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## COVER STORY

Cyberattacks are a growing concern for organizations of all sizes, especially along their supply chains. Insurers are meeting the demand for protection by providing contingent business interruption coverage within cyber policies, sometimes for higher rates. But such risks create underwriting challenges for insurers, particularly regarding risk aggregation. **PAGE 18**

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## 2<sup>ND</sup> ANNUAL U.S. INSURANCE AWARDS

*Business Insurance* profiles the winners of its 2019 U.S. Insurance Awards, which recognize teams of industry professionals in 15 categories. And Martin P. Hughes is featured as this year's Crain Lifetime Achievement Award honoree. **PAGE 30**

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Catastrophe insurers are grappling with how to better quantify and manage wildfire risk. **PAGE 4**

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### ILYA BODNER

Ilya Bodner is CEO of Bold Penguin Inc., which aims to reduce the time from quote to bind in the small and midsize commercial insurance sector. The company is looking to expand its excess and surplus lines business next. In this issue, Mr. Bodner discusses opportunities for insurtech to make insurance more efficient and his future goals. **PAGE 16**



### OFF BEAT

No good deed goes unpunished: A Verizon worker finds himself in the doghouse after cat rescue. **PAGE 45**



## Industry wakes to rising wildfire risk

BY CLAIRE WILKINSON

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Catastrophe modelers and insurers are grappling with how to better quantify and manage the financial impact of wildfire risk following record levels of insured losses from wildfires during the past two years.

Modelers have historically focused on other natural catastrophes, such as hurricanes and earthquakes, but the growing losses from wildfires in California and western Canada are causing the industry to pay increased attention to modeling the risk — an effort complicated by the unique characteristics of wildfires, experts say.

The more than \$25 billion in insured losses from U.S. wildfires in 2017 and 2018 is “off the charts” in terms of actual paid losses and property damage compared with prior years, causing a “shock to the system,” said Steve Bowen, director and meteorologist for Aon PLC’s Impact Forecasting unit in Chicago. “It has caused a reevaluation of wildfire risk,” he said.

The historic focus on other natural catastrophes means that wildfire risk modeling has lagged other perils, but wildfire models “have started to become more available now as the industry is starting to figure out how to quantify and better assess the risk,” said Balz Grollmund, head of treaty underwriting, Canada for Swiss Re Ltd., based in Toronto.

Wildfire risk was previously considered a secondary concern, and often was not modeled but treated as an “attritional loss that ate around the edges,” said Chris Folkman, senior director of product management at Risk Management Solutions Inc. in Newark, California.

“Wildfire is now going to be treated with the same kind of rigor and analytics and models as similar comparable perils,” he said.

“Insurers and reinsurers tend to have very well-formed views of hurricane risk, having studied it closely for around 30 years. Hurricane Andrew was the big wake-up call for them in 1992. For wildfire, the wake-up call is now,” Mr. Folkman said.

But wildfires have complex and unique char-



The Camp Fire in Paradise, California, in November 2018, was one of several recent wildfires that caused significant losses to insurers.

REUTERS

acteristics that make the peril more difficult to model than other catastrophes, experts say.

The human factor to wildfires presents a challenge, according to Tammy Vigato, senior scientist at Boston-based AIR Worldwide. “Humans are responsible for 85% of all ignitions,” she said.

There are many different parameters to wildfires, according to Mr. Bowen. Embers, for example, can fly and land on roofs that may not be immediately within the fire perimeter and cause damage, and shifts in wind direction can “happen on a dime” and change the direction of the fires.

“There’s a lot of uncertainty surrounding the hazard itself. That alone creates a significant challenge for modelers that are trying to replicate these events,” he said.

Wildfire risk is also influenced by various changes in the climate which add to the complexity for modelers, experts say.

Warmer temperatures are creating drier surface conditions and increasing the risk of wildfire outbreaks, and drought, and hot and dry conditions have also weakened the resistance of trees to insect infestations that create additional fuel for future fires, Swiss Re said in a recent report.

The weather, climate and environmental conditions that make a certain property or a certain area wildfire-exposed change from season to season and year to year. “That’s an added level of difficulty that other perils don’t have,” Mr. Grollmund said.

“If we build a wildfire model today it’s good to have an idea of how the risk might change going forward, so what’s the signature of climate change on the current wildfire hazard and how do we anticipate that changing going forward?” he said.

For property/casualty insurers, climate change means that historical wildfire data may not have much relevance to what is happening today, said Greg Williams, senior director, at ratings agency A.M. Best Co. Inc. in Oldwick, New Jersey.

Given the difficulty insurers are having modeling such losses, some companies are taking actions to manage their wildfire exposures, either via rate increases or specific non-renewals or by purchasing more reinsurance, Mr. Williams said.

While some areas that burned during 2018 and 2017 were susceptible to wildfire, there were other areas that burned, which historically had not before, that perhaps were not coded as medium to high hazard risk, he said.

As a result, there has been “a renewed and increased focus on aggregation management” by insurers and they are taking a more granular look at their risks in certain areas, he said.

“Insurers are getting very detailed and instead of looking at a county or zip code area, they are maybe looking at a mile radius and their aggregation in that area,” he said.

Insurers and reinsurers need to keep their minds open to new tools for managing wildfire risk, said Mr. Grollmund.

“It’s important that we continue to recognize this is a very different peril and to keep our minds, eyes and ears open for whatever additional technologies we can leverage to better quantify and understand the risk,” he said.

## MANAGING LAND CAN MITIGATE EXPOSURE

The growing number of people living in areas where urban development meets wildlands and rising insured losses from wildfires have led to increased awareness and focus on risk management, industry experts say.

“This is about risk management, it’s not necessarily about modeling,” said Kaj Ahlmann, former CEO of General Electric Co.’s Employers Reinsurance Corp. division and co-owner of the 4,300-acre Six Sigma Ranch and Vineyards in Lake County, California.

Managing the risks on a ranch that is five times the size of New York City’s Central Park is a “massive task,” but natural processes such as having cattle graze on the land can prevent wildfires, he said.

“You can’t stop a hurricane, but you can stop the wildfire if you take care of the land,” Mr. Ahlmann said.

Insurers are seeing large wildfire losses because “there is 40% more exposure in the dangerous wildland urban interface than there was 25 to 30 years ago,” said Chris Folkman, senior director of product management at Newark, California-based Risk Management Solutions Inc.

“More exposure equals bigger losses,” he said.

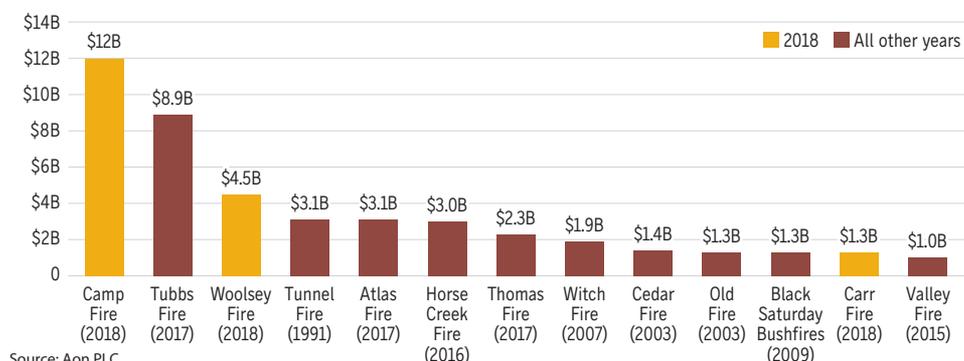
Whether the defensible space around the perimeter of a structure is 10 feet or 30 feet out and how much vegetation has been cleared makes a big difference in the probability that a house will ignite, he said.

“These characteristics put a structure at very specific levels of susceptibility to catching fire that are not necessarily considered by other perils,” he said.

Claire Wilkinson

### HISTORICAL BILLION-DOLLAR INSURED LOSS WILDFIRE EVENTS

Wildfire risk, until recently considered a secondary natural disaster concern, has caught the attention of insurers and catastrophe modelers after the outsized insured losses of the 2017/2018 wildfire seasons.



Source: Aon PLC

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## Hairstyles cut careers short; NYC responds

BY GLORIA GONZALEZ

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New York City is taking aim at both blatant and subtle racial discrimination based on natural hairstyles such as braids and cornrows that are common in the African-American community.

The city's move is expected to spread to other jurisdictions across the United States, and employers would be wise to take the opportunity now to review their grooming and appearance policies and handbooks to ensure they are not facially discriminatory or applied in a discriminatory manner, experts say.

In February, the New York City Commission on Human Rights became the first U.S. agency to issue legal enforcement guidance outlining that appearance and grooming policies that ban natural hair or hairstyle are unlawful discriminatory treatment under the New York City Human Rights Law. The guidance states that employers and providers of public accommodation such as fitness clubs and schools cannot force black people to change their natural hair as a requirement to be admitted in or retain affiliation or employment.

Such discrimination has occurred against individuals of other racial, religious, gender and disability communities, and the protections extend to them as well, but the commission intentionally focused on black communities "because they're disproportionately impacted," said Gurjot Kaur, agency attorney, law enforcement bureau for the commission. The guidance "affirmatively makes this connection ... that when an employer refuses to let a black person have hairstyles that are closely affiliated with their culture and racial identity, it's a form of race discrimination," she said.

