangements and brokerage team all play a role in helping ensure that risk managers do a good job with their captive and for their organization, said Theresa Severson, Aurora, Illinois-based vice president, insurance and risk, at Kite Realty Group, who moderated the session.

Claire Wilkinson

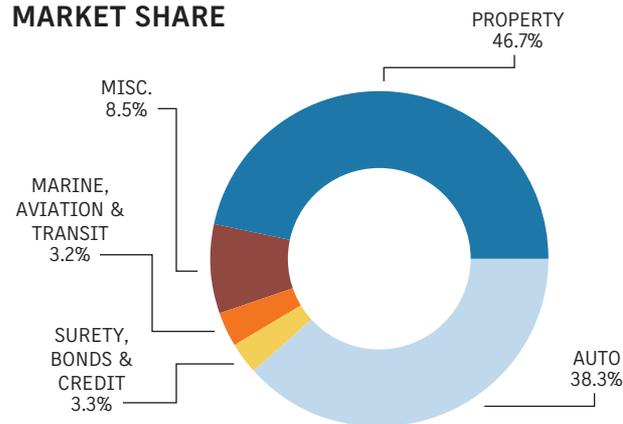
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GLOBAL
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RANKING

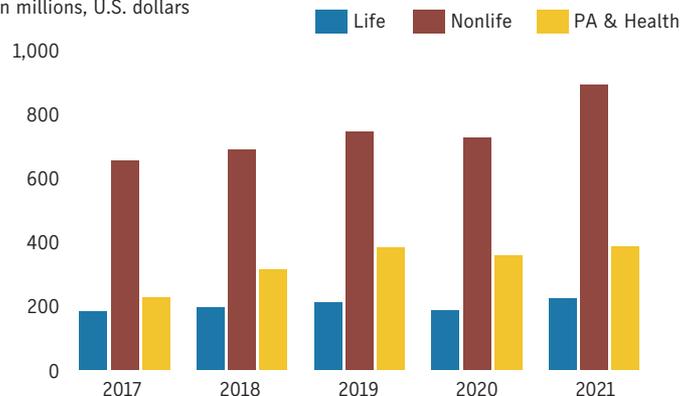
The insurance market in the Dominican Republic continues to grow but is characterized by relatively low penetration compared with its peers in the region, such as Jamaica, Puerto Rico and Trinidad and Tobago. The nonlife insurance market is crowded for the volume of business available, though it is relatively concentrated, with 80% of the business in the hands of the top five players and 14 companies having less than 1% market share each. The Dominican Republic is exposed to both hurricanes and earthquakes, and market conditions can be dramatically affected by regional events even if they do not directly affect the country. Although there has been minimal actual hurricane damage in the Dominican Republic in the past several years, pricing for hurricane risk remains challenging.

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Auto third-party bodily injury and property damage
- Workers compensation (state scheme)
- Air carriers and aircraft operators liability
- Bond guaranteeing compliance with environmental laws
- Professional indemnity for larger insurance brokers
- Shipowners liability against marine oil pollution (financial guarantee or insurance)

NONADMITTED

Nonadmitted insurance is not permitted because the law provides that insurance must be purchased from locally authorized insurers, with some exceptions.

INTERMEDIARIES

All intermediaries are required to be authorized by the Superintendency of Insurance. Only approved reinsurance brokers may handle nonadmitted insurance.

MARKET PRACTICE

Requests have been made to the regulator for permission to place business abroad, especially as part of a global insurance program. Some have been authorized and others refused.



AREA

18,792

square miles

POPULATION

10.79

million

MARKET CONCENTRATION

78.56%

market share of top five insurers

2023 GDP CHANGE (PROJECTED)

4.5%

MARKET DEVELOPMENTS

Updated March 2023

- The economy rebounded in 2022 from the effect of the COVID-19 pandemic. Driven by fixed investment, exports, tourism activity and increased remittances from citizens overseas, GDP grew by 12.25% in 2021.
- The nonlife insurance market grew by nearly 25% in 2021. The main drivers were the two largest sectors of the market, property and auto, which increased by 24% and 18%, respectively. There has been no claims impact as a result of the pandemic as nonlife policies are subject to pandemic exclusions.
- The Dominican Republic avoided significant impact from recent hurricanes before damage from Hurricane Fiona, a Category 1 storm in September 2022. In general, the economic loss from Fiona was small, with some resorts sustaining limited structural damage and beach erosion. The insured loss is expected to be minimal.
- Market conditions, particularly for property, remain challenging. The primary cause is continued reliance on the international reinsurance market for hurricane, flood and erosion exposures.
- The Superintendency of Insurance (Superintendencia de Seguros) continues to work on modernizing Insurance Law No 146-02, the Dominican Republic's main insurance law. A number of subcommittees covering legal, financial and risk perspectives have been formed with industry participation to provide input on proposed changes. It is expected that an initial draft of the new law will be available later this year.
- Local market sources note an increase in film production in the Dominican Republic, which should spark greater interest in specialized insurance.

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Reuters

DC teams owner wins partial victory

■ A federal district court refused to entirely dismiss COVID-19 business interruption litigation filed by the owner of several Washington, D.C., professional sports teams, based on its coverage's communicable disease provisions.

Washington-based Lincoln Holdings LLC, also known as Monumental Sports, sued Factory Mutual seeking COVID-19 business interruption coverage under its all-risks policies, according to the ruling by the U.S. District Court for the District of Columbia in *Lincoln Holdings LLC et al. v. Factory Mutual Insurance Co.*

Lincoln Holdings' operations include the National Hockey League's Washington Capitals, the National Basketball Association's Washington Wizards, the WNBA's Washington Mystics and Capital One Arena.

The court dismissed Lincoln Holdings' claims under its coverage's physical damage and repair and time-element provisions, saying it failed to allege facts showing physical loss or damage.

However, the coverage's communicable disease provisions, which include the communicable disease response, and interruption by communicable disease provisions "do not require demonstration of physical loss or damage," the ruling said, in refusing to dismiss those claims.

These provisions provide for the cleanup, removal and disposal of the presence of communicable diseases from insured property, the costs of using the insured's employees for reputation management, and certain business income losses and expenses.

Engineer's battery suit can proceed

■ A California appeals court reversed a trial court's dismissal of a 2018 battery lawsuit filed by a fired Hollywood graphics engineer, ruling his claims were not preempted by the state's workers compensation exclusivity rule.

The California Court of Appeals, 2nd District, in Los Angeles, ruled Iman Sadeghi, former vice president of engineering at Pinscreen Inc., sufficiently pleaded claims for battery and intentional infliction of emotional distress.

Mr. Sadeghi said that on Aug. 7, 2017, the day he was fired by Pinscreen, he was accosted and physically restrained after a supervisor instructed workers to stop him on his way out of the building and forcibly retrieve his company laptop.

Mr. Sadeghi said in the lawsuit that he suffered eye injuries and a dislocated shoulder in the incident.

The trial judge ruled Mr. Sadeghi, who worked on the movie "Tangled" at Walt Disney Animation Studios, failed to plead his case for battery, invasion of privacy and intentional infliction of emotional distress and that the civil claims should have been barred by the state's workers comp exclusivity rule.

The appeals court overturned the lower court, citing an exception to the exclusivity rule that addresses workplace injuries caused by "willful and unprovoked" physical acts of aggression by employees. It also noted that the injuries did not occur in the course of his employment.

The court ruled that Mr. Sadeghi sufficiently pleaded his claims for battery and intentional infliction of emotional distress but not for invasion of privacy.



Former NYC official's lawsuit reinstated

■ A federal appeals court reinstated a hostile work environment case filed by a former New York City Housing Authority housing manager who claimed her employment problems began when a former New York City Council speaker demanded her unit hire a Spanish-speaking manager.

Allison Williams, who is African-American, worked for the NYCHA from 1984 until her retirement in 2017, according to the ruling by the 2nd U.S. Circuit Court of Appeals in New York in *Allison Williams v. New York City Housing Authority et al.*

After rising through the ranks over two decades, she became the housing manager of Mill Brook Houses in the Bronx in 2006.

In 2015, Melissa Mark-Viverito, then

speaker of the New York City Council, requested a meeting with the NYCHA at which she allegedly demanded a Spanish-speaking manager be hired at the facility. After that meeting, ultimately unsuccessful efforts were made to have Ms. Williams transferred, according to the ruling.

Ms. Williams alleged that her supervisors then attempted to sabotage her work, including by deliberately neglecting to replace four assistants.

Ms. Williams resigned in May 2017, then filed suit in U.S. District Court in New York, charging the housing authority, Ms. Mark-Viverito and other officials with creating a hostile work environment.

The district court dismissed the case, which was reinstated by a unanimous three-judge appeals court panel.

At summary judgment "a district court must credit all factual inferences that could rationally be drawn in Williams's favor, and the court failed to do so," the ruling said.

"Williams raised several triable issues of material fact and as such, summary judgment was inappropriate," the panel said in reinstating the case and remanding it for further proceedings.

Mall owner's COVID case moves forward

■ A federal district court has refused to dismiss COVID-19-related business interruption coverage litigation filed by a shopping mall owner against an American International Group Inc. unit, concluding that its policy's pollution and contamination exclusion was ambiguous.

C.J. Segerstrom & Sons, which owns and operates South Coast Plaza, a Costa Mesa, California, mall, sued AIG unit Lexington Insurance Co. and Starr Surplus Lines Insurance Co., according to the ruling by the U.S. District Court in Los Angeles in *C.J. Segerstrom and Sons v. Lexington Insurance Co. et al.*

Segerstrom's policies provided up to \$5 million in coverage under a "Special Time Element-Cancellation Coverage" provision for losses related to "interference with the business of any insured location" as the result of an occurrence, the definition of which included "contagious or infectious disease."

The Lexington policy also included a pollution and contamination exclusion, which Lexington argued precluded coverage, while Segerstrom contended it was inapplicable to its claim.

Both interpretations of the policy are reasonable, "thereby rendering the provision ambiguous and requiring that it be construed in favor of Segerstrom and against Lexington," the court said in refusing to dismiss Segerstrom's breach of contract, bad faith and declaratory judgment claims.

DOCKET



EXXON MOBIL CHARGED WITH DISCRIMINATION

The U.S. Equal Employment Opportunity Commission charged Exxon Mobil Corp. with race discrimination for allegedly failing to react effectively to several instances of hangman's nooses being displayed at its Baton Rouge, Louisiana, petrochemical complex. The EEOC said a Black employee found a hangman's noose in January 2020 and that the company was aware at the time that three other nooses had been displayed at the complex. Exxon Mobile denied the charge.

COURT REINSTATES WRONGFUL DEATH SUIT

A California appeals court ruled that a trial judge erred in dismissing a wrongful death lawsuit against Del Monte Foods Inc. brought by the widow of a worker who was crushed while performing loading dock maintenance in June 2016. The California Court of Appeals, 5th District, in Fresno, in *Rafferty v. Del Monte Foods Inc.*, reversed the lower court decision that granted summary judgment to Del Monte in a suit filed by Amanda Rafferty on behalf of her deceased husband, David Rafferty.

SUIT AGAINST MARSH RULED TIME-BARRIED

A Louisiana chemical company's lawsuit against Marsh LLC units in a dispute over coverage for a damaged cable in the Arabian Gulf was filed too late, a federal appeals court ruled in affirming a lower court ruling. New Orleans-based Dynamic Industries International LLC had charged that Marsh units either failed to procure adequate insurance coverage from Khobar, Saudi Arabia-based Walaa Cooperative Insurance Co. or, alternatively, that Walaa had breached the terms of its insurance policy by declining coverage for the damaged cable, according to the ruling by the 5th U.S. Circuit Court of Appeals in New Orleans.

BUSINESS INSURANCE

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All nominations will be reviewed by a panel of *Business Insurance* editors who will announce finalists in each category in May. The finalists will then be reviewed by a panel of professional risk managers. Winners will be announced live at the awards ceremony on **July 19, 2023**, at the Ziegfeld Ballroom in New York.