The guidance is "aimed at eliminating blatant discrimination, which we don't see a lot of, but also eliminating the latent discrimination, which might fall into the disparate impact stage where you have a policy that is neutral on its face, it does



### STYLING RIGHTS

The New York City Commission on Human Rights is investigating seven cases involving discrimination based on natural hair or hairstyle, including:

- black employees being forced to wear their braided hair up when employees of other ethnicities were allowed to wear their long hairstyles down
- black employees being fired for wearing natural hair down
- black employees being told that locs — a term used to replace the name dreadlocks, which has negative connotations dating back to slavery — are unacceptable and unclean and being forced to change hair as a condition of employment.

Source: New York City Commission on Human Rights

not seek to discriminate against those with natural hair and definitely not African Americans, but in its practice it might be discriminating against them," said Loren Lee Forrest Jr., a New York-based partner with Holland & Knight LLP's labor, employment and benefits group.

Grooming or appearance policies are relatively common in certain industries such as service and hospitality, experts say.

"For those companies that have appearance or grooming policies, they need to

make sure they're looking at them right away," said Wendy Johnson Lario, chair of the New Jersey labor and employment practice and a shareholder with Greenberg Traurig LLP in Florham Park, New Jersey. "If there's anything that facially violates this (guidance) ... they need to be withdrawing those policies. For (policies) that refer generally to neat appearance or professional appearance, they need to make sure that the enforcement of those policies does not violate New York City law and amend those policies to ensure there is a disclaimer so employees know that they can request accommodation and exceptions to those policies if they have a racial or cultural or religious or disability-related reason for their hairstyle."

There is an exception if there is a legitimate health or safety concern, but alternatives must be offered, such as hair nets for food service employees, Ms. Kaur said.

"Unless there is a safety or a business-based reason why you are dictating to your employees the way in which they appear ... it might be wise to do away with that policy if it's not necessary because of the increasing risk," said Kelly Thoenig, Richmond, Virginia-based U.S. employment practices liability product

leader for Marsh LLC. "It's the first, it's the broadest, but it might just be the tip of the iceberg in terms of other types of guidance and ordinances and laws that we see other states pass."

In January, a bill was introduced to amend the California Fair Employment and Housing Act, which makes it illegal to engage in discriminatory employment practices, to specify that the definition of race includes traits historically associated with race such as hair texture.

"New York and California usually are the first, and then it hits the other states," said Lori Bauer, New York office managing principal for Jackson Lewis P.C. "I wouldn't be surprised to see it elsewhere."

The costs of fines, penalties or damages could start as low as \$1,000, but tend to rise very quickly, particularly if an employer fires an employee and is found liable for back pay or damages, Mr. Forrest said. However, the reputational damages can be even more costly, he said, citing the December 2018 incident in which a high school wrestler in New Jersey was forced to cut off his locs — a term used to replace the name dreadlocks, which has negative connotations — or risk forfeiting a match.

"Your good name as an employer could be lost very quickly in today's viral world," Mr. Forrest said.

Marsh clients have asked how such changes affect their employment practices liability and whether they need to change their insurance programs. "By and large, the answer is no," Ms. Thoenig said.

"I do think, given the attention that the New York City guidance has received in recent months, it is likely to drive future claims activity," Ms. Thoenig added. "I don't suspect this issue alone will give rise to a material increase in claims payments. Unless and until that does happen, I think (insurers are) not likely to pull back on coverage or put more restrictive terms on the policies because it's a new twist on a core peril that EPL policies are designed to respond to: discrimination."

### HAIRSTYLE-RELATED BIAS SUITS PROMPTED NEW YORK MEASURES

The New York City Commission on Human Rights felt compelled to stress to employers that city law prohibits them from discriminating against employees or potential employees based on their natural hairstyles after several employment-related incidents alleging racial discrimination.

In May 2010, Chastity Jones was offered a job as a customer service representative with Mobile, Alabama-based Catastrophe Management Solutions Inc., but the offer

was rescinded after she refused to remove her dreadlocks at the company's request. The U.S. Equal Employment Opportunity Commission sued on her behalf, claiming that a "prohibition of dreadlocks in the workplace constitutes race discrimination," according to *Equal Employment Opportunity Commission v. Catastrophe Management Solutions Inc.* But the U.S. District Court in Mobile dismissed the case, and a panel of the 11th U.S. Circuit Court of Appeals in Atlanta affirmed that decision in September

2016. "Unfortunately, the 11th Circuit let her down, and federal law has continuously not supported black communities in this regard, and they fail to see that these hairstyles are a protected racial characteristic," said Gurjot Kaur, agency attorney, law enforcement bureau for the commission.

Separately, former sales associate Destiny Tompkins sued The Gap Inc., Banana Republic Inc. and two employees for more than \$1 million in the Supreme Court of the State of New York, County of New

York, in New York in November 2017 after being told her braids were "too urban" or "unkempt" — seemingly facially neutral terms that were code words for "too black" or "too African-American" — and fired for refusing to remove them, according to *Tompkins v. The Gap Inc. et al.* The lawsuit was settled in February 2018. "Banana Republic has zero tolerance for discrimination," the company said in an emailed statement.

Gloria Gonzalez



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## Demand for political risk cover increasing

BY MATTHEW LERNER

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Rising global instability and increased investments in emerging markets is driving more demand for more political risk and trade credit insurance and capacity is growing, experts say.

Private equity investors — often newcomers to the political risk market — are supporting infrastructure projects in emerging economies and examining their insurance coverage options, they say.

“There is more and more interest from corporates and also new players like alternative capital players and investment firms,” said Rafael Docavo-Malvezzi, senior vice president and global head of risk, political risk credit and bond insurance for Axa XL, a unit of Axa SA.

Political risk and credit insurance can cover physical assets like a manufacturing facility or goods in storage or currency movements in the event of a loss due to political decisions or conditions.

“We’re definitely seeing an increase in inquiries and purchases of political risk insurance,” said John Minor, director of crisis management and political risk for Aon PLC in Chicago. “In terms of business, we’re actually placing into the marketplace, we’re growing very rapidly.”

“There certainly is increased demand,” said Nick Robinson, head of specialty in London with Neon Underwriting Ltd.



“There have been events in Latin America, the Middle East and Asia, and the former Soviet Union that have all had claims indications.”

Demand for coverage is driven by claims but also by “global uncertainty in emerging markets and companies’ desires to continue to invest in emerging markets,” Mr. Robinson said.

Inquiries have increased dramatically and coverage purchases have increased less so, but the process of buying political risk coverage can take years from first contact to binding, said Laura Burns, senior vice president and U.S. political risk product

leader, political and credit risk, in the financial solutions division of Willis Towers Watson PLC in Potomac, Maryland.

Willis Towers Watson has recently added a director of political risk analysis, Ms. Burns said, adding “We’re investing in this risk class.”

Increased emerging market infrastructure and other projects are helping to drive demand, sources said.

“There’s a lot of interest from capital markets and private players looking for yield in developing these longer-term emerging market opportunities,” Mr. Docavo-Malvezzi said.

“There’s definitely been a marked increase in emerging market infrastructure and construction,” said Marc Wagman, New York-based managing director in the credit and political risk practice group of Arthur J. Gallagher & Co. “There’s a lot more private equity money coming into this marketplace than was previously the case.”

Demand for coverage from traditional sectors, such as energy and mining, continues, but companies in the technology sector, such as data storage firms, are also looking at the coverage, Mr. Robinson said.

More inquiries for political risk insurance have come in volatile nations such as Turkey, where a rally was held in late April for newly elected Istanbul Mayor Ekrem İmamoğlu./REUTERS

“The cloud still has data hubs, which are physical sites located around the world. Those are asset classes where we’ve been seeing increased demand,” he said.

Demand also continues to build both from other geographies and exposures, sources said.

There has been an increase in inquiries for political risk insurance from both Turkey and Mexico, for example, with President Andres Manuel Lopez Obrador taking over in Mexico and “the uncertainty with the new government, as well as the complications of the U.S.-Mexico relationship,” Mr. Minor said.

Currency risk also remains a concern arising from international trade, Mr. Minor said. “I can’t tell you how many times I talk to a risk manager or a treasurer who has suffered a currency loss in a country like Egypt, Angola, Nigeria, Argentina.”

According to the Structured Credit and Political Risk Insurance Report and Market Update January 2019 from Arthur J. Gallagher, the U.K.-based international unit of Arthur J. Gallagher & Co., there is now \$3.13 billion of political trade risk capacity in the market compared with \$2.97 billion in capacity a year ago.

Hartford Financial Services Group Inc. joined the market in December 2018 with lines as high as \$100 million for political risk insurance.

“Along with that rising capacity has also come an increased willingness on the part of insurers to go farther out” in the number of years, or tenor, of coverage, Mr. Wagman said.

“There are a number of insurers that for sovereign risks will go out 12, 15, maybe even 20 years,” Mr. Wagman said, adding that the rising number of players at that level is more of a “recent development.”

### AVAILABLE MARKET CAPACITY — JANUARY 2019



Source: Arthur J. Gallagher & Co.

### POLITICAL TURMOIL DOESN'T ALWAYS LEAD TO INSURANCE CLAIMS

Political turmoil in countries like Venezuela and repressive policies in places like Brunei may be attention-grabbing but do not necessarily translate to claims scenarios for political risk insurance, experts say.

Events like those in Brunei, which recently proposed death by stoning for adultery, among other measures, “certainly raises the profile of the country from a risk perspective, but I’d say there is a separation between these events and the coverage our policies give,” said Nick

Robinson, head of specialty in London with Neon Underwriting Ltd.

Such countries instead tend to represent potential consequences or worst-case scenarios.

There is a steady stream of headlines about political instability from places like Venezuela “that bring home the very real prospect of political risk,” said John Minor, director of crisis management and political risk for Aon PLC in Chicago.

Venezuela, for instance, does not offer insurers much, if any, opportunity to deploy

political risk capacity.

“Venezuela, though headline news, is one that is more the exception than the rule in terms of risk pricing and committing any capacity,” said Rafael Docavo-Malvezzi, senior vice president and global head of risk, political risk credit and bond insurance for Axa XL, a unit of Axa SA.

Several sources used the analogy of providing property coverage for “a house already on fire” in describing why most political risk insurers won’t offer coverage for Venezuelan risks.

Legacy relationships between some energy companies in the Caribbean and Petróleos de Venezuela SA, the state owned oil company, and minority shareholdings that PDVSA has in some of those companies have reduced insurers’ appetites, said Marc Wagman, New York-based managing director in the credit and political risk practice group of Arthur J. Gallagher & Co. “Insurers are often reluctant to be seen underwriting entities which, though not sanctioned, may have shareholders which are.”

Matthew Lerner



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## Firefighter suicides prompt action

BY LOUISE ESOLA

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Efforts to provide presumptive death benefits to the families of first responders who take their own lives after being diagnosed with post-traumatic stress disorder are trending in at least two states.

New Mexico Gov. Michelle Lujan Grisham on April 2 signed H.B. 324, which applies to firefighters diagnosed with PTSD that “results in physical impairment, primary or secondary mental impairment or death,” according to the law that went into effect immediately.

Meanwhile, California lawmakers as of April 15 were considering S.B. 542, which would cover mental injuries on presumption for first responders with compensation that “would include full hospital, surgical, medical treatment, disability indemnity, and death benefits,” according to a draft of the bill.

Proponents hope such measures will spread to other states, said Adrienne Shilton, government affairs director for the Sacramento, California-based Steinberg Institute, an advocacy nonprofit that advocates for mental health and co-sponsored the California bill along with four other organizations.

“The alarming increase in the firefighter suicides is what brought us to this issue,” said Ms. Shilton. “We are looking for parity. There isn’t the same parity (between) the mental illnesses and the physical illness” for first responders who die from work-related causes.

She said she and other proponents expect a fight in passing such legislation.

Both New Mexico and California’s measures are “rebuttable,” meaning the cause of a post-traumatic stress diagnosis can be debated, as is the case with most if not all mental health claims in states that permit them, whether the cases stem from work-related stress, depression or anxiety, or a dangerous incident.

“Some of these mental claims are very, very hard to prove posthumously ... you would have to have a mountain of evidence,” said Jessie Zaylia, a Los Angeles-based lawyer who represents injured workers with the

“We are looking for parity. There isn’t the same parity (between) the mental illnesses and the physical illness” for first responders who die from work-related causes.

Adrienne Shilton, Steinberg Institute



### FIRST RESPONDER SUICIDES

- Police officers witness an average of 188 “critical incidents,” such as murders and accidents, during their careers.
- First responders commit suicide at a higher rate than the general population — firefighters: 18 per 100,000 people; police officers: 17 per 100,000 people; general population 13 per 100,000 people.
- In the United States, 3% to 5% of the 18,000 law enforcement agencies have suicide prevention training programs.

Source: Ruderman Family Foundation, 2018

firm Zaylia & Associates and who also spent eight years as partner for workers comp defense firm Hanna, Brophy, MacLean, McAleer & Jensen LLP. “That’s why so many psych claims are outright denied by the carriers,” leading to litigation.

Yet in cases of presumption, whether it’s a mental injury or suicide, the burden of proof “flips,” she said. “Instead of the injured workers’ family having to prove it, all they would have to have is the bare evidence” that the worker was a firefighter or police officer. The insurer, employer or self-insured business would then have the option of a rebuttal, according to the language in both California and New Mexico’s measures.

“It is very difficult for the defense to prove work was not the cause” in cases of presumption, Ms. Zaylia added.

“With presumption you’re starting off with one arm tied behind your back, but it’s defensible,” said Jeffrey Adelson, Newport Beach, California-based general counsel and co-managing partner at Adelson McLean, who represents employers.

New Mexico, in a fiscal impact report written earlier this year, noted that the new law would likely result “in the possibility of new cases being brought before the Workers’ Compensation Administration for dispute resolution proceedings.”

“Should an eligible firefighter who has

filed a PTSD-workers comp claim ultimately commit suicide, this new law, because of the presumptive causation, could mean the insurer would have to pay death benefits,” wrote a spokeswoman with New Mexico’s Workers’ Compensation Administration in an email to *Business Insurance*. “Future claims of this nature would most likely be heavily litigated.”

A firefighter must have been diagnosed by a medical professional before the suicide under the New Mexico law, said Al Ortega, Albuquerque, New Mexico-based vice president of the International Association of Firefighters, Local 244 Chapter, which helped draft the law.

“Workers compensation can refute it,” said Mr. Ortega. “But if it is found to be a legitimate claim and (PTSD) was diagnosed by a medical professional, then they would receive the same benefits as they would had they died from any of the cancers” in the state’s presumption law for firefighters with cancer.

“You have to prove by the same standards as any physical injury that the suicide was caused by PTSD,” said Albuquerque-based attorney Jeffrey Brown of the firm Law Offices of Jeffrey C. Brown, who represents injured workers.

The new PTSD law for firefighters doesn’t give comp attorneys anything new to grapple with because state law allows suicide to be covered under the comp system with adequate proof, he said. But such situations almost always lead to litigation, he said, citing a case that he recently settled involving an oil field worker in Nageezi, New Mexico, who took his own life less than six months after witnessing a fire and explosion in 2016. The employer claimed the worker only experienced a foot injury despite a PTSD diagnosis by a psychologist.

“You have a lot to prove in a case like this, (but) suicide has not been an exception in workers compensation,” Mr. Brown said.

## TRAINING TARGETS PREVENTION

The issue of preventing suicide among injured workers has been getting more attention in workers compensation circles.

Sedgwick Claims Management Services Inc. renewed training for claims handlers in suicide prevention counseling, as the company saw an uptick in the number of injured workers dealing with such issues as depression related to pain and stress from less income and loss of work and threatening to take their lives, according to Dr. Teresa Bartlett, Troy, Michigan-based senior vice president of medical quality for the third-party administrator.

“People just get in a bad place,” she said. “Things were popping up and the claims examiners, nurses and call-center workers didn’t feel equipped to handle it.”

“Suicide ideation is at an all-time high in this country,” she said, adding the trend is industrywide for those managing injury claims, not just at Sedgwick. “There’s a lot of sensitivity training right now.”



Suicide prevention is at the heart of most post-traumatic stress disorder laws for first responders, said Al Ortega, Albuquerque, New Mexico-based vice president of the International Association of Firefighters, Local 244 Chapter, who had been helping to plan a funeral for a 20-year retired firefighter who took his own life in April.

“It takes a toll,” he said of the work, which includes being on the scene during and after tragedies.

A new law in New Mexico that clears some of the red tape for firefighters with diagnosed post-traumatic stress disorder will hopefully provide those workers benefits ranging from psychological counseling to indemnity payments if the firefighter needs a break from the work, he said.

“This would allow people to come in and say, ‘I need help,’” said Mr. Ortega. “This has the potential to lower those numbers,” he added, referring to the disproportionately high number of first responders who take their own lives.

Louise Esola



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### OUR PARTNERS:



## Safe lifting cuts health care injuries

ANGELA CHILDERS

achilders@businessinsurance.com

Nurses, aides, orderlies and therapists have some of the highest numbers of nonfatal occupational injuries, many of which are musculoskeletal injuries arising from unsafe patient handling, experts say.

With health care workers projected to contribute to about one-fifth of all new jobs by 2026, instituting policies to ensure safe patient handling is crucial, they say.