CATEGORIES

- **Broker Team of the Year**
- **Community Outreach Project of the Year**
- **Diversity & Inclusion Initiative of the Year**
- **Insurance Consulting Team of the Year**
- **Insurance Underwriting Team of the Year**
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SUSAN STILWILL
HEAD OF SALES - EVENTS
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[sstilwill@businessinsurance.com](mailto:ssstilwill@businessinsurance.com)

BI EVENTS TEAM
SPEAKING OPPORTUNITIES & ATTENDANCE
events@businessinsurance.com



Matt Dolan is president of North America specialty at Liberty Mutual Insurance Co. and its Ironshore unit. He joined Ironshore shortly after its 2006 founding and remained with the specialty insurer through its acquisition by Liberty Mutual in 2017. Last year, Liberty Mutual changed its commercial, specialty, and excess and surplus lines distribution channels so U.S. wholesalers would access the insurer through Ironshore. Gavin Souter, editor of *Business Insurance*, recently spoke with Mr. Dolan about the change in distribution strategy and trends in the commercial insurance market. Edited excerpts follow.

Matt Dolan

LIBERTY MUTUAL

Q How have the changes in distribution of specialty and excess lines affected your strategy?

A We made that announcement really as a culmination of a lot of steps that we had been taking since 2020 to become much more intentional about our engagement with the wholesale channel. As we continue to see the migration of business into the E&S segment ... we thought that it was important to align our underwriters and codify our commitment to and engagement with that fundamentally important part of the broader distribution channel.

Since that alignment, I think the transactional experience has been enhanced meaningfully, our understanding of their inventory and their understanding of our appetite have been increased exceptionally, our ability to collaborate around emerging issues and opportunities has improved, and I think that our relevance to them and their view of us as having a demonstrated commitment to that part of the channel have been very meaningful.

Q What has this meant for buyers?

A We've been able to in real time understand some of the emergent issues that clients have been confronted with, some of the market forces and factors that have been disruptive to them as well as to the carrier community, and we've been able to lean in and collaboratively try to find the right answers and the right solutions.

Wholesalers ... are uniquely positioned as a major conduit in the E&S business to figure out bespoke solutions and find markets that are able to listen and provide solutions to address the needs of retailers and, most importantly, at the end of that chain, the needs of the customers.

Q What are some of those emerging issues that they're having to deal with?

A It runs the gamut. The continued elevation of the risk factors associated with the right kind of procurement of cyber insurance and its availability and responsiveness to the risk ... I think that's critical because we've seen the market move very, very significantly raising rates and restricting terms. Retailers and wholesalers are trying to make sure that customers who are taking

the right steps are being recognized.

The issues in the property space, which are not new, have really become much more acute. That market has become much more dislocated due to capital constraints, rising reinsurance costs, uncertainty around supply chain valuations, economic inflation and everything attached to that. ... Wholesalers bring an important vantage point and perspective to that challenge.

Then there continues to be the very meaningful challenge around social inflation and how that's impacting insurance customers and the cost and structure of the right kind of risk transfer solutions.

In the broadest terms, our system writ large is under stress and a system under stress opens up a lot of latent fault lines around risk that require a particular kind of responsiveness and expertise.



Q Buyers have been facing about five years of increased pricing; how do you see the outlook for pricing?

A We certainly recognize that there is some rate fatigue that our customers are facing. They are seeing increased costs across their business, including their cost of risk transfer. At the same time, they're facing some of their own economic headwinds, the potential of recession and an inflationary economy. So, they're thinking about alternative risk structures, ways to reduce cost.

The hard market hasn't been monolithic, it's attached to different products at different times with different levels of acuteness. So, in cyber we saw very, very significant increases in rates and restrictions in terms and we've seen it moderate a bit. We saw a very significant

increase in the cost of public D&O, and that has moderated very quickly, but now that may reverse course and begin to harden again against the backdrop of some of these bank failures and other economic uncertainties.

Property was following a pretty steady trajectory up and then that trajectory steepened quite dramatically in the back half of 2022 and meaningfully as we moved into 2023. There doesn't appear to be any abatement in the impact of social inflation and the kind of volatility that's bringing into risk portfolios. (When it comes to identifying) the equilibrium point between price and risk, I don't think the market has settled on that yet because there remains so much uncertainty.

At the very least, I think carriers are still struggling with loss cost and, as a result, I don't expect any meaningful softening in the rate environment.

Q Where do you see opportunities for the business in the next couple of years?

A Energy transition is a tremendous opportunity for the marketplace. It's an area that our organization is investing in very, very heavily. What we want to be able to do, with a keen appreciation for the importance of ESG, is to facilitate the appropriate kinds of energy transition. We think that there's going to be a very significant deployment of capital toward those objectives as organizations and corporations really begin to embrace and live the ESG imperatives.

Cyber will continue to be an exponential growth space for the marketplace. Existing, new emergent risks and new technologies are creating opportunities for better protection but also creating greater risk. ... The whole evolution of technology and what it means for the cyber space and the proliferation of that risk is a massive opportunity and one that we're investing very heavily in.

Property continues to be very difficult but is a tremendous opportunity for those who will continue to invest in understanding the pace and impact of climate change, the compounding impact of some weakened U.S. infrastructure and how to design products that are responsive to that. That's an opportunity to be thoughtful and responsive and responsible in a space that's very, very dislocated, and it's an opportunity to continue to evolve our models.

In the broadest terms, our system writ large is under stress and a system under stress opens up a lot of latent fault lines around risk that require a particular kind of responsiveness and expertise.

COVER STORY



Key means of cyber attacks and their percentage of total incidents in 2022

DRIVE FOR SMART FLEETS COLLIDES WITH CYBER RISK

Vehicle manufacturers and operators confront more cybersecurity exposures as increasingly automated cars, trucks hit the highways

BY JUDY GREENWALD

jgreenwald@businessinsurance.com

The growing cyber sophistication of trucks and automobiles is increasing the cybersecurity risks of trucking companies and other fleet operators.

Modern vehicles contain about 100 million lines of code, according to widely cited industry data, and their potential vulnerabilities include telematics and application servers, remote keyless entry systems, electronic control units, application interfaces, infotainment systems and mobile applications.

And the amount of code will only increase as more vehicles move more toward becoming autonomous, experts say.

All this creates significant cybersecurity and related privacy concerns that must be addressed by manufacturers, fleet operators and other trucking companies, logistics companies and, ultimately, insurers, they say.

While there have been relatively few cyber-related incidents to date — many of them instigated by so-called “white hat” researchers — experts say the frequency will certainly increase as more cybercriminals pay attention to the segment.

“When you think of all that can go wrong” it is “pretty substantial.”

Scott Swanson, Aon PLC

Meanwhile, trucking and car fleets must also contend with the ransomware and phishing risks plaguing many other industries.

Government agencies addressing the issue include the U.S. Department of Transportation’s National Highway Safety Administration, which issued updated cybersecurity best practices guidance last year, and the National Institute of Standards and Technology.

U.S. Rep. Bob Latta, an Ohio Republican, has proposed the Self-Drive Act, which would require

manufacturers of “highly automated vehicles” to develop a written cybersecurity policy. He has unsuccessfully sought passage of the bill in the past but is expected to reintroduce it this year.

In 2021, the International Organization for Standardization introduced standards that specify cybersecurity risk management engineering requirements for road vehicles’ electrical and electronic systems, including their components and interfaces.

Major vehicle manufacturers are aware of, and responding to, cybersecurity issues, experts say, but they point out that even if they successfully address concerns with new vehicles, many unenhanced, older vehicles remain on the road.

Many observers point to a 2015 case in which researchers remotely hacked a Jeep Cherokee, slowing it to a crawl on a highway, which led to Chrysler Corp.’s recalling 1.4 million vehicles.

“That was eight years ago and think about how much the technology has changed since,” said Gwenn Cujdik, Exton, Pennsylvania-based manager of the cyber incident response team at Axa XL, a unit of Axa SA.

Experts also note an apparent prank in Russia in September in which dozens of cabs converged on a single address in central Moscow, causing a major traffic jam.

Among other incidents, last year a 19-year-old security researcher described in a blog how he took advantage of a bug to remotely hack into more than 25 Teslas — “By accident. And curiosity.”

See **COLLISION** next page



EV charging infrastructure

4%



Mobile applications

6%



Infotainment systems

8%



Automotive and smart mobility APIs

12%



Electronic control units

14%



Remote keyless entry systems

18%



Telematics and application servers

35%

Source: Upstream Security Ltd.

COLLISION

Continued from previous page

New technologies are beginning to leverage advanced connectivity, including “vehicle-to-vehicle,” “vehicle-to-infrastructure,” “vehicle-to-pedestrian,” “vehicle-to-grid” and “vehicle-to-everything,” according to the 2023 Global Automotive Cybersecurity Report by Herzliya, Israel-based Upstream Security Ltd., whose funders include auto manufacturers and insurers (see illustration).

Upstream tallied 268 automotive and smart mobility cybersecurity incidents in 2022.

The “attack surface” is growing exponentially, increasing attackers’ ability to gain access, said Brent Rieth, Chicago-based U.S. practice leader, E&O/cyber broking, at Aon PLC.

“In the future, the supply chain issue is going to raise its head in a very, very ugly way.”

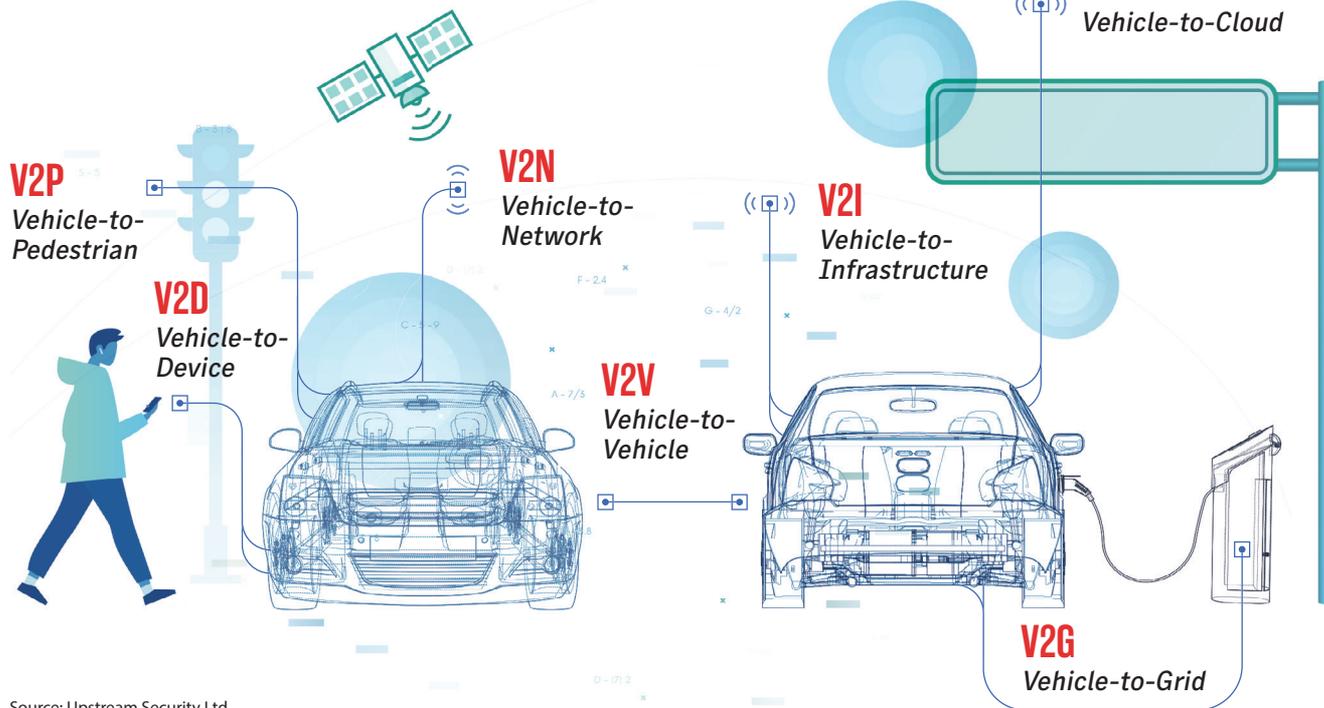
Nadia Hoyte,
USI Insurance Services

“When you think of all that can go wrong” it is “pretty substantial,” said Scott Swanson, Chicago-based practice leader, security advisory, at Aon.

Jacob Petty, Los Angeles-based senior vice president and Southwest team leader FINEX E&O/cyber practice at Willis Towers Watson PLC, said the biggest issue is cyber liability business interrup-

VEHICLE TO EVERYTHING ATTACKS

Telematics, smart mobility and other services require connected vehicles to share data with servers, apps and various vehicle components. V2X or vehicle-to-everything attacks are in their infancy but are expected to become much more frequent in the coming years.



Source: Upstream Security Ltd.

tion, as fleet operators take advantage of new technology to cut costs. However, this puts them at risk of hacking and ransomware attacks, he said.

As new technologies are introduced, they will require “another level of cybersecurity to be put in place,” for which the automotive industry will be held responsible, said Michael Stankard, Detroit-based managing director, industrial & materials & automotive practice at Aon.

Ideally, telematics — vehicle onboard communication services and applications

that are used to track vehicle performance and driver behavior, among other things — only give access to authorized sources, “but not all telematic devices are created equal or are of the same quality,” said Ben Gardiner, senior cybersecurity research engineer with the Alexandria, Virginia-based National Motor Freight Traffic Association.

Adoption of cybersecurity measures varies widely. In trucking, the spectrum goes from companies with highly developed software development resources that are

buying better equipment and reconfiguring their telematics deployment to reduce risks, down to companies with one or two trucks, Mr. Gardiner said.

Most attacks to date have been by academic researchers, who are investigating the challenges of the technologies and have no malicious intent, said Dennis Kengo Oka, Tokyo-based senior principal automotive security strategist and executive adviser at Synopsys Inc., who has written a book on the subject. They are finding security vulnerabilities and

Automotive manufacturers tackle increased cybersecurity risks

The auto and truck manufacturing industry is alert to the significant challenges it faces as it addresses expanding cybersecurity risks.

“The industry is embracing security as one of their goals,” but “it’s a constant give and take” between increasing vulnerabilities and decreasing risk, said Jeremy S. Daily, associate professor of systems engineering at Colorado State University in Fort Collins, who conducts research in this area.

General Motors Co.’s Chevrolet unit said in a statement that its approach, based on industry and government best practices, includes defense-in-depth, monitoring and detection, and incident response capabilities.

Its vehicle development process includes cybersecurity considerations “from the earliest stages of design through a vehicle’s lifecycle,” it said.

Dennis Kengo Oka, Tokyo-based senior principal automotive security strategist and executive adviser at Synopsys Inc., said the auto industry has learned from mistakes in other sectors, such as the personal computer industry’s issues with viruses and malware.

“We’re not going into it blindly,” he said.

Trucking companies are adding firewalls to vehicles to block malicious messages, said Mark Zachos, founder and president of Farmington, Michigan-based DG Technologies, which focuses on vehicle network security.

“We’ve raised the bar” for criminals, he said.

As a truck may be kept for 15 years or longer, “it’s important for us to keep in mind that cybersecurity as a risk evolves constantly,” so

the updated technology must be embedded in the vehicle to keep it safe, said Brent Rieth, Chicago-based U.S. practice leader, E&O/cyber broking at Aon PLC. “I don’t think (the automotive industry) should rest easy” on the fact that there have been few cyber-related claims to date, said John Farley,

New York-based managing director of Arthur J. Gallagher & Co.’s cyber liability practice. That could change “in a very short amount of time,” he said.

“Risk managers have to be forward-thinking in terms of how claims may manifest as they adopt new technology,” he said.

David Derigiotis, Detroit-based chief insurance officer for insurtech Embroker, said companies should identify critical vulnerabilities, introduce preventive measures, and have a disaster recovery plan in place.

They should also consider privacy risks, Mr. Farley said.

“Obviously, anybody that adopts new technology has to understand the data it collects, it has to understand what the legal obligations are as a result of collecting that information, and they need to take steps to secure and comply with the various privacy laws at the state, federal and international levels,” he said.

Judy Greenwald



Variety of insurance coverages could respond to vehicle hacks

Insurance coverage for vehicles' cybersecurity risks may be found in policies including cyber, tech errors and omissions, property, general liability, products liability and, of course, auto, while there is a movement toward hybrid policies, experts say.

Policyholders with potential exposures include manufacturers, trucking companies and associated vendors, among others.

Those seeking cyber coverage should proceed cautiously, said John Farley, New York-based managing director of Arthur J. Gallagher & Co.'s cyber liability practice.

Many cyber policies exclude third-party property damage and bodily injury, while regulatory risk is covered comprehensively in certain cyber policies but not others, he said.

Insurance buyers must also be "very cognizant" as to whether there is coverage for wrongful data collection, Mr. Farley said.

Each policy is different and subject to manuscript forms, so insurance buyers must be aware of sublimits, exclusionary language or required triggers to obtain coverage for wrongful collection claims, he said.

"The market is very dynamic," and "coverage can change from day to day," Mr. Farley warned.

Laura Burke, New York-based senior vice president of Canopus Group Ltd., which offers cyber and tech errors and omissions coverages for trucking companies and vendors that provide logistics services for the trucking industry, said that most "off-the-shelf, traditional cyber policies likely cover the majority" of issues.

Michael Stankard, Detroit-based managing director, industrial & materials & automotive practice, at Aon PLC, said auto manufacturers have product liability coverage that covers the entire vehicle for bodily injury and property damage claims, which "is the case today even for



claims that originated from a cyber hack" that result in these losses.

Elizabeth Case, Chicago-based managing director in Marsh LLC's U.S. and Canada cyber practice, said auto insurance is the "first stop."

A vehicle's insurers would be the first responders to a claim, and then if there is a common pattern to losses, a number of similar cases or dollar amounts that are exceedingly high, auto insurers may subrogate against the automobile's original equipment

manufacturer, she said.

D.J. Ruhlman, New York-based vice president of RT ProExec, a division of R-T Specialty LLC, said the market is moving toward hybrid policies, with teams from different disciplines collaborating in the underwriting and addressing overlapping cyber/tech errors and omissions, property damage and product liability exposures.

Bringing them together in one program can help provide clarity when a loss occurs, he said.

Judy Greenwald

alerting car manufacturers, he said.

But Mr. Oka said he's seeing a gradual shift, with actual crimes being committed, including thefts tied to keyless entries.

Mr. Oka said that while there is an inadequate return for a cybercriminal to attack a single vehicle, that will no longer be true "as we move toward fleet management systems."

Despite the threats, the transportation industry as a whole has "not constructively invested in technology or utilized third-party vendors to supplement their knowledge of technology," said Nadia Hoyte, New York-based national practice leader, cyber, with USI Insurance Services LLC.

Much of the focus so far has been on logistics and the threat of a cyber incident shutting down the flow of products, said Axa XL's Ms. Cujdik.

John Bambanet, Mahomet, Illinois-based principal threat hunter at Netenrich Inc., a cloud data analytics platform, said fleet management systems are vulnerable to the same supply chain risks that cybercriminals took advantage of to shut down Colonial Pipeline Co. in May 2021, leading to gas shortages in some parts of the United States.

"If you manage to disrupt the ability of depots to get gas to gas stations, by disrupting tractor trucks," it could create supply chain issues that could have a significant impact, he said.

There will be more attacks against supply chains because criminals realize they can be lucrative, Ms. Hoyte said. "In the future, the supply chain issue is going

to raise its head in a very, very ugly way," she said.

Driverless trucks may be transporting goods across the country in the not-too-distant future, said John Farley, New York-based managing director of Arthur J. Gallagher & Co.'s cyber liability practice. If that happens, there will be a great

reliance on GPS systems, and if those fail or are compromised, "one could see deliveries coming to a screeching halt," he said.

There are also significant privacy risks. "The automotive industry has rapidly adopted technology on a very wide scale," and vehicles are collecting "more infor-

mation on individuals than they ever have before," Mr. Farley said.

Technology may also move toward cars being started with fingerprint identification, much like cell phones. "There's a whole element of privacy liability that comes with today's modern cars," Mr. Farley said.

INFRASTRUCTURE STAKEHOLDERS

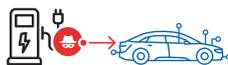
Original equipment manufacturers and various charging infrastructure stakeholders are challenged with mitigating additional risks to electric vehicles across a variety of charging attack vectors:

VEHICLE-TO-GRID



- Charging fraud — avoiding payment, for example, by impersonating another vehicle
- Using the electric vehicle supply equipment as the entry point to attack the charging station management system, and from there other EVSEs or the infrastructure

GRID-TO-VEHICLE



- Combined charging system physical attack from charging station to vehicle
- ISO 15118 — EVSE attacking the electric vehicle charge controller and from there attacking other electronic control units in the vehicle

GRID-TO-FLEET



- A charging network is attacking multiple vehicles from multiple EVSEs
- A single EVSE is attacking multiple vehicles

CSMS ATTACKS



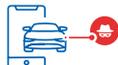
- Application attacks on the CSMS
- Changing of billing record
- Incorrect or incomplete transactions

Ocpp ATTACKS



- Bad open charge point protocol commands from the CSMS to the EVSE
- Installing bad firmware on the EVSE

API ATTACKS



- Attacks on the public charging application programming interfaces

Source: Upstream Security Ltd.

RISK MANAGEMENT INNOVATION

Cat bond structures build cyber capacity

BY MATTHEW LERNER

mlerner@businessinsurance.com

INSIDE

▶ DRONE DEPLOYMENT

Drones are increasingly being used to help underwrite risks, adjust commercial insurance claims. **PAGE 24**

▶ AI APPLICATIONS

ChatGPT and other artificial intelligence tools could soon transform insurance. **PAGE 27**

▶ RMIS SURVEY DATA

BI's risk management information systems survey reveals trends in usage, functions and more. **PAGE 28**

The market for insurance-linked securities supporting cyber exposures reached a critical mass in the first quarter, and market participants are optimistic that more deals will be announced this year.

Demand for coverage and reinsurance capacity dovetailed with advances in modeling to facilitate transactions sponsored by London-based Beazley PLC and German reinsurer Hannover Re SE in January, with support from brokers, cyber insurtechs and key investors.

In some ways, the emergence of capital market support for cyber exposures parallels the early days and development of the catastrophe bond market for hurricane and earthquake risks, which also initially featured smaller deals and was a response to market demand for coverage expansion, sources said.

The ILS market has expanded to include

a variety of structures, such as sidecars and collateralized reinsurance vehicles, and has become a significant part of the overall reinsurance market, particularly the retrocessional market.

“When you go back to why the catastrophe bond market was created some 25 years ago, it was because demand for the product was outstripping supply from

conventional sponsors,” said Paul Schultz, Chicago-based CEO of Aon Securities, a unit of Aon PLC.

Cyber insurance markets are beginning to face a similar quandary.

“The direct market now for insurance companies is very expensive and very limited,” said Jeff Mohrenweiser, Chicago-based senior director of global securities for Fitch Ratings Inc.

Cyber reinsurance markets are “materially underserved” by traditional reinsurers, and capital markets are essential to allow the business to grow, said Theo Norris, London-based cyber account executive, insurance-linked securities, at Gallagher Re, the reinsurance brokerage arm of Arthur J. Gallagher & Co.

Paul Bantick, head of global cyber & technology at Beazley, said the cyber insurance market is generally thought to be roughly \$10 billion in premium. “If we’re going to go from \$10 billion to \$30 billion or \$40 billion and manage the systemic exposure as we do that, we need to create a catastrophe market for cyber.”

The Beazley and Hannover Re deals broke the ice.

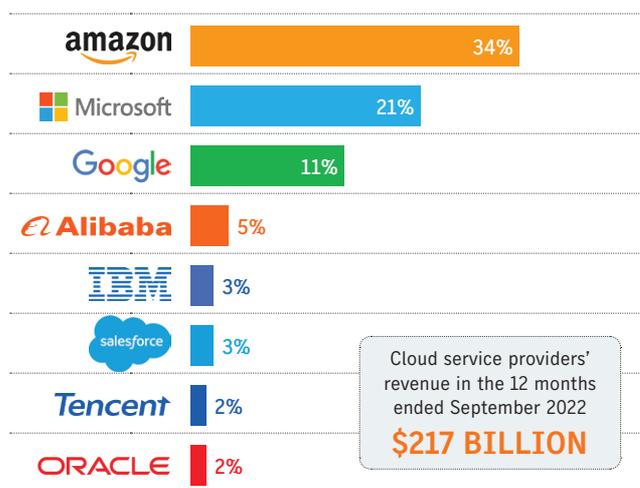
Beazley’s \$45 million private Section 4(2) cyber cat bond is designed to cover remote probability catastrophic and systemic events and gives Beazley indemnity against all perils in excess of a \$300 million catastrophe event, with the potential for additional tranches to be released through 2023 and beyond.