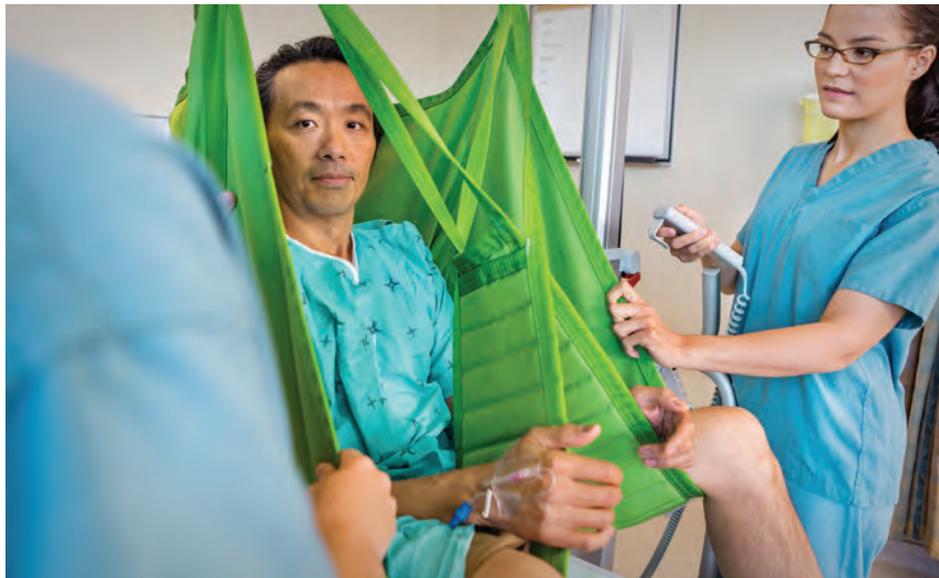
Nearly 60,000 health care and social assistance workers reported recordable musculoskeletal disorders, and nearly half of the injuries were attributed to a health care patient or resident of a health care facility, according to the U.S. Bureau of Labor Statistics. Nursing assistants suffered the highest proportion of injuries at 43%, followed by nurses at 20% and personal care/home health aides at 14%.

Safe patient handling is an issue that “virtually everybody” in health care must deal with on a daily basis, said Tim Davidson, co-thought leader of health care consulting practice and senior consultant at Aon Global Risk Consulting. While some health care organizations, like the senior care and long-term care market, have well-developed safe patient handling programs, in acute care and walk-in clinics — where the need to move patients is not a constant condition — they may be less likely to have a plan in place, Mr. Davidson said.

Eleven states have mandated safe patient handling policies or programs, but the laws vary substantially, with some states only requiring a safe patient handling committee while others, like New York, outline specifics to be included in each program, including requiring health care facilities to outline the availability of safe patient handling equipment, patient assessments and initial and annual training for all employees on safe patient handling.

“In my experience, the majority of the more severe types of injuries in health care organizations is as a result of patient handling,” said Darrell Toenjes, senior client adviser for health care at Midwest Employers Casualty Co., a unit of W.R. Berkley Corp. “If an organization wants to focus on reducing their workers compensation costs and wants to reduce injuries to their very precious workers, the way they can do that most effectively and most substantially is through developing a safe patient handling program.”

In October 2004, Buffalo, New York-based Kaleida Health, a not-for-profit hospital system with about 20,000 employees, rolled out its safe patient handling program across the entire hospital system and trained thousands of hospital staff through three-hour courses. The program eventually became the basis of New York’s Safe Patient Handling Act, which became law in 2014, according to Paula Pless,



### THE COSTS OF UNSAFE HANDLING

For the 2019 accident year, health care systems will experience an annual loss rate of \$0.56 per \$100 of payroll, and unsafe patient handling contributes to those costs, according to Aon PLC’s 2018 Health Care Workers Comp Barometer report.

- Patient handling claims have the highest average total cost of all workers compensation causes of loss at **\$14,100 per claim**, said the Aon report.
- As many as **20% of nurses** who leave direct patient care positions do so because of risks associated with the work, according to the U.S. Centers for Disease Control and Prevention.
- Nearly **83% of injuries** related to patient handling occurred when equipment was not used, according to 2014 CDC data.

Kaleida’s director of health safe patient handling and ergonomic workforce safety.

The hospital saw a significant improvement in musculoskeletal disorder claims almost immediately, said Ms. Pless. She said the hospital system saw a full return on investment for the safe patient handling program and equipment purchase in less than three years.

She said musculoskeletal disorders and other injuries among staff continue to decline. In 2010, which was six years post implementation, Kaleida recorded 408 compensable injuries. For the first quarter of 2019, the hospital system has seen only 13 claims. Last year, the hospital also saved \$1.5 million in insurance costs toward its workers comp premium because of the safety program, she said.

“We’re constantly monitoring our approach to safety, and this rolls into other areas, such as ergonomics and the enhancement of worker safety in other departments,” she said. “We keep pushing that needle toward less and less risk and exposure.”

However, Ms. Pless noted that in any organization, there are the few staff members who don’t follow patient handling protocols. This

led the hospital to implement a progressive disciplinary system that includes for initial offenses the requirement to reattend the three-hour safe patient handling training program.

Another challenge of ensuring compliance with a safe patient handling program is the time it takes to properly assess a patient. “The key is to make the program as simplistic as possible,” Mr. Davidson said. “If you’ve got a program that has multiple metrics to it and you have to work a puzzle before you go in, that’s a problem.”

Successful organizations have medical providers go through a checklist or evaluation, such as a Bedside Mobility Assessment, also known as a BMAT, which includes fall assessments, medication and acuity, and incorporate that information into a patient care plan, which gives staff as much information as possible to plan a lift or movement before entering a room, said Mr. Davidson. Simple antecedents — such as a sign that notifies the care provider of a potential risk before they enter the room — can also be enormously helpful. For instance, putting a sign with leaves falling off a tree on the door can symbolize a fall risk, he said.

Staff also needs to have an understanding of the patient’s mental condition, such as if they’re on medication that will severely affect their ability to ambulate or make them agitated, he noted.

Training is also key, as is having a multidisciplinary safe patient handling committee that includes front-line workers, said Mr. Toenjes.

“They know their jobs better than anyone else, they know the hazards better than anyone else, and they can come up with the best solutions,” he said. “The engagement of front-line folks will also help with buy in. Rather than having management telling you what to do, if your own coworkers are watching out for you and have your back, it sets up a more positive culture.”

### PUTTING THE RIGHT EQUIPMENT IN PLACE

A key component to a safe patient handling policy is having the right equipment to assist health care providers in mobilizing patients and ensuring workers use it, experts say.

Establishing a successful program requires looking at injury data to see who has been injured and how the injuries occurred, and identifying and procuring assistive devices for employees to use instead of manual lifting, said Mitchel Rosen, director of the Center for Public Health Workforce Development at New Brunswick, New Jersey-based Rutgers University.

Julie Landis, vice president of business development at Centennial, Colorado-based Briotix Health LP, and her staff targeted six hospitals in a large hospital system that didn’t have any safe patient handling programs in place to assess what equipment was available, procure what was needed and embed staff to coach employees on mobility best practices.

Most health care systems will see a 20% to 30% drop in workers comp claims after successfully implementing a handling program, but it is critical to ensure that the health care company has the right equipment, that it is accessible and that employees know how to use the equipment, Ms. Landis said.

Shawna Willcox, assistant vice president for clinical risk management of Western Litigation Inc., a division of Itasca, Illinois-based Arthur J. Gallagher Risk Management Services Inc., said she has seen a lot of success among health care organizations who use front-line staff as champions of the devices.

“If you can have employees say, ‘Using these devices has made my life easier, reduced my strain and my chance of injury’ to other employees, it’s a big success,” Ms. Willcox said.

Angela Childers

# Safety panel's boiler ruling stokes confusion

BY LOUISE ESOLA

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A recent ruling by the Occupational Safety and Health Review Commission could spell trouble for manufacturers dealing in hazardous chemicals who may not be aware they are now running afoul of federal regulations aimed at preventing dangerous explosions and chemical releases, experts say.

On March 28, the review commission ruled safety citations stemming from a deadly oil refinery explosion in 2012 were properly categorized as violations under the U.S. Occupational Safety and Health Administration's process safety management standard, even though the blast happened at one of the refinery's boilers, a utility long thought of as not included in the parameters of process safety management.

"OSHA standards are prescriptive in what is included and what is not included in process safety management," said Don Abrahamson, a Katy, Texas-based certified process safety auditor and consultant with his firm Abrahamson Consulting LLC, which conducts mandatory safety audits of manufacturing plants. "Boiler explosions occur in hospitals, in factories, refinery, chemical plants ... but boilers themselves are not particularly covered by the PSM standard."

That's why legal experts say the ruling could have wider implications for companies dealing with highly hazardous chemicals, putting several industries on watch.

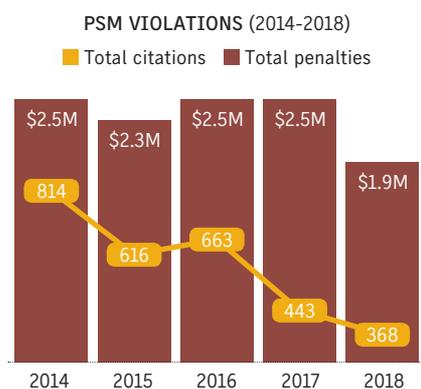
The review commission affirmed 12 citations and levied a \$58,000 fine against a Wynnewood, Oklahoma, oil refinery operated by Wynnewood Refining Co. LLC, after two workers died because of an explosion, the result of workers improperly starting a boiler, as detailed in more than 100 pages of documents in *Secretary of Labor v. Wynnewood Refining Co. LLC*. Officials with Wynnewood and their attorney did not return calls for comment.

The OSHA citations zeroed in on various provisions of OSHA's PSM standard, which the review commission affirmed despite the argument that OSHA's 23-year-old standard for management of hazardous chemicals never intended to



## COSTLY PROCESSES

The U.S. Occupational Safety and Health Administration has issued hundreds of citations under its process safety management standard in recent years.