The Beazley cyber bond is backed by investors including Fermat Capital Management LLC, and was structured and placed by Gallagher Securities, the ILS business of Gallagher Re.

The Hannover Re deal involved Stone Point Capital investing \$100 million in what was termed “a proportional reinsurance solution” for retrocessional coverage. The deal “covers cyber risks in Hannover Re’s worldwide portfolio and

LEADING CLOUD PROVIDERS: MARKET SHARE

Worldwide market share of leading cloud service providers (Q3 2022)



Cloud service providers' revenue in the 12 months ended September 2022
\$217 BILLION

Source: Synergy Research Group

has a long-term orientation,” according to a Hannover Re statement announcing the deal.

Mr. Bantick said the Beazley bond used both internal and external models (see related story) and the specialty insurer spent months informing and courting investors prior to the deal.

Since going public, investor interest in the deal has multiplied, Mr. Bantick said. Some investors that were not ready to invest in January likely will invest in similar deals later this year, perhaps in the second and third quarters, he said.

Capital market support for cyber exposure is “likely to start in a measured way, no different than the catastrophe bond market,” Mr. Schultz said. “We’ll start slowly. We’ll start to bring investors into these transactions. Comfort and transparency will grow over time.”

“I think there are investors who are willing to be first movers,” Mr. Mohrenweiser said, noting that against the multibillion-dollar scale of the investment

funds involved, the size of the new cyber bonds does not represent an existential risk. Both he and Mr. Schultz said 2023 will likely produce additional cyber capital markets deals, a view widely shared.

Gallagher Re’s Mr. Norris said the broker “is currently working closely with a range of cedents to bring more cyber ILS deals to markets — from bonds to sidecars.”

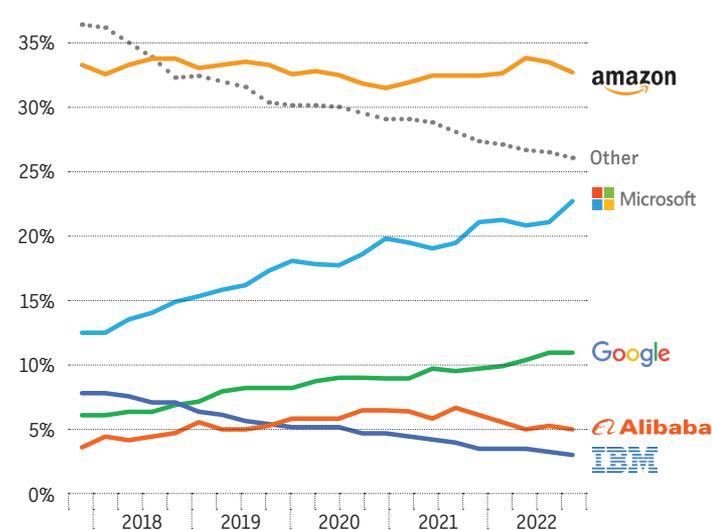
“The direct market now for insurance companies is very expensive and very limited.”

Jeff Mohrenweiser,
Fitch Ratings

Oliver Brew, London-based cyber practice leader for Lockton Re, the reinsurance business of Lockton Cos. LLC, called the Beazley cyber bond “a forebear-

LEADING CLOUD PROVIDERS: MARKET TREND

Share of worldwide market by revenue (Q4 2017 - Q4 2022)



er of deals to come.”

One reason for the pivot to the capital markets for additional coverage is the exposure to accumulations of risk for insurers and reinsurers, said Sharon Haran, chief commercial officer in Tel Aviv, Israel, for Parametrix Insurance Services LLC. Parametrix provides index-based coverage for cloud service outages and regularly monitors that sector for such activity as part of its operations.

With cloud services market share concentrated largely among three top providers (see charts) and surveys showing that 60% to 70% of enterprises use cloud services, Mr. Haran said an insurer or reinsurer could have multitudes of unrelated clients compromised at once.

Location plays an integral role in evaluating such exposures because the cloud is not a monolithic entity but based in regions, so downtime at a given data center serving a specific region could lead to a contagion of exposure.



Enhanced models aid evaluation of cyber risks

Advancess in the modeling of cyber exposures were the key drivers that enabled the emergence of capital market capacity to support cyber exposures, according to experts.

Just as the traditional catastrophe bond market relies heavily on models to evaluate risks and exposures, cyber models have improved and are being used more extensively to evaluate cyber exposure for potential coverage by the capital markets, sources said.

Models played an important role in recent cyber transactions by Beazley PLC and Hannover Re SE by providing a baseline view of risk, said Juan Marcano, principal, alternative risk capital, in London for CyberCube Analytics Inc.

“A significant part of getting these deals over the line was to make

investors feel comfortable with their exposure, which requires the use of models to understand potential outcomes,” he said.

The models are improving, but development continues, sources said.

“Cyber modeling is improving all the time, and the market’s first cyber cat bond shows growing faith in the modeling approach,” said Theo Norris, cyber account executive, insurance-linked securities, in London for Gallagher Re. He added, though, that “we don’t hide from the fact that cyber cat modeling is more nascent and yet to be truly tested by an event.”

“The number of companies in the insurance market using cyber models is growing rapidly, as the credibility of the models has matured,” said Oliver Brew, London-based cyber practice leader,

Lockton Re, a unit of Lockton Cos. LLC. Model development is a process of “continual improvements,” he said.

Parametrix Insurance Services LLC, which provides index-based insurance coverages for cloud computing downtime events, sees a role for its models and capabilities in the cyber ILS area, said Sharon Haran, Tel Aviv, Israel-based chief commercial officer at the company.

The basic calculations and quantifications involved in transferring a client’s cyber risk to Parametrix could be adapted to an insurer or reinsurer that wants to transfer cyber exposure to the capital markets, Mr. Haran said. Parametrix’s other cloud monitoring and technical operations also fit or could be adapted, he said.

Matthew Lerner

Drones tapped to improve risk management

BY CLAIRE WILKINSON

cwilkinson@businessinsurance.com

Drones have been deployed by insurers and risk managers for several years to better assess risks, respond to catastrophes and improve claims efficiency.

But as other technological tools have become more widely available, businesses and insurers are using the unmanned aircraft systems in more targeted ways to collect data and to mitigate risk, experts say.

Agriculture, construction, real estate and specialty lines are just some of the insurance industry sectors where drones are improving risk management practices, they said.

More than 70 crop adjusters at Rural Community Insurance Services Inc., the crop insurance business of Zurich North America, are certified drone pilots, said Sam Arocho, procedural case manager at RCIS, who is based in Loxahatchee, Florida.

Instead of underwriters and adjusters walking through orchards to inspect crops of apples, peaches and pecans, drones provide aerial views of large tracts of land to determine whether a farming practice is a good underwriting risk and to provide risk control recommendations to policyholders, he said.



where the damage locations are, whereas drones can see essentially the whole field at once and spot different areas of damage,” Mr. Arocho said.

“An adjuster walking through 500 acres of corn can take a long time to figure out where the damage locations are, whereas drones can see essentially the whole field at once and spot different areas of damage.”

Sam Arocho, Rural Community Insurance Services Inc.

Drones also capture the size and severity of crop damage after a loss, he said. “An adjuster walking through 500 acres of corn can take a long time to figure out

Zach Wright, risk management analyst II, at Jacksonville, Florida-based Haskell Co. Inc., an architecture, engineering, construction and consulting company,

said the company has a fleet of about 25 drones that it uses for 3D modeling and mapping of construction sites.

The models can accurately determine if the ground is level at greenfield sites before construction begins and then track progress, Mr. Wright said. “The last thing you want is a building that is crooked,” he said.

Haskell also overlays its design plans on top of the models to compare them with actual construction at the site.

“We had a project where we were running conduit cable just outside of where we were building the foundations. We mapped it and put the design down and they were about three feet off,” he said. Catching the mistake early prevented what could have been a significant project delay, he said.

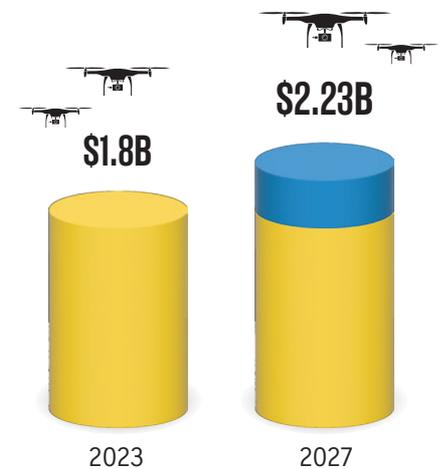
High-resolution aerial photos of undeveloped land can be captured by drones in otherwise inaccessible areas, which reduces human risk, said Penni L. Nelson, Dallas-based vice president of risk management at real estate developer Hillwood, a Perot company.

By gathering accurate data about land it might develop, drone technology enables Hillwood’s leaders to make better business decisions, Ms. Nelson said. Using drones also reduces the company’s carbon footprint, she said.

The National Transportation Safety Board uses drones as part of its investigations into air accidents. The accuracy of information gathered, such as how an aircraft impacted the ground, can inform the

GLOBAL COMMERCIAL DRONES MARKET

The market is forecast to grow at a compound annual growth rate of 5.5%. North America is expected to be the fastest-growing region in the forecast period.



Source: researchandmarkets.com

aircraft’s insurers, said Thomas Vargo, Morristown, New Jersey-based aerospace and specialty claims lead for the Americas at Axa XL, a unit of Axa SA.

If an aircraft needs to be recovered as part of a claims investigation, Axa XL hires a third-party retrieval company that might deploy drones to recover it and conduct cleanup at the site, he said. Survey mapping of a crash site also helps the insurer determine the easiest way to conduct a recovery, he said.

FM Global last year decided to put its drones in the hands of its risk engineers and to use them in a more targeted way, said Jaap de Vries, Providence, Rhode Island-based staff vice president, principal innovation specialist, at the mutual insurer. Previously, the insurer used third-party drone pilots.

“You can really see even small damages, imperfections in a row of roof shingles, or a small hail hit.”

Jim Wucherpfennig, Travelers Cos. Inc.

The primary use of drones at the insurer is safe roof access, said Tyler Izzzi, senior staff engineer at FM Global headquarters in Johnston, Rhode Island. “Drones have enabled that and allowed us to access roof areas that were previ-

CLASSIFIED

REQUEST FOR PROPOSAL (RFP) FY2024 Group Health Insurance Program DOA/HRD/EB-RFP-GHI-24-001

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.

Should you have any questions regarding this RFP, please call the Employee Benefits Branch, Department of Administration at (671) 475-1103/1179.



ously inaccessible,” he said.

Interest in drone technology is growing internationally, and FM Global now has over 40 risk engineers in the process of getting their pilot licenses; it had about nine certified pilots across the U.S. this time last year, Mr. Izzi said.

Drones have high-definition cameras and can take photos one to two feet above a roof, compared with satellite images, said Jim Wucherpfennig, vice president of property claims at Travelers Cos. Inc. in Hartford, Connecticut.

“That’s the key with drones. You can really see even small damages, imperfections in a row of roof shingles, or a small hail hit,” Mr. Wucherpfennig said.

The industry is still in the early stages of evolution in its use of drones and other nontraditional claims-handling options, said Meredith Brogan, Atlanta-based president of WeGoLook, a Crawford & Co. company.

The improved quality of aerial view photos captured by drones is driving higher usage by desk adjusters, she said, noting the accuracy of measurements and damage-detection capabilities of these technologies has advanced.

Commercial drone users navigate web of regulations, consider specialty aviation insurance to cover losses

Businesses with commercial drone operations must follow federal aviation regulations and manage liability exposures as drone applications expand, experts say.

Claims professionals that fly drones for Travelers Cos. Inc. must adhere to Federal Aviation Administration regulations and the insurer’s rules, said Jim Wucherpfennig, Hartford, Connecticut-based vice president of property claims at the insurer.

The FAA’s Part 107 Small Unmanned Aircraft Systems regulations cover commercial drones weighing less than 55 pounds. Drone regulations also exist at the state and local level.

Claims professionals can only fly drones at a certain height, and the devices “can’t fly in certain wind conditions, winter conditions, certainly never at night, and always within the line of sight,” Mr. Wucherpfennig said.



Pilot training and certification is critical, he said.

Concerns about liability risks may have slowed drone use among insurers, said Peter Fallon, national property practice leader at brokerage Risk Strategies

Co. Inc. in Boston.

“Insurers don’t want to be liable if a drone crashes into a building and causes property damage” or injures people, he said.

Aviation insurers have developed drone-specific policy forms that are tailored to respond to the range of exposures that drone operators face, said Drew Johnston, Oklahoma City-based national aviation practice leader at Woodruff Sawyer & Co.

Third-party liability is the most significant exposure drone operators should consider, Mr. Johnston said. “This could be bodily injury or property damage liability,” he said.

FAA regulations have been designed to minimize drone operations over populated areas and near airports, but there’s still the possibility for pilot error or equipment malfunction, he said.

Claire Wilkinson

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SUSAN STILWILL
HEAD OF SALES - EVENTS
(312) 833-4099
sstilwill@businessinsurance.com

BI EVENTS TEAM
SPEAKING OPPORTUNITIES & ATTENDANCE
events@businessinsurance.com

Insurance sector primed for wider use of AI

MICHAEL BRADFORD

Artificial intelligence, all the rage in popular culture, is not a new fad in the insurance market, where it quietly powers operations that make businesses run more efficiently, at lower costs and with fewer errors.

Still, AI is in its infancy and its rapid development means insurers, brokers and their customers should see the technology continue to broaden throughout customer service, claims handling and sales, experts agree.

Thanks to the viral popularity of ChatGPT, an AI chatbot developed by OpenAI that allows users to perform tasks that range from frivolous to serious, AI is suddenly mainstream. But having a chatbot write a poem about a pet is not the same as having it handle claims or steer buyers to coverage, which is why AI in insurance is being carefully implemented in select areas of commercial and personal lines.

“Six months ago, nobody was talking about this,” said John Cottongim, New York-based chief technology officer at Roots Automation, which provides tech services to the insurance industry. “We are in the toddler phase of the capabilities” of AI, he said. “It’s going to be a wild ride over the next 10 years.”

By then, it’s likely that “we’ll be able to just point the platform at your website or knowledge base, click a few buttons and you can have a really good virtual agent live and supporting it,” said Bill Schwaab, San Francisco-based vice president of North America at Boost AI AS, a Norwegian company that trades as boost.ai and develops conversational AI platforms for insurers. Even with such advancements, however, back-end systems will still require work to maintain, he added.

AI is well-suited to claims handling, sources agree, partly because of the wealth of insurance data available for it to pore



through to help determine which claims need immediate attention or how they can be processed with less human interaction.

“Insurance is kind of the original database business; we have relied on data and data science capabilities since we existed as an industry,” said Mano Mannoochahr, chief data and analytics officer at Travelers Cos. Inc. in Hartford, Connecticut, in a recent webinar. “The opportunity that we have, generally from an AI perspective ... is to be able to reimagine and rethink all parts of our business.”

Employers have long clamored for a system that would streamline the workers compensation claims process, said Dennis Tierney, Marsh LLC’s Norwalk, Connecticut-based national director of workers compensation claims. In January, the broker introduced its AI-powered

process to identify claims that may not have received proper attention based on the old approach of selecting files largely based on reserve amounts, he said.

Using AI, “we’re helping identify claims that are not on everyone’s radar,” Mr. Tierney said, and prioritizing them by considering such factors as jurisdiction and type of injury.

At Travelers, an AI model is trained on millions of high-resolution images of insured U.S. properties, Mr. Mannoochahr said. After a natural disaster, the model can quickly assess damage and begin the claims process, in some cases before the owner returns to the property.

“That allows us to make better decisions about where we deploy our adjusters and claims handlers and how we prepare them for the onslaught of calls that we may

get,” he said.

Beyond claims, virtual agents in an AI setting can be trained to sell, Mr. Schwaab said. “The data from the virtual agent can be leveraged to do a little bit of selling on behalf of the company” by encouraging customers to consider additional products that it senses they may need, he said.

Chatbot technology can use real-time analytics to gauge customer sentiment and help virtual agents make decisions, including customized product suggestions, said Mamta Rodrigues, New York-based divisional president of banking, financial services and insurance at Teleperformance SE, a Paris-based digital business services company.

“AI is becoming increasingly accurate and further augmenting the digital experience, making that conversational bot so much more intelligent and personal,” Ms. Rodrigues said.

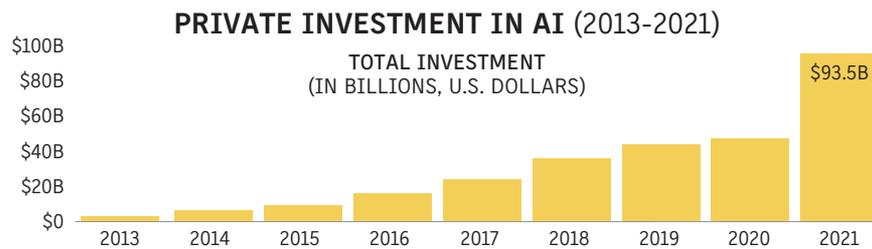
Complex commercial lines may take some time to address with AI, though, said Mr. Cottongim of Roots Automation. “Personal lines are suited toward the common natural language that we speak every day, which these algorithms are trained on,” he said.

But while the platforms can help with auto damage claims, interpreting a clause in an errors and omissions policy would be another story, Mr. Cottongim said.

“That’s quite esoteric and it’s unlikely that the algorithms have been trained on that,” he said, adding that fine-tuned models are expected to eventually address complex commercial issues.

It would be a mistake, though, to discard the human touch completely in favor of AI platforms, Ms. Rodrigues said.

“We’re doing quite a bit of proof-of-concepts and demonstrations for some of our major clients to show how a bot platform can generate stronger efficiencies,” she said, “while not taking away from the personal touch that comes from a human.”



Source: Stanford University 2022 AI Index Report

EMPLOYERS NEED GUARDRAILS TO REDUCE RISKS THAT COME WITH CHATBOT USE

Artificial intelligence presents both benefits and threats to risk management.

On the one hand, AI can assist risk managers in identifying potential risks and automating routine tasks. However, AI also poses risks such as algorithmic bias, lack of transparency, and cybersecurity vulnerabilities.

At least, that’s how ChatGPT sees it. The preceding paragraphs were written by the bot when asked whether AI is a threat or a benefit to risk management. A self-assessment that’s not far

off the mark, according to Karla Grossenbacher, a partner with Seyfarth Shaw LLP in Washington.

While it is unlikely that employers are sanctioning the use of ChatGPT solely to provide advice or make business decisions, they need strong policies that ensure it won’t happen, she said.

“Employers may not be necessarily thinking about what they need to do to make sure it’s not being misused,” Ms. Grossenbacher said. “There are things that employees could ask ChatGPT to do and those could be leveraged, but

there are certainly situations where you would want to prohibit it.”

When developing AI workplace guidelines, employers should address the risk of release of confidential or proprietary information, Ms. Grossenbacher advised. And there is the danger that information gleaned from publicly available bots could be inaccurate or that it could be subject to copyright protections and if used without proper credit charges of plagiarism could result, she said.

“It would be prudent to call upon your risk manager to weigh in on these types

of issues,” Ms. Grossenbacher said.

The U.S. Department of Commerce’s National Institute of Standards and Technology offers some guidance in its 42-page “Artificial Intelligence Risk Management Framework,” issued in January for organizations designing, developing or using AI systems.

The voluntary framework promotes changes in institutional culture and suggests ways organizations can measure and monitor AI risks and consider the potential benefits and threats of the technology.

Michael Bradford

RISK MANAGEMENT TECHNOLOGY SURVEY

The average annual expenditure on risk management information systems technology is \$163,860, according to the 2023 *Business Insurance* online survey on risk management technology. The survey found that over 60% of respondents identify themselves as moderate or heavy users of RMIS technology, up from about half of respondents last year.

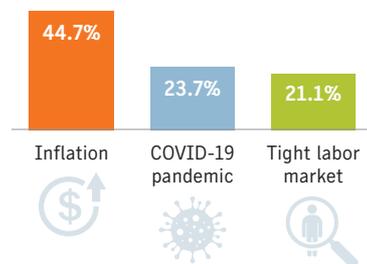
This year's survey was conducted between Jan. 11 and Feb 21. The results are based on 137 respondents who indicated that they are corporate insurance buyers/users and are involved in their company's/organization's risk management technology purchase decisions. The base used is the total answering each question.

Source: BI Survey

TECHNOLOGY INVESTMENTS

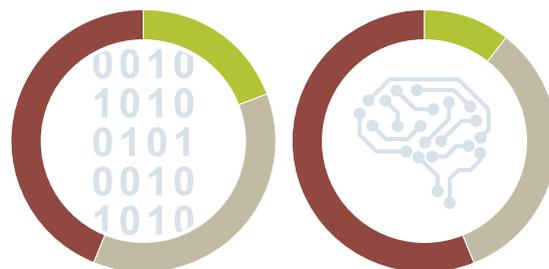
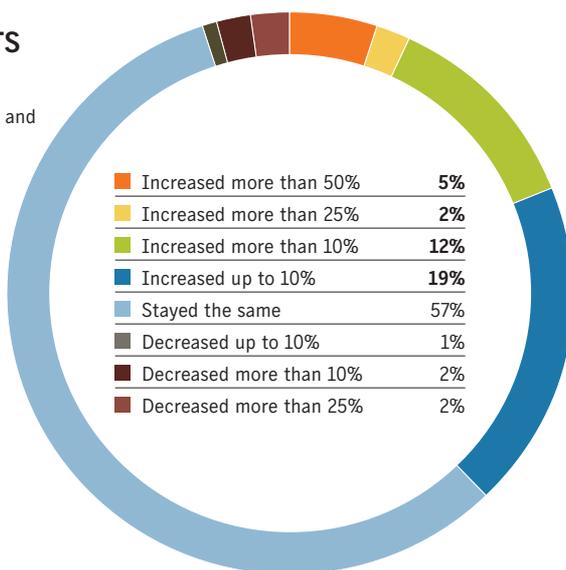
In this year's survey, 38% of respondents reported increases in technology spending, and 57% said spending stayed the same.

The top three reasons cited for technology spending increases were inflation, the COVID-19 pandemic and the tight labor market.



19.3% of respondents said they use big data, while 10.8% use artificial intelligence in their risk modeling efforts.

	Big data risk modeling	AI risk modeling
Yes	19.3%	10.8%
No, but planning to	37.0%	33.4%
No	43.7%	55.8%



TOP RMIS FUNCTIONALITIES

Claims management	62.2%	Benchmarking	8.2%
Incident reporting	42.9%	Contract/vendor management	6.1%
Claims administration	41.8%	OSHA compliance	6.1%
Loss control/safety analysis	21.4%	Captive/pool management	5.1%
Policy management	19.4%	Risk financing	4.1%
Enterprise risk management	14.3%	Premium allocation and calculation	4.1%
Litigation management	13.3%	Insurer ratings	3.1%
Renewals/data collection	13.3%	Other	3.1%
Asset management	10.2%		

Only 1.9% of respondents, compared with 9.3% last year, said they used COVID-19-specific capabilities at additional costs.