Source: U.S. Department of Labor Enforcement Data, OSHA Data Catalog

include processes that do not manage hazardous chemicals, such as the steam boiler in question, according to experts.

The PSM standard "mainly applies to manufacturing industries, particularly those pertaining to chemicals, transportation equipment, and fabricated metal products" and that "other affected sectors include natural gas liquids; farm product warehousing; electric, gas, and sanitary services; and wholesale trade," according to OSHA documents.

But under the review commission's ruling, companies with utilities such as a boiler on-site could fall under the standard's purview, said Micah Smith, Washington-based partner for Conn Maciel Carey LLP. "It's a really big deal," he added.

"Any facility that has highly hazardous chemicals needs to pay attention to this," said Amy Wachs, St. Louis-based partner with Husch Blackwell LLP.

Most industries are in compliance and it's rare when inspecting facilities — every three years, as is OSHA's requirement — to find a boiler to be either located in proximity to a dangerous chemical process or involved in one, according to Mr. Abrahamson, a retired safety engineer.

"Boilers are typically not placed near a process, and there's a good reason for that," he said, adding this is usually the case not just for regulatory reasons, but because most manufacturers are aware debris could affect other parts of a plant or refinery if a boiler does explode.

Debris was one issue in the *Wynnewood* decision, according to the review commission's documents that stated inspectors looking at the cause of the explosion that killed two workers "revealed shrapnel in the area surrounding the (boiler), and a ladder, which was attached to the west end of the boiler, that had been blown completely across the street."

Location was one of OSHA's arguments for the citations, as was interconnectivity—that the boiler used gas to start, according to documents.

Mr. Smith described a refinery operation as being a site where multiple processes are broken into "chunks," each calling for its own PSM plan to be in compliance with OSHA's requirements.

Prior to the *Wynnewood* ruling, it was widely understood that utilities unrelated to the manufacturing process were not included in the requirements for PSM, according to Mr. Smith. In addition, PSM affiliation comes from interconnection and co-location, he said.

But the *Wynnewood* decision put the utilities boiler, which he and others consider to be not part of the refinery operation that handles highly hazardous chemicals, in the "process" on both the co-location and interconnection issues, thus creating a complicated situation for businesses that may find themselves out of compliance, experts say.

"Generally a boiler does not contain highly hazardous chemicals," said Ms. Wachs.

More troubling for businesses such as refineries is that the decision put Wynnewood out of compliance without the refinery even knowing that OSHA would expand PSM to utilities unrelated to the chemicals used in other processes, according to Shannon Broome, managing partner of the San Francisco office of Hunton Andrews Kurth LLP. "This creates a gotcha situation without providing notice in a manner to let companies know what is expected of them," she said.

The ruling now poses a question for manufacturers dealing with chemicals, according to Ms. Wachs: "What are the boundaries of the process and what other aspects of this facility have to follow the standard?"

The answer is unclear, according to Ms. Broome. "This expands the process definition so that one could argue that everything is interconnected, yet the PSM rules were written with integrated plants in mind and there was a reason why the interconnection language was used," she said. "It was used to create demarcation, and this opinion seems to gloss over that."

## DECISION EXPANDS OSHA'S REACH ON PROCESS SAFETY MANAGEMENT

A recent ruling from an independent agency that referees disputes over citations and penalties issued by the U.S. Occupational Safety and Health Administration could expand OSHA's overall reach, according to legal experts.

The Occupational Safety and Health Review Commission affirmed the federal workplace safety agency's more expansive

view of its authority under its process safety management standard in *Secretary of Labor v. Wynnewood Refining Co. LLC*. In that decision, a company was cited after one of its boilers exploded at a unit of the company's facility long considered outside the scope of an OSHA regulation governing hazardous chemicals.

"Nobody thought that this was the

position OSHA would take," said Shannon Broome, managing partner of the San Francisco office of Hunton Andrews Kurth LLP.

The ruling is a throwback to the previous presidential administration's take on OSHA rules, she added. The Obama administration had greatly widened OSHA's authority, according to officials.

"Everyone in the industry is reading this (ruling) going, wow, that is brand new," said Micah Smith, Washington-based partner for Conn Maciel Carey LLP.

The ruling that threw other parts of manufacturing into the larger process safety management standard is a big move for OSHA, he added. "How far does this go?"

Louise Esola

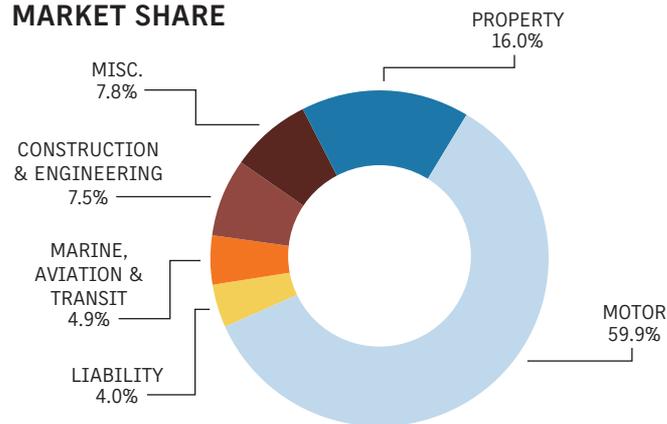
## PROFILE: OMAN

# 72

GLOBAL  
P/C MARKET  
RANKING

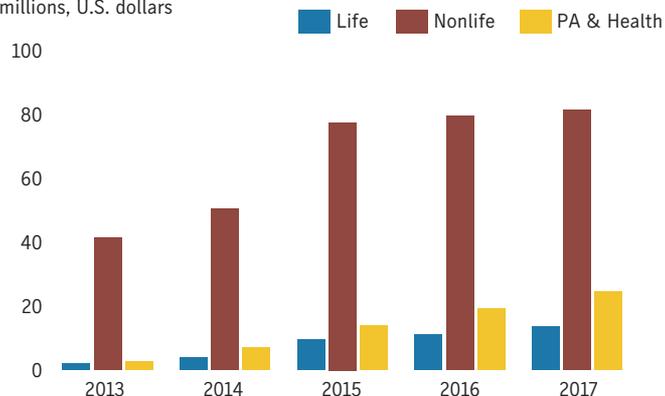
The Omani economy is dominated by the energy sector, which has been weighed down by subdued oil prices since 2014. However, the Oman insurance market is forecast to grow at an average annual rate of 12.1% from 2018 to 2021, the principal driver being introduction of compulsory private mortgage insurance. Otherwise, growth of the property/casualty market is expected to be limited in 2019 and 2020. Draft regulations for a takaful law have been drawn up by the Capital Market Authority, which regulates insurance, and are expected to be issued in 2019. The operational models will be wakala, a fee-based system for the takaful operator in respect to underwriting activities; and mudaraba, a profit- and loss-sharing system between shareholders and policyholders in relation to investment activities.

### MARKET SHARE



### MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

### COMPULSORY INSURANCE

- Auto third-party liability
- Professional indemnity for insurance brokers and doctors
- Shipowners liability for marine oil pollution
- Workers compensation
- Health insurance for the private sector

### NONADMITTED

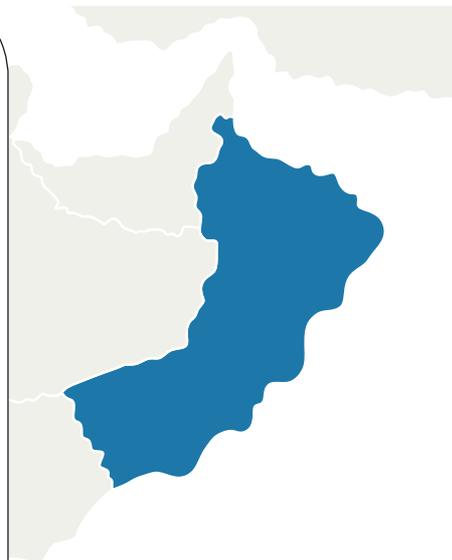
Nonadmitted property/casualty insurance is not permitted in Oman because the law provides that insurance must be purchased from locally authorized insurers.

### INTERMEDIARIES

Agents and brokers have to be licensed and duly authorized to do insurance business. Insurance brokers are not permitted to act as agents for an unlicensed and nonadmitted foreign insurer.

### MARKET PRACTICE

All local corporate life and property/casualty risks are insured with companies licensed to do business in Oman, with the exemption that some marine cargo export business may be insured on a cost, insurance and freight, or CIF, basis, although this constitutes a technical breach of the law.



### AREA

# 119,499

square miles

### POPULATION

# 4.9

million

### MARKET CONCENTRATION

# 58.7%

market share of top five insurers

### 2019 GDP CHANGE (PROJECTED)

# 3.0%

### MARKET DEVELOPMENTS

Updated March 2019

- Insured losses, including property, construction/engineering, marine and damage to motor vehicles, arising from Cyclone Mekunu, which struck the southern coast of Oman in May 2018 as the most intense tropical storm to make landfall in the Arabian peninsula in recorded history, were estimated in January to be likely to reach 150 million Omani rial (\$390.1 million).
- The Capital Market Authority has launched an agricultural insurance program for farmers. The first phase is a policy for vegetable farmers.
- The CMA is reported to be in the process of drafting legislation to introduce a risk-based solvency regime, a measure which will bring Omani insurance legislation broadly in line with that applying in some other Gulf Cooperation Council countries.
- The CMA is considering a modest easing of the restrictions on insurers and takaful operators investing abroad by increasing the current permitted maximum percentage of investment abroad to 30% from 25%.

Information provided by Axco Insurance Information Services.  
[www.axcoinfo.com](http://www.axcoinfo.com)



## Lockton sues Alliant in multiple courts

■ Lockton Cos. LLC in April filed a barrage of litigation against Alliant Insurance Services Inc. for allegedly poaching 26 of its employees, including lawsuits filed in Delaware chancery court and state and federal courts in Missouri.

The litigation charges that beginning on March 12, Newport Beach, California-based Alliant “poached” from a Denver-based Lockton unit seven producer members, 19 other employees and 24 customers “representing millions of dollars in revenue,” according to the lawsuit filed in Delaware Chancery Court in Wilmington in *Mountain West Series of Lockton Cos. LLC and Lockton Partners LLC v. Alliant Insurance Services*.

Kansas City, Missouri-based Lockton also filed litigation against individual former employees in U.S. District Court in Kansas City, Missouri, in *Mountain West Series of Lockton Cos. et al. v. Michael Angelo Dauro et al.* Mr. Dauro is one of the employees who left Lockton.

Litigation was also filed against former employees in state circuit court in Kansas City, in *Mountain West Series of Lockton et al. v. Charles M. McDaniel et al.* Mr. McDaniel is one of the owners and members of Mountain West Series who left.

The litigation, which charges that the departed employees violated nonsolicitation agreements, focuses on Lockton’s Mountain West Series, which is headquartered in Denver and as of mid-2018 served more than 2,000 customers from Denver, Phoenix, Las Vegas and Seattle, according to the Delaware litigation.

## Jury awards foundry whistleblower \$40K

■ A Pennsylvania jury awarded \$40,000 for lost wages, pain and suffering and punitive damages to a former employee of an iron-casting company who claimed he was terminated for reporting alleged safety and health hazards to the U.S. Occupational Safety and Health Administration.

Zachary Zettlemoyer was employed by Hamburg, Pennsylvania-based Fairmount Foundry Inc. and repeatedly complained about a roof leak in an area where he was

working, which he considered to be a safety hazard because it leaked directly into an electrical box and created a slipping hazard, according to *Acosta v. Fairmount Foundry Inc.*

In September 2015, he filed an anonymous complaint with OSHA after the hazard had not been corrected, and the agency conducted an unannounced inspection. After the inspection, Douglas Vaughn, the company’s president of operations, confronted him about the complaint, and Mr. Zettlemoyer was terminated several days later.

He filed a whistleblower complaint with OSHA on Oct. 28, 2015, and the agency’s investigation determined Fairmount fired him in retaliation for engaging in a protected activity under Section 11(c) of the Occupational Safety and Health Act. The U.S. Department of Labor sued the company in September 2017 and the jury entered its verdict in April.

“The jury recognized that every employee has a legally protected right to report safety hazards to OSHA without fear of termination,” Oscar Hampton, the department’s regional Philadelphia solicitor, said in a statement. “By compensating the complainant and assessing an additional penalty against the company, the jury sent the message that such behavior will not be tolerated.”



## Fired doctor’s bias suit revived

■ The 2nd U.S. Circuit Court of Appeals in New York reinstated employment discrimination litigation filed by an Egyptian-born physician who was fired from a Brooklyn hospital’s risk management department, stating he had presented evidence of discriminatory animus.

Dr. Nashaat Moza, now 67, who speaks with a distinct Middle Eastern accent, worked in the clinical section of Kings County Hospital’s risk management department from 2008 until 2013, according to the complaint in *Moza v. New York City Health and Hospitals Corp. et al.*

In March 2013, the hospital hired a new senior associate director of risk management who was Russian and about 15 years younger than Dr. Moza.

About a month later, she “began her intense campaign to terminate plaintiff.” Incidents reported in the complaint

include an overheard phone call in which she reportedly said, “I know how to get rid of this stupid Egyptian guy.”

Dr. Moza was presented with an unsatisfactory performance evaluation in October 2013 and terminated, according to the complaint.

He filed suit in U.S. District Court in Brooklyn, charging violation of Section 1981 of the Civil Rights Act of 1866 and New York City law. The District Court dismissed the case, which was reinstated by a three-judge panel of the 2nd Circuit. “Moza has demonstrated the existence of a triable fact issue as to whether Defendants-Appellees’ proffered reason for his dismissal was mere pretext,” said the ruling, pointing to the overheard phone conversation and other evidence.

## Lesbian teacher settles bias suit

■ A California school district has settled an employment discrimination claim filed by a lesbian teacher for \$850,000.

Teacher Julia Frost and Hesperia Unified School District reached the settlement agreement, according to a statement by Lambda Legal. Hesperia Unified School District in San Bernardino County, California, previously agreed to revise its policies to require regular nondiscrimination training, clarify its discrimination complaint procedures and make other improvements, according to the statement.

“This lawsuit forced Hesperia to establish desperately needed policies protecting the rights of LGBT students and teachers,” Dan Stormer, partner with Hadsell Stormer Renick LLP and co-counsel, said in the statement. “It also compensates her for the harm HUSD caused to her career.”

Lambda Legal filed *Frost v. Hesperia Unified School District* in November 2013, in San Bernardino Superior Court presenting 10 legal claims under California’s Fair Employment and Housing Act and Education Code concerning the rights of lesbian, gay, and gender nonconforming teachers and students. The dispute first came to public attention in March of 2013, when the ACLU of Southern California sent a letter to Hesperia USD on behalf of the students in the Sultana High School Gay-Straight Alliance describing pervasive discrimination and harassment.

In 2015, while denying such an environment existed, the school district implemented a broad array of policy changes, including requirements for awareness training for faculty and staff, according to the Lambda Legal statement.

The school district “strongly denies” Ms. Frost’s allegations of discrimination, harassment and related claims, but settling the case was a “prudent financial decision in light of the protracted litigation effort by this former employee,” the district said in an emailed statement.

## DOCKET



### CITATIONS AGAINST AUTO DEALER UPHELD

The Occupational Safety and Health Review Commission affirmed general duty clause citations in a case where Apollo Auto Sales & Service Inc. challenged U.S. Occupational Safety and Health Administration actions as “very harsh” after the company failed to timely contest safety citations that were sent by first-class mail but returned as undeliverable. “The Court finds Apollo Auto has not demonstrated it is entitled to relief,” an administrative law judge stated. “Neither the record evidence nor Apollo Auto’s explanations for its late filing show deception or a failure to follow proper procedures on behalf of the Secretary” of Labor.

### TRUCKING FIRM SETTLES EEOC SUIT

Trucking firm JBS Carriers Inc., which contracted with third party ErgoMed System to administer preemployment screening of truck driving job applicants, agreed to pay \$250,000 to settle a disability discrimination lawsuit filed by the U.S. Equal Employment Opportunity Commission. The screening subjected all applicants to nine physical abilities tests, and if an applicant failed any one of the tests, the screening company sent a negative job recommendation to JBS, which then withdrew conditional job offers.

### CERTAIN BENEFITS NOT PART OF CALCULATIONS

The Supreme Court of Rhode Island affirmed a ruling that found a school employee’s state benefits related to a program aimed at avoiding layoffs cannot be used in calculating average weekly wage. In *Mark D. Powers v. Warwick Public Schools*, a trial judge and a state appellate court had found that such supplemental benefits could not be included in the lost-wages calculation because work-sharing benefits are “tantamount to unemployment compensation benefits.”



Ilya Bodner, CEO of Bold Penguin Inc., founded the insurance exchange in 2016 with the Columbus, Ohio-based insurtech firm's chief technology officer, Benjamin Clarke. As an immigrant from Uzbekistan, he wanted to live the American dream and opened an insurance agency in 2003, having been exposed to the business through a high-school job. After implementing technology to make back-office processes more efficient, he sold the agency in 2006. Later, he teamed with Mr. Clarke and eventually launched Bold Penguin, which aims to reduce the time from quote to bind in the small and midsize commercial insurance sector. The company is looking to expand its excess and surplus lines business next. Recently, he spoke with *Business Insurance* Editor Gavin Souter about opportunities for insurtech to make insurance more efficient and his future goals. Edited excerpts follow.

## Ilya Bodner

BOLD PENGUIN

**Q** When you entered the insurtech sector, where did you see the need for technological innovation?

**A** Somewhere between core systems, customer experience and underwriting capabilities, I saw a big gap because all three suffer. It feels like all the three problems need to have a three-pronged solution.

When I first went into it, I thought that the only way to really figure out and help insurance from within rather than disrupting it is to find a way to align those three legs to the stool and give each one an upgrade and make sure that if you change one process or upgrade or tweak one process, it doesn't cannibalize the other one. So if you're touching the policy administration system or core systems, you're not screwing up along the way the customer acquisition funnel; or if you're touching the underwriters' world, you're not messing up the policy administration systems or whatever core systems are touching.