	2023	2022
Added general functionalities at no cost	37.4%	23.7%
Added general functionalities at additional cost	21.2%	20.3%
Added COVID-19-specific capabilities at no cost	7.1%	15.3%
Added COVID-19-specific capabilities at additional cost	1.9%	9.3%
Did not add new functionalities	22.2%	22.9%

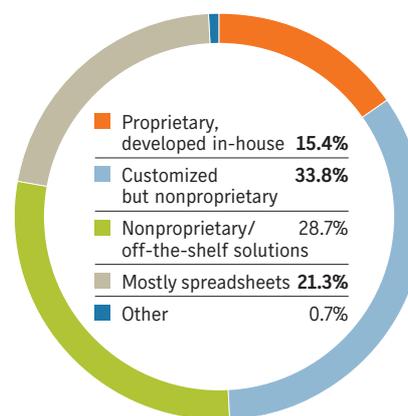
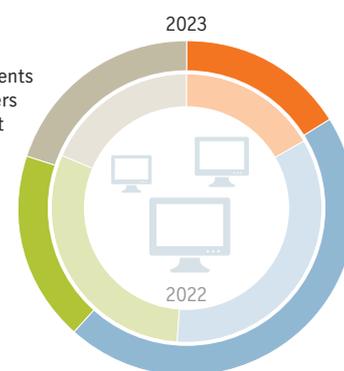
Top 5 things respondents using RMIS said they like most about their company's current RMIS technology software/platform:

Accessible online/web-based	53.3%
Simple to use/user-friendly	51.1%
Low cost/cost effective	46.7%
Single point of reference for tracking, repository and data extraction	41.1%
Customizable for special/specific needs	41.1%

RMIS USAGE

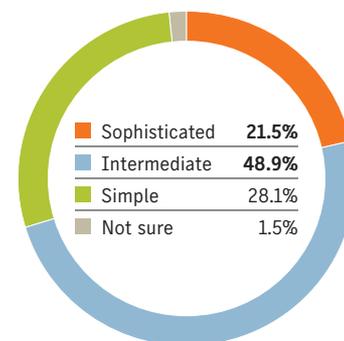
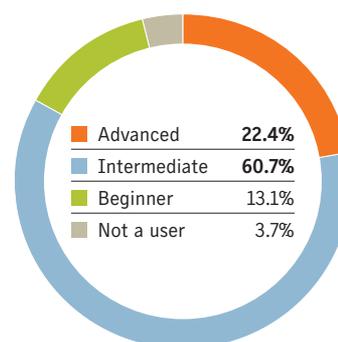
The survey found that over 60% of respondents identify themselves as moderate or heavy users of RMIS technology, up from about half of respondents last year.

	2023	2022	2021
Heavy user	16.2%	16.7%	13.1%
Moderate	45.6%	34.6%	36.4%
Light	18.4%	30.2%	29.0%
Not a user	19.9%	18.5%	21.5%



More than half of respondents' systems are customized, and 21.3% still rely on spreadsheets.

70.4% of respondents described their organization's RMIS system as intermediate or sophisticated.



Of those whose companies use RMIS technology, 83.1% described themselves as intermediate or advanced users.

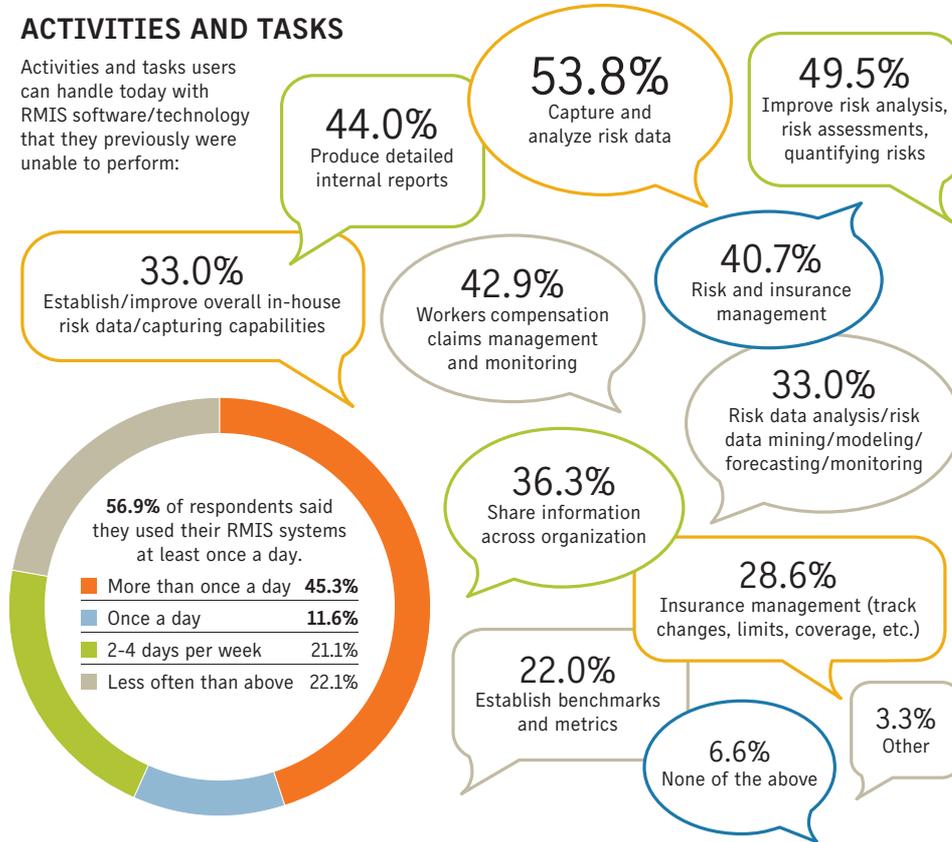
The average time companies have been using RMIS technology is 9.3 years.

More than 15 years	15.2%
10-15 years	20.2%
6-9 years	27.3%
3-5 years	24.2%
1-2 years	9.1%
Less than a year	3.0%
Not sure	1.0%



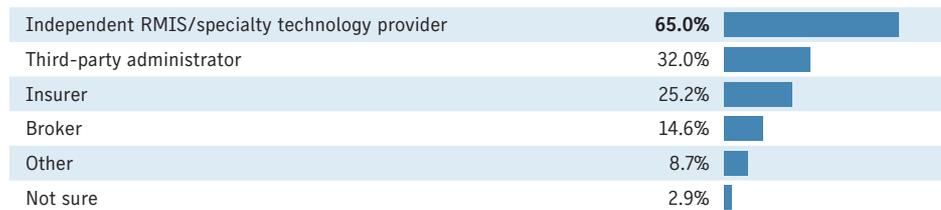
ACTIVITIES AND TASKS

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



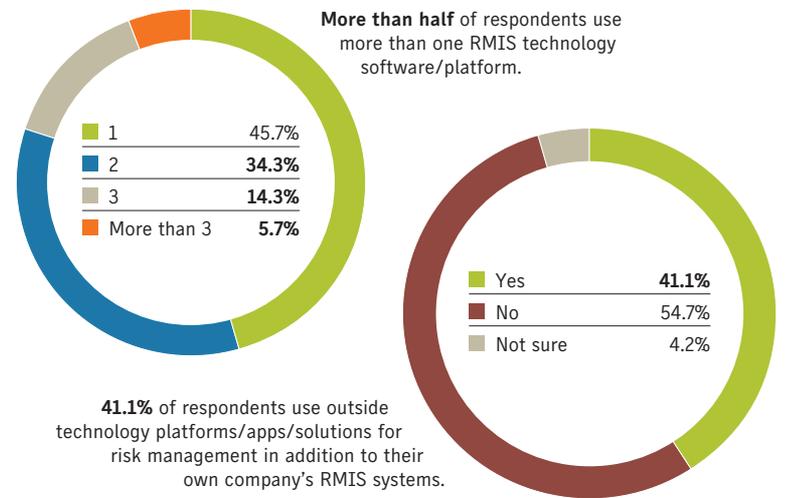
RMIS PROVIDERS

Of those using RMIS, **65%** use technology software/platform from an independent RMIS or specialty technology provider.



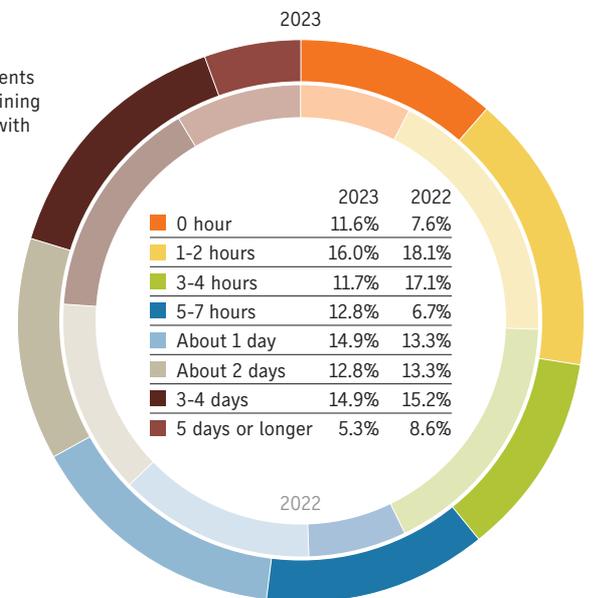
Solutions from Origami Risk LLC is the top RMIS used among survey respondents at **23.8%**, while **10.9%** use their own in-house systems.

Provider	Percent using
Origami Risk LLC	23.8%
Riskconnect Inc's Riskconnect ClearSight	18.8%
Gallagher Bassett Services Inc.'s Luminos	11.9%
Proprietary system developed in-house	10.9%
WTW's Intelligence Central	8.9%
CorVel Corp.'s CareMC Edge or Cogency IQ	7.9%
Zurich Insurance Group Ltd.'s RiskIntelligence	7.9%
American International Group Inc.'s IntelliRisk	6.9%
Sedgwick Claims Management Services Inc.'s viaONE	6.9%
The Travelers Cos. Inc.'s eCARMA	6.9%
ESIS Inc.'s Global RiskAdvantage	5.9%
Ventiv Technology Inc.'s RiskConsole	5.0%
RiskTrak International's RiskTrak	5.0%
Helsmann Management Services LLC's RISKTRAC	3.0%
CCMSI Holdings Inc.'s iCE	2.0%
The Hartford's TREO	2.0%
Crawford Risk Sciences Group Inc.'s/Broadspire's DMITRI	2.0%
Ebix Inc.'s RiskEnvision	2.0%
APP Technologies LLC's Cloud Claims and other solutions	1.0%
DXC Techonology Co.'s Assure Claims (formerly RISKMASTER)	1.0%
Insurity LLC's Sure Suites and other solutions	1.0%
Sedgwick Claims Management Services Inc.'s JURIS	1.0%
Other	14.9%
None of the above	12.9%



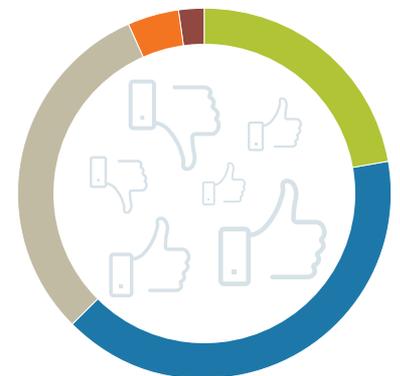
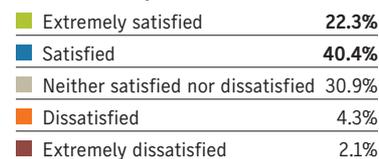
TRAINING

On average, respondents spent **13.5 hours** training in RMIS, compared with **16.3 hours** last year.

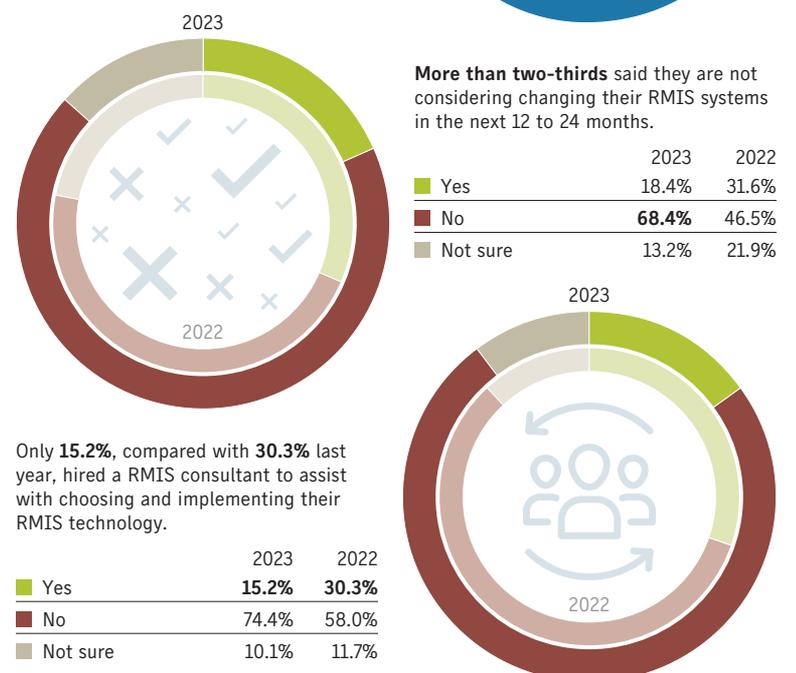


LEVEL OF SATISFACTION

62.7% of survey respondents are either extremely satisfied or satisfied with their current RMIS systems.