**Q** What are some examples of where things weren't working?

**A** So you had these big companies saying, "Let's get a better website. Let's make it an awesome, beautiful, very consumer-friendly experience." So they did that. And then you go through that process. You click, click, click. "Cool! Awesome!" Tap, tap, tap, and then you get this button that says, "Thank you, we have all your information. Someone will be in touch." As a consumer, you are like, "Wait a minute. I just spent 20 minutes telling you everything about myself and I have to wait?" So that's what I mean by the customer acquisition that didn't really tie into policy administration systems.

**Q** So where do you think we are now in terms of insurtech development?

**A** Well, I think insurtech is here to stay. We're right at the beginning of it, and although there hasn't been enough money, ideas and companies coming in to really tip it over, it's like this snowball that's just rolling down, getting bigger and bigger by the day.

**Q** What are the innovations that you see as being particularly interesting?

**A** The idea of using drones, aerial photography and data that's already captured from other sources and bringing that together. We all know it's costly to send an inspector to a house, to a scene, to a location. We've all used Google Earth to zoom in on a house — you can see the roof and the condition of it, even though the footage might be a couple of months old. You can automate that. And it totally makes sense where you could bring in a drone to that situation.



Another area is core system upgrades. A lot of insurance companies are finally bringing all the different, disparate sources of information into one system and changing that system from being homegrown to a platform of a solution. That's shifting in auto insurance, home insurance, and the next is the commercial wave. There are a lot of technology providers that are entering that space that have (customer-relationship management) backgrounds and insurance and fintech backgrounds that are very much on point.

**Q** How do you think that insurtech will penetrate the commercial insurance sector?

**A** The reason why we got into commercial insurance as opposed to other industries is because the bar for innovation is very low. It's one of the last frontiers of insurance that's been largely left untapped and untouched. Margins are good, the size of the market is good, but the pace of things is really slow, and information availability is very scarce. So it is really exciting and

totally ripe for a lot of new players.

**Q** You're looking to expand into the excess and surplus lines sector. Where do you see technology applying in E&S?

**A** So I'll admit that I'm still confused about why E&S is so complicated. But it's common sense — if you can't find it in the admitted market, you go to the nonadmitted market and, yes, there's flexibility on pricing there and, yes, you have to show verification that you tried an admitted market. Through the digital space, can't you show that as being declined? Shouldn't you be able to show the declinations along the way programmatically, and shouldn't you be able to show and retrieve a rate based on risk inputs right there on the spot? So, to sum it all up, there seems to be a lot of lag in the process for E&S today, and there seems to be a lot of forms along the process that can, should and will be automated.

**Q** How do you see insurtech affecting employment in the traditional insurance sector?

**A** I think it's a net gain overall. It's actually getting a lot of people who would have never thought in a million years they would be in insurance. I have a lot of friends in the startup insurtech scene who, if you tell them they're an insurance agent, will take offense to it, but if you tell them they're cool entrepreneurs working at a startup, they totally dig it. So I think that they will be entering, and it's going to be a net positive, and old jobs and things that don't make sense anymore get reskilled, repurposed — and, yes, there will be some fallout from that, but overall it will be a net positive.

**Q** Presumably, there's going to be a need for retraining for somebody who's a clerk at an insurance company?

**A** Yes, definitely a need for retraining. The insurance agent of the future doesn't look like the insurance agent of today, the underwriter of the future doesn't look like the underwriter of today, and the risk assessor and the reinsurer all look slightly different.

*I think insurtech is here to stay. We're right at the beginning of it, and although there hasn't been enough money, ideas and companies coming in to really tip it over, it's like this snowball that's just rolling down, getting bigger and bigger.*

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# CYBER RISKS WEAKEN LINKS IN SUPPLY CHAINS

Insurers respond to vulnerabilities with coverage targeting digital contingent business interruption exposures across web of commerce



BY JUDY GREENWALD

[jgreenwald@businessinsurance.com](mailto:jgreenwald@businessinsurance.com)

**S**upply chain-related cyber risks are an increasing concern for organizations as cyber attacks become more sophisticated, but risk management and insurance strategies to address the problem vary.

Large policyholders often seek coverage for the exposure, but smaller policyholders remain exposed, cyber insurance experts say.

## VENDOR NETWORKS COMPLICATE BUSINESS INTERRUPTION ANALYSIS

Underwriting cyber-related contingent business interruption coverage is a challenge, sources say.

“Underwriters are having a hard time getting their arms around the risk,” because many policyholders do not know what the risk is, said Max Perkins, Atlanta-based senior vice president for global cyber and technology, global professional and financial risks with Lockton Cos. LLC.

“The interconnectiveness of the supply chain makes it very difficult” to underwrite, said Eric Cernak, Windsor,

Connecticut-based president of cyber at Hanover Insurance Group Inc.

And as entities in the supply chain get further away from the policyholder, it “becomes murky at best from an underwriting standpoint,” so even if the business can be underwritten, “it’s a very challenging discussion to have with an insured,” Mr. Cernak said.

One of the challenges of writing the coverage is cyber insurers “don’t usually get the same amount of underwriting information a property underwriter would get,” said Shiraz Saeed, New

York-based cyber risk national practice leader at Starr Insurance Cos.

“What we underwrite to is our insured’s diligence in vetting their own suppliers and vendors and supply chains,” said Brad Gow, Purchase, New York-based cyber product leader for Sompo International Holdings Ltd.

“There are data analytics tools that allow companies in real time to get a material view of the security of their vendor networks,” he said. “Their ability to do that changes the game to some extent. It’s something we look for when

we have an applicant that’s looking for contingent business interruption coverage.”

Lisa Jones, Radnor, Pennsylvania-based senior business continuity analyst for Avantor Inc., which manufactures and distributes products and services to life sciences professionals and advanced technology industries, for instance, said, “We do deep audits and assessments of how (vendors) protect our data and how they protect our information.”

Judy Greenwald

Insurers are meeting the demand for protection by providing contingent business interruption coverage within cyber policies, sometimes for higher rates. But such risks create underwriting challenges for insurers, particularly surrounding the problem of risk aggregation.

Organizations are vulnerable to cyber-related disruptions at their critical vendors, which may sometimes be caused by criminals or state actors that use a vendor as the first step in reaching a target victim, experts say.

A cyber breach can have a “waterfall effect throughout the supply chain,” said Jon M. Boyens, cyber supply chain management program manager at the Gaithersburg, Maryland-based National Institute of Standards and Technology.

An organization’s cybersecurity program may be fairly robust in terms of its be cyber security and defenses, so “what an attacker will do is start out within a firm’s supply chain,” Mr. Boyens said.

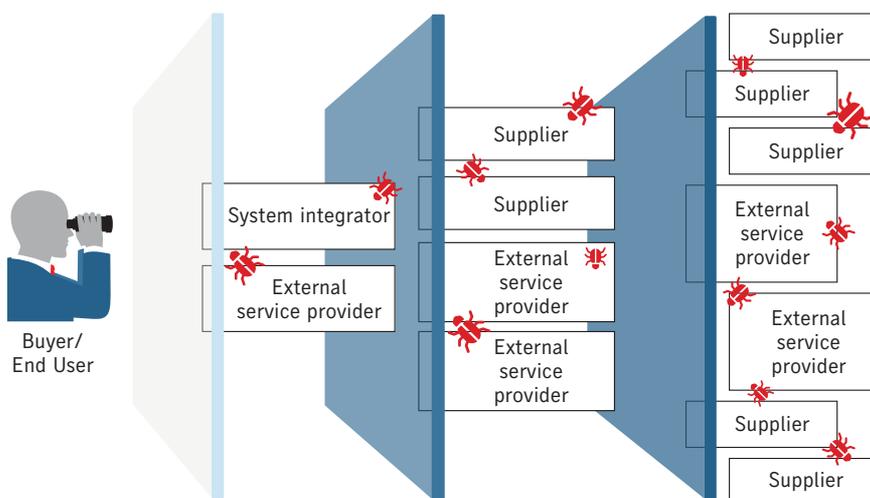
A study issued in November 2018 by Traverse City, Michigan-based Ponemon Institute LLC reported that 59% of 1,038 companies said they had experienced a data breach caused by one of their vendors or third parties.

**“Not enough due diligence is going on to understand the IT security makeup” of entities “to make sure there’s no cross-contamination.”**

Bernard Regan,  
BTVK Advisory LLP

A survey of 589 business continuity professionals by the Caversham, England-based Business Continuity Institute issued in November 2018 found they consider cyberattacks and data breaches their most “concerning” challenge over the next five years, according to the association’s BCI Supply Chain Resilience Report

### SUPPLY CHAIN RISK OWNER AND VISIBILITY



Source: National Institute of Standards and Technology

LACK OF VISIBILITY AND UNDERSTANDING of how technology is developed, integrated and deployed, and practices to assure security

LACK OF CONTROL of the decisions impacting the inherited risks and ability to effectively mitigate those risks

2018. These risks ranked third, behind unplanned information technology outages and adverse weather, as a major source of disruption.

Experts say cyber-related supply chain risks are often associated with ransomware attacks. This was the case in the March incident involving Norwegian aluminum maker Norsk Hydro ASA, which recently reported it was back to near normal several weeks after suffering a ransomware attack that led to production outages.

Norsk Hydro’s experience has raised awareness of the issue, say observers.