More than two-thirds said they are not considering changing their RMIS systems in the next 12 to 24 months.



AI complements risk management

Technological progress has a habit of quickly but often unobtrusively changing the way we live and work. We all know that systems and devices usually work better than they used to, but we can't always put our finger on when or why they improved.

The benefits of some inventions, though, such as cellphones or, for those of us studying math in the 1970s, the pocket calculator, are much more immediately noticeable. Other developments are even more apparent.

I remember being surprised and delighted in the mid-1990s when I logged on to a PC I shared with a colleague to search the internet for the first time. Calling up The New York Times' then recently created webpage — even though I'd already read the paper copy earlier in the morning — it was clear that something had changed, and it would have far-reaching consequences for the industry I worked in and many others.

The internet was not new, of course, but its accessibility had become much wider, and that would change our lives.

Playing around with ChatGPT over the past few weeks, I get a somewhat similar feeling. Like the internet, artificial intelligence is not new. According to ChatGPT and good old-fashioned Google, the term was coined in the mid 1950s — although they differ on the exact date.



Gavin Souter
EDITOR

But the recent public launch of the large language model by the research group OpenAI has allowed those who are interested to log in and try out AI for themselves. The result has been the rapid creation of numerous poems of questionable quality and lots of comments about the mistakes that ChatGPT makes, even though days or weeks later it corrects many of those mistakes as it continues to “learn.”

Regardless of the current shortcomings, it is clearly a powerful tool that, as it is developed and

develops itself, has the potential to reshape numerous tasks and jobs.

As we report on page 27, the insurance industry is no stranger to AI, with chatbots and other applications being used to deal with some customer inquiries, gather underwriting information and in the claims process. The more expansive capabilities of tools like ChatGPT, though, could open the sector to far more automation.

You don't have to be a technology expert to see how it could potentially be used for tasks like generating creative ideas, streamlining complex processes and taking over mundane tasks.

There are potential downsides, too, including increased liability if AI is employed without appropriate controls, and coming up with those controls will undoubtedly involve some trial and error.

So, for the foreseeable future at least, the task of analyzing, mitigating and transferring complex commercial risks looks more likely to be enhanced by AI rather than being replaced by the technology. Unless ChatGPT knows better.



NUMBER OF AI PATENT FILINGS (2010-21)

The number of patents filed in 2021 was more than 30 times higher than in 2015, showing a compound annual growth rate of 76.9%.



Source: Center for Security and Emerging Technology

VIEWPOINT

Schools face new exposures

BY CLAIRE WILKINSON

cwilkinson@businessinsurance.com

It's not an easy job being an educator or employer at any school or higher education institution these days. After navigating the COVID-19 pandemic and the associated liability risks of mask and vaccination mandates, as well as online instruction, schools of all sizes and in many states have been dealing with a slew of legislative activity that appears to be aimed at exactly what schools are meant to be in the business of doing: teaching.

The bills run the gamut and take aim at public K-12 schools, colleges and universities. Some would prohibit schools from using or making available books or instructional materials on topics such as race or sex. Others would restrict discussion or instruction of race, gender identity and sexual orientation in classrooms, while others would prohibit or limit health, social-emotional learning and diversity, equity and inclusion curriculums. One bill in Florida would go so far as to prohibit discussion of menstruation in elementary schools.

While certain conservative-leaning states appear to be ground zero for legislators' attempts to censor educators from broaching allegedly controversial topics, the extent of the efforts is in fact much greater. A total of 41 states have introduced 193 bills to limit what schools can teach and discuss on topics such as race, gender identity and sex since January 2021, according to PEN America, a writers organization. Many of the bills feature extreme penalties such as levying fines, cutting state financial support, and professional discipline up to and including termination. Some include a private right of action for students, teachers and administrators who believe they have experienced discrimination. To date, 19 states have orders in force restricting teaching or training

through law, policy or executive order.

It's hard to see how this wave of attention from lawmakers could be anything other than distracting for educators, not to mention disruptive to students and school operations. And the developments are more than political and cultural; they create significant liability and risk management concerns for educational institutions. United Educators Insurance, a reciprocal risk retention group, surveys its members annually and asks them to rank risks. The latest findings from two surveys published in December found college and K-12 school leaders anticipated a heightened risk environment in part due to political and cultural influences in the coming months.

External pressures — risks related to societal forces beyond an educational institution's control, including economic, political and cultural influences — ranked among the top 10 risks after a two-year absence, cited by some 22% of college leaders and 29% of K-12 school leaders. The same polls identified political climate and adversarial regulation among newly emerging or evolving risks that higher education and K-12 school leaders think will become more urgent over the next few years. They also identified “staff unavailability, burnout or turnover” as their biggest risk management challenge.

Public entity risk managers have been challenged by rising litigation from ransomware attacks, sexual abuse and molestation claims, law enforcement cases and claims from mass shooting incidents. As the liability exposures have expanded, so insurance markets have hardened, bringing rate increases and capacity restrictions. Even if they wanted to, individual risk managers can't do much to reverse political tides, so they will need to reach deep into their toolkits if they are to better understand these threats and successfully mitigate their impact.

Special purpose acquisition companies: A closer look at recent lawsuits



Joy Schwartzman and Anthony Pinello are consulting actuaries with Milliman Inc. Ms. Schwartzman can be reached at joy.schwartzman@milliman.com, and Mr. Pinello can be reached at anthony.pinello@milliman.com.

In the early days of the COVID-19 pandemic, investors were drawn to special purpose acquisition companies. As these vehicles seemed to offer a faster, more certain valuation for private companies to go public — the “targets” in the deals — the SPAC initial public offering trend increased significantly in 2020 and 2021.

SPACs are companies with a limited life span established solely to effect a merger. Also known as “blank check” companies, they attracted investors looking to more easily tap capital markets to invest in potentially high-growth ventures. In 2021, though, the values of several companies that went public via SPACs declined after they failed to meet their growth projections, among other things, and the market cooled.

But just as the traditional IPO process raises the prospect of a new risk to the newly public company and associated federal securities litigation brought by its investors, the same is true for SPAC-related IPOs. As each suit is likely to be accompanied by a claim submitted to the SPAC’s directors and officers liability insurer, these investment vehicles represent significant exposure for both SPAC investors and D&O insurers.

Here we look at the types of allegations likely to arise and some recent examples.

SPAC-related litigation

At the end of last year, 393 SPAC merger transactions, or de-SPACs, had closed since 2019. During that period there were 64 federal SPAC lawsuits, equating to a litigation rate of 16%. An annual breakdown of the litigation frequency reveals a sharp upward trajectory: 8% for 2019-2020, 17% in 2021, and 24% in 2022.

The litigation rate will continue to rise as there is an average nine-month lag between the de-SPAC transaction and the litigation filing date. Accordingly, additional litigation relating to these 393 SPAC mergers is expected to continue this year and possibly beyond.

Allegations in recent suits

The allegations in the 64 federal SPAC lawsuits include the following:

- Violations of Sections 10b, 11 and 14 of securities regulations: Allegations relating to a) fraud; b) holding officers accountable for untrue statements of fact or material omissions within registration statements relating to the initial SPAC formation or the de-SPAC; and c) allegations that investors were not fully informed when asked to vote their shares.

- Breach of fiduciary duty: Allegations the SPAC structure creates an inherent conflict of interest between the SPAC sponsor and its board with the SPAC’s investors.
- Allegations that the offering documents contained untrue statements of fact and that the SPAC sponsors made false or misleading statements with inadequate disclosures relating to the risks faced by the target.
- Shareholder derivative lawsuits: Allegations relating to harm to the SPAC from false statements made by its directors and officers and serious breaches of fiduciary duties.



There was a notable development relating to SPAC lawsuits in January when the Delaware Chancery Court denied a motion to dismiss filed by the defendants in a class action alleging the directors and sponsors of a SPAC breached their fiduciary duties to the SPAC shareholders. This is an indication that lawsuits of this nature will move forward.

Struggle to find merger targets

Additional litigation may stem from SPACs looking for merger partners.

A SPAC has 24 months to find a merger target; if it does not, the sponsors must liquidate it and return the funds to investors. When liquidation occurs, the SPAC sponsors potentially lose their initial investments. Thus, the demand for a SPAC merger partner may be furious as that 24-month deadline approaches, as the absence of a target can lead to material financial consequences for the SPAC sponsors.

Accordingly, some SPACs may feel pressure to do whatever they have to do to complete a merger transaction. Mergers completed primarily to avoid the potential financial consequences of liquidation without a comprehensive due diligence process may expose the

SPAC to litigation.

According to The Wall Street Journal, 280 SPACs faced deadlines in the first quarter of this year. Quoting industry analysts, the article noted that “many SPACs will likely liquidate.” The poor performance of many de-SPACs post-merger has made it difficult for SPAC sponsors and merger target executives “to convince companies to merge with SPACs,” the article said.

Further, in 2022 at least two lawsuits were brought against SPAC sponsors relating to their liquidation plans. In one case, SPAC investors filed a lawsuit disputing the manner in which the SPAC’s directors and officers intended to deal with a financial asset of the SPAC in connection with the liquidation.

Legal and regulatory scrutiny

The U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the U.S. Department of Justice are likely to continue to focus on the SPAC market. In 2021, they brought several enforcement and investigative actions against SPACs, SPAC sponsors and targets’ directors and officers.

These are not trivial actions. In December 2021, the SEC announced that Nikola Corp., a publicly traded company created through a SPAC transaction, agreed to pay \$125 million to settle charges that it had defrauded investors by misleading them about its products, technical advancements and commercial prospects.

In March 2022, the SEC issued proposed rules protecting SPAC investors, which could make it easier for investors to be awarded damages and thereby increasing the number of federal lawsuits against SPAC sponsors.

The path ahead

The surge of SPAC-related lawsuits and enhanced regulation materially detract from the appeal of a SPAC as an investment vehicle.

Further, with the recent Delaware Superior Court ruling that a SPAC’s post-merger runoff policy provides coverage for the defense fees of former directors of the premerger target for alleged wrongful acts, the courts have interpreted D&O insurance coverage well beyond what was intended when the policies were priced.

Accordingly, as SPACs lose favor with investors, filing and resolution of SPAC-related claims and associated D&O liability coverage will be here for years to come.

Berkley offers enhanced professional liability cover

■ A W.R. Berkley Corp. unit said it is offering broader middle-market professional liability coverage.

Berkley Select's coverage enhancements includes coverage for losses associated with social engineering acts, a withheld fee assistant endorsement of up to \$25,000 to cover unpaid legal fees, and a partner departure extended reporting period for law firm mergers and acquisitions.

Berkley Select has also enhanced its risk management services to include risk assessments for individual law firms, the insurer said.

The program offers up to \$5 million in limits, according to a spokeswoman.

Selective Insurance unveils ergonomic tool

■ Selective Insurance Group Inc. has introduced an ergonomic risk assessment tool for customers that it says will help decrease workers compensation claims.

The tool, developed by San Mateo, California-based TuMeke Ergonomics, is being made available to workers comp insurance policyholders of Branchville, New Jersey-based Selective Insurance.

The tool enables employers to use a smartphone to record workers during task completion to try to identify high-risk body positions and motions that could lead to injuries, with the ultimate goal being to reduce comp claims.

The artificial intelligence software works by reviewing job-site camera footage and building out a 3D model of the human body moving through space.

Customers of the insurer using the tool receive a report that contains findings and suggestions of ways to reduce worksite musculoskeletal pain and injury risks.

The insurer said the tool will help companies identify hazardous employee behaviors, primarily in labor-intensive industries.

According to Selective Insurance, musculoskeletal injuries can account for about 30% of a company's workers comp costs.

It said the risk assessment tool is available at no cost to its comp policyholders.

Westfield introduces management liability suite

■ Westfield Specialty, a unit of Westfield Insurance Co., launched a suite of management liability coverages for public, private and nonprofit organizations.

Coverage is available on an admitted



CompScience teams with comp insurers on cover

■ CompScience Insurance Services, a San Francisco-based insurtech company, announced a managing general agent agreement with Nationwide Mutual Insurance Co. and Swiss Re Ltd. to underwrite, bind and service workers compensation policies.

The company uses predictive analytics and artificial intelligence to detect workers comp risks.

Its Intelligent Safety Platform product analyzes existing workplace video with proprietary computer vision models built to detect more than 50 behavioral and environmental hazards, according to a statement.

CompScience then provides information and tools designed to reduce workers comp risks while providing a quote for coverage, according to the company's website.

CompScience is accepting submissions in 10 states, and the coverage is expected to be rolled out nationally over the remainder of the year, the statement said.

and surplus lines basis, and includes public company primary directors and officers liability, lead side-A difference in conditions, excess liability and primary fiduciary liability.

Up to \$25 million in limits is available for each coverage, a Westfield spokeswoman said.

An employment practices liability coverage, a private/nonprofit policy including D&O, and an employment practices, fiduciary and crime coverage are in the works, Westfield said.

Launched in July 2021, Westfield Specialty is led by Jack Kuhn, former CEO of global insurance at Sompo International Holdings Ltd.

LineSlip adding real estate offering

■ LineSlip Solutions Inc. is adding a real estate offering to its platform.

The tool will allow corporate risk managers, real estate professionals and brokers to see insurance coverage and premium allocation at the location level, LineSlip said in a statement.

The real estate extension will also provide the ability to track the severity of natural events in real-time to better assess and mitigate potential losses. In addition to viewing all properties on a map, users will be able to add third-party weather data.

The tool also tracks mid-term program adjustments and significant portfolio changes, such as acquisitions and dispositions.

Lockton launches comp consulting framework

■ Lockton Cos. LLC introduced a workers compensation consulting framework that the Kansas City, Missouri-based broker says will aid employers in addressing comp risks.

Lockton 360 combines a suite of analytics with risk control consulting services to help companies identify, diagnose and formulate plans for cost reduction, the brokerage said.

The analytics suite includes both program-level models and more granular claim models.

The primary claims analysis, called Lockton Insight, highlights specific drivers of historical frequency and severity in comp and compares a company's outcomes with those of a customized industry peer group.

Metrics assessed include geography, loss cause, litigation rates and closure rates.

Predictive modeling is also targeted at the micro level, Lockton said, while actuarial loss projections, stratification and collateral assessment can help offer a macro-level of understanding of a client's comp insurance program and where comp fits within their total risk cost.

Embroker unveils malpractice, cyber bundle

■ Digital insurance broker Embroker Inc. introduced a malpractice and cyber bundle for law firms.

The program, offered on the One by Embroker platform, offers lawyers professional liability coverage beginning with \$100,000 per claim/\$300,000 aggregate, with up to \$5 million per claim/aggregate, according to a spokeswoman.

The cyber limit is \$100,000, but it's expected to increase to \$1 million in the next few months.

DEALS & MOVES

Harford Mutual, comp specialty insurer to merge

Harford Mutual Insurance Group said monoline workers compensation insurer ClearPath Mutual Insurance Co. would merge into the larger property/casualty insurer.

Terms of the deal were not disclosed.

Louisville, Kentucky-based ClearPath, which until 2018 was known as the Kentucky Workers' Compensation Fund, or KESA, offers coverage in Georgia, Indiana, Kentucky, Tennessee and West Virginia. It operates through independent agents and relationships with local chambers of commerce and other associations.

Burns & Wilcox to buy Louisiana MGA

Burns & Wilcox Ltd. signed a definitive agreement to acquire McIntyre & Associates, a managing general agent based in Ruston, Louisiana.

Terms of the transaction, expected to close early in the second quarter, were not disclosed.

Among McIntyre & Associates' specializations are contractors, lessors risk, restaurants, and special events and commercial packages, a Burns & Wilcox statement said.

Gallagher purchases entertainment broker

Arthur J. Gallagher & Co. has acquired Nashville, Tennessee-based specialty entertainment broker ABBM Co. LLC, which does business as Anderson Benson.

Terms of the deal were not disclosed.

Founded in 2012, Anderson Benson provides insurance, risk management and loss control expertise to hospitality, construction, and transportation businesses and to private clients in the U.S., in addition to the entertainment sector.

Hub acquires commercial broker

Hub International Ltd. has acquired Dwight W. Andrus Insurance Inc., Dwight Andrus & Richard Insurance Inc., and DAI Shreve LLC, known as Dwight Andrus Insurance.

Terms of the deal were not disclosed.

Dwight Andrus Insurance is headquartered in Lafayette, Louisiana, with six additional locations in the state and a total of 130 employees. It provides commercial insurance, surety and bonding, captive and alternative risk insurance, personal insurance and employee benefits.



“The biggest issue currently facing the financial lines business is that the field of insurers willing to provide coverage is too broad. This has led to unrealistic and unsustainable competition.”

UP CLOSE

Jarrod Schlesinger

NEW JOB TITLE: New York-based regional head of financial lines-North America, Allianz Global Corporate & Specialty SE.

PREVIOUS POSITION: New York-based chief operating officer and executive vice president-North America financial lines, Chubb Ltd.

OUTLOOK FOR THE INDUSTRY: As it relates to financial lines, we are in a transitioning market after roughly four years of a hard market. New entrants into the sector, coupled with a slowdown of securities class-action litigation, are fueling these changes. I believe the length of this market cycle will be compressed, as the market will need to self-correct, and the strongest will not only survive but thrive.

GOALS FOR YOUR NEW POSITION: To best utilize Allianz’s truly global platform to provide the best financial lines insurance products, services and claims handling for our clients in North America and across regions.

CHALLENGES FACING THE INDUSTRY: The biggest issue currently facing the financial lines business is that the field of insurers willing to provide coverage is too broad. This has led to unrealistic and unsustainable competition. In addition, as is the case in many industries in this economic environment, the ability to hire and retain talent is a major concern in the insurance sector.

FIRST EXPERIENCE: I came to insurance as my third career. After law school, I worked as an attorney practicing in the corporate, real estate, litigation and construction areas. I was then employed by the financial institutions group for an investment bank. During this time, much of my focus was on insurance companies, and so I decided to make the move over to the insurer side. I began my insurance career with the financial institutions group at American International Group Inc.

ADVICE FOR A NEWCOMER: Become a student of the business. Learn the forms and understand the coverage. Keep up on the news and court decisions relating to our industry. Ask questions of those around you to better understand the nuances of the business. Engage during underwriting meetings to best understand the risk you are looking at.

DREAM JOB: Fifth grade math teacher or general manager for the New York Yankees. It’s a toss-up.

LOOKING FORWARD TO: Building out a well-balanced, profitable North American financial lines underwriting business utilizing the global backbone and resources of Allianz. I also look forward to meeting and working with my Allianz colleagues in various countries and regions.

COLLEGE MAJOR: Economics. I also have a law degree and an MBA in finance.

FAVORITE MEAL: Homemade smoked brisket with all the sides.

FAVORITE BOOK: “Outliers,” by Malcolm Gladwell, and anything by Nelson DeMille.

HOBBIES: Travel, baseball and cooking.

FAVORITE TV SHOWS: “Ted Lasso,” “Entourage” and “Jeopardy.”

ON A SATURDAY AFTERNOON: Go on long hikes with my wife and my dog.



Allianz Global Corporate & Specialty SE named New York-based **Tracy Ryan** chief regions and markets officer. She succeeded William Scaldaferrri, who has left Allianz SE. Ms.

Ryan also took on Mr. Scaldaferrri’s role as president and CEO of Allianz Global Risks U.S. Insurance Co., AGCS’s main insurance unit. Previously, Ms. Ryan was president of global risk solutions, North America, at Liberty Mutual Insurance Co. She was named one of the 2014 *Business Insurance* Women to Watch.



QBE North America named **Michael Foley** president, commercial insurance, replacing Tom Fitzgerald, who left the insurer earlier this year.

Mr. Foley joined QBE from Berkshire Hathaway Specialty Insurance Co. last year.



Venbrook Group LLC named **Brenda Sherman** executive vice president of business development and strategic alliances. Previously, Ms. Sherman was chief underwriting

and innovation officer for Cardigan General Insurance Services, a unit of Venbrook.



Axa XL hired **John Liantonio**, a private-equity insurance specialist, from CNA Financial Corp. New York-based Mr. Liantonio will be head of mid-market private equity at the Axa SA unit. Previously, he

was an assistant vice president at CNA.



Zurich Resilience Solutions, a unit of Zurich Insurance Group Ltd., named **Lisa Leftwich** head of sustainability services. Ms. Leftwich most recently

served as director of value proposition for U.S. national accounts.



Michal Gnatek, former department head for enterprise risk management at Mitre Corp., joined Aon PLC as a producer and federal government contracting industry

leader. He is based in Washington.

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Mixing business with chuckles

Quirky gets the business, according to a British small business insurer that surveyed consumers and found that 64% of people would be more likely to notice a small or local business with a funny or witty business name.

Among the top names gathered by the insurer Simply Business, as reported by Walesonline.co.uk, are “Grout of this World, a tiler; “Sweeping Beauty,” a cleaning business; “It Started With A Stitch,” a craft and embroidery specialist; and “Herstorical Tours,” which provides theatrical walking tours of London in which women’s history is brought to life.

Cheese groups put squeeze on

Afederal appeals court has shredded the argument that gruyere cheese ought to be officially labeled and protected as “Gruyere” and should only be used on labels of cheese produced in the Gruyère region of Switzerland and France.

Swiss and French consortia filed an application with the U.S. Patent and Trademark Office to register “Gruyere” as a certification mark.

The U.S. Dairy Export Council, Atlanta Corp. and Intercibus Inc. opposed the certification mark because they say the term is generic and therefore ineligible for such protection, according to the decision filed in the 4th U.S. Circuit Court of Appeals in Richmond, Virginia.

A district court dismissed the case and in affirming, the appeals court compared the case to “a fine cheese” that has “matured and is ripe for our review.” Its ruling stated the consortia “cannot overcome what the record makes clear: U.S. cheese consumers understand ‘Gruyere’ to refer to a type of cheese, which renders the term generic.”



NO HORSING AROUND IN LAWSUIT OVER DONKEY PRODUCTS



Is donkey meat the same as horse meat?

Of course, of course, claims a lawsuit filed by the Center for Contemporary Equine Studies, a nonprofit organization, against Amazon Inc., which the nonprofit is accusing of selling products that contain donkey meat.

Unlike horse meat products, selling donkey products is not illegal in California, where the complaint was filed. However, the organization claims that donkeys are in the same “Equidae” family as horses, according to thetakeout.com.

The food news site had its take on the case: “This argument may not hold up in court, since the specific prohibition being cited in the legal complaint does not clearly define what is considered ‘horse’ meat.”

Meanwhile, the news site WIRED.com investigated, finding at least 15 edible items on Amazon that contained donkey, with four of them being directly distributed by Amazon. Reporters then ordered the products to see if Amazon would prevent the sale to a California address and the sale went through “without an issue,” according to thetakeout.com, which says the issue will be left up to a judge.”

Sniffing out funny pet names

There’s no shortage of quirky pet names, and as proof Figo Pet Insurance is using TikTok to not only market its products but to give pet lovers something to smile about.

In a series that began airing on the social media platform earlier this year, gaining millions of views, names such as Car Seat French Fry, Mr. Ugly and Lotion were gaining recognition as among the funniest and most bizarre pet names in the insurer’s database, the Pet news site DailyPaws.com reported.

Among other favorites, selected by DailyPaw.com, are Detective Johan Von Gohan, Big Dave, Goblin King, Guts, Long Division, Big Head, Louis the XIV the Dancing King of France, Tate R. Tot, Duck Muscles and Soup.



Fly in the face of honest advertising

Looks like it will be up to the judge whether this lawsuit has wings. A Chicago man has filed a lawsuit against the chicken wing chain Buffalo Wild Wings for false advertising, saying the boneless wings are overpriced non-wings that are essentially chicken nuggets.

Aimen Halim is alleging that the boneless wings are just “slices of chicken breast meat deep-fried like wings,” and that customers would either pay less for the boneless wings or not purchase them if they knew what the product was made of, Fox News reported.

This “case of false advertising should not be permitted, as consumers should be able to rely on the plain meaning of a product’s name and receive what they are promised,” according to the complaint.

In response, Buffalo Wild Wings appears to be going wild with the allegations: “It’s true,” the restaurant chain tweeted. “Our boneless wings are all white meat chicken. Our hamburgers contain no ham. Our buffalo wings are 0% buffalo.”

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