“We’re having a lot of dialogue with first-time buyers,” said Stephanie Snyder, Chicago-based senior vice president and national sales leader for cyber insurance with Aon PLC.

But there remains a lack of awareness with some buyers, say many experts. “Not enough due diligence is going on to understand the IT security makeup” of entities “to make sure there’s no cross-contamination,” said Bernard Regan, director at BTVK Advisory LLP, a London-based forensic accounting firm.

“I don’t think it’s necessarily being effectively sold, and there’s a lot of education

and further understanding that needs to happen before the demand will really kick up,” said Brad Gow, Purchase, New York-based cyber product leader for Sompo International Holdings Ltd.

John Farley, New York-based managing director of the cyber liability practice for Arthur J. Gallagher & Co., said, “Probably the larger, more sophisticated companies are going to be focused on supply chain risks, but as we go down the lines of the smaller and medium-sized businesses, they are less focused on cyber risk management.”

#### Contingent cover

More insurers are starting to offer contingent business interruption coverage as an integral part of their coverage, say experts.

Bob Wice, Farmington, Connecticut-based head of the U.S. cyber underwriting team for Beazley PLC, said the market typically covers “that initial step down with the dependent business.”

“If they subcontract out to additional subcontractors, then that’s where it stops,” he said. Extension to any additional covered entities would likely involve addition-

al underwriting and premium, he added.

Robert Parisi, New York-based managing director and cyber product leader for Marsh LLC, said the cyber market is “stepping up to fill” the void created by property insurers because that market “is no longer being picked up in the same robust way it might have been” by them in prior years.

Cyber insurers are trying “to expand their policies to say they’re one of the more comprehensive carriers out there in terms of coverage,” said Mr. Farley.

“It’s a competitive market, and they want to stand out. That’s one way to do it,” he said.

“The coverage has been evolving, and it’s certainly been much more readily available in the last couple of years,” said Elissa Doroff, New York-based underwriting and product manager for cyber and technology for Axa XL, a unit of Axa SA.

An industry can be catastrophically hit if there is disruption to its supply chain, she said. Ransomware attacks “are really taking these companies down, and for a significant amount of time, and that’s where the business interruption coverage from cyber coverage would respond after a certain waiting period of eight to 12 hours,” Ms. Doroff said.

Meanwhile, the Norsk Hydro attack “will certainly add more scrutiny to the underwriting questions that are being asked to provide the coverage,” Ms. Doroff said.

Mr. Gow said contingent business interruption coverage “typically isn’t priced out or offered independent of other coverages. It’s just kind of rolled into the price of the (cyber) policy.”

He added, however, with respect to larger companies, “usually if a company has a very complex supply chain or is a heavily logistical firm, often the primary carriers will limit coverage, typically to 50% of the policy limit.”

There is growing concern about aggregation risk, particularly from critical vendors, but also from related lines such as property that may be impacted by a major event as well, even if the coverage is “silent,” and not affirmatively written (see sidebar).

Aggregation is “the scariest word in cyber

See **SUPPLY CHAIN** next page

## SUPPLY CHAIN

Continued from previous page

insurance,” said Jim Leonard, Nashville, Tennessee-based director of cyber insurance solutions at Kroll LLC.

Tim Francis, Hartford, Connecticut-based enterprise cyber lead for Travelers Cos. Inc., said, “We spend an awful lot of time” thinking about aggregation risk, including how it is being modeled, whether the right tools are being brought to bear on the issue, and whether the tools have the right level of maturity.

There is still some degree of the unknown, although “the industry is getting better at understanding, if some events happen, what is the ultimate aggregation potential,” he said.

“It’s not just an aggregate exposure to one particular risk or one particular insured,” said Max Perkins, Atlanta-based senior vice president for global cyber and technology, global professional and financial risks with Lockton Cos. LLC. “It is the systemic exposure across their book.”

“We just need to be careful we’re approaching the risk with adequate levels of underwriting and data collection, and

## PROPERTY AGGREGATION RISKS COMING INTO FOCUS

Experts say that while the possible aggregation risks associated with a systemswide disruption is disturbing, so are the aggregation risks associated with other lines, including property.

Property aggregation has “been a minor issue to date. In many cases, the cyber coverage grant hasn’t been significantly tested,” said Brad Gow, Purchase, New York-based cyber product leader for Sompco International Holdings Ltd.

Coverage for supply chain risks within property policies “depends upon how the property policy is written,” said

Max Perkins, Atlanta-based senior vice president for global cyber and technology, global professional and financial risks with Lockton Cos. LLC. “It’s just a mixed bag.”

He said insurers “are definitely looking across policies” and determining if they are offering affirmative coverage, or putting exclusions on these risks.

Bob Wice, Farmington, Connecticut-based head of the U.S. cyber underwriting team for Beazley PLC, said, “It’s an important distinction in the market right now to see how the property market

plays out in terms of providing coverage for these types of risks.

“We’re in the midst of heated discussions right now as to whether the property market is going to go in that direction or scale back.”

Eric Cernak, Windsor, Connecticut-based president of cyber at Hanover Insurance Group Inc., said, “It’s very important to understand where cyber as a peril could impact other coverage lines” and what an insurer “is picking up in an affirmative realm as well as a nonaffirmative realm.”

Judy Greenwald

that we’re comfortable with the portfolio” as to how systemic events might impact it, said James Burns, London-based cyber product leader for CFC Underwriting Ltd.

Aggregation is “something that carriers are very aware of and in most cases very concerned about” said Mr. Gow.

“Part of the underwriting process is stepping in and identifying probable maximum losses for portfolios, and at this point in the cyber realm” many of those scenarios are focused on contingent business interrup-

tion, he said.

Aggregation is an issue of great concern, said Shiraz Saeed, Starr Insurance Cos.’ New York-based cyber risk national practice leader, who said Starr works with outside experts “to help us try to understand and gain control” of aggregation risk.

Insurers look for aggregation exposure with any type of coverage that relies on a critical vendor, said Ms. Doroff. “To the extent many manufacturers are in the same industry relying on the same vendor, we’re

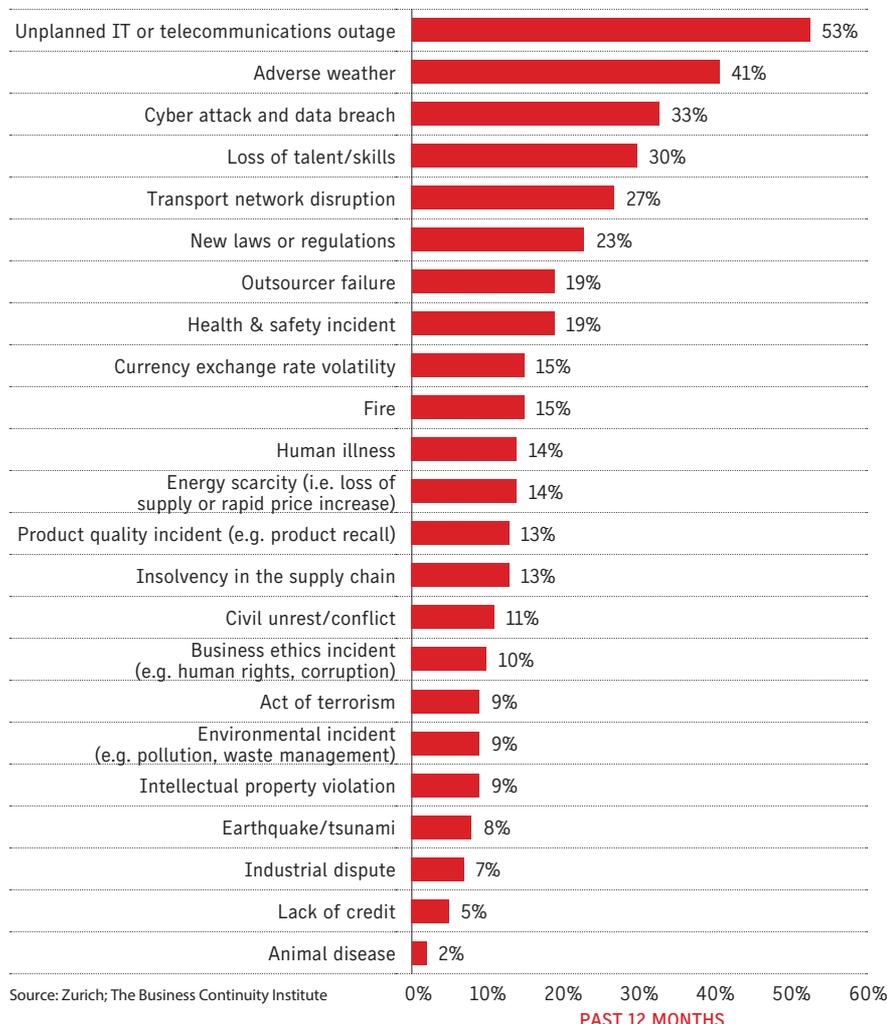
going to try and track that,” she said.

“Oftentimes, the scope of coverages is from the insured to third parties with whom the insured has a written contract,” said Eric Cernak, Windsor, Connecticut-based president of cyber at Hanover Insurance Group Inc.

“When you get into multiple layers of contracts, that’s where the aggregation becomes a spider web and becomes much more challenging to underwrite ... and even understand.”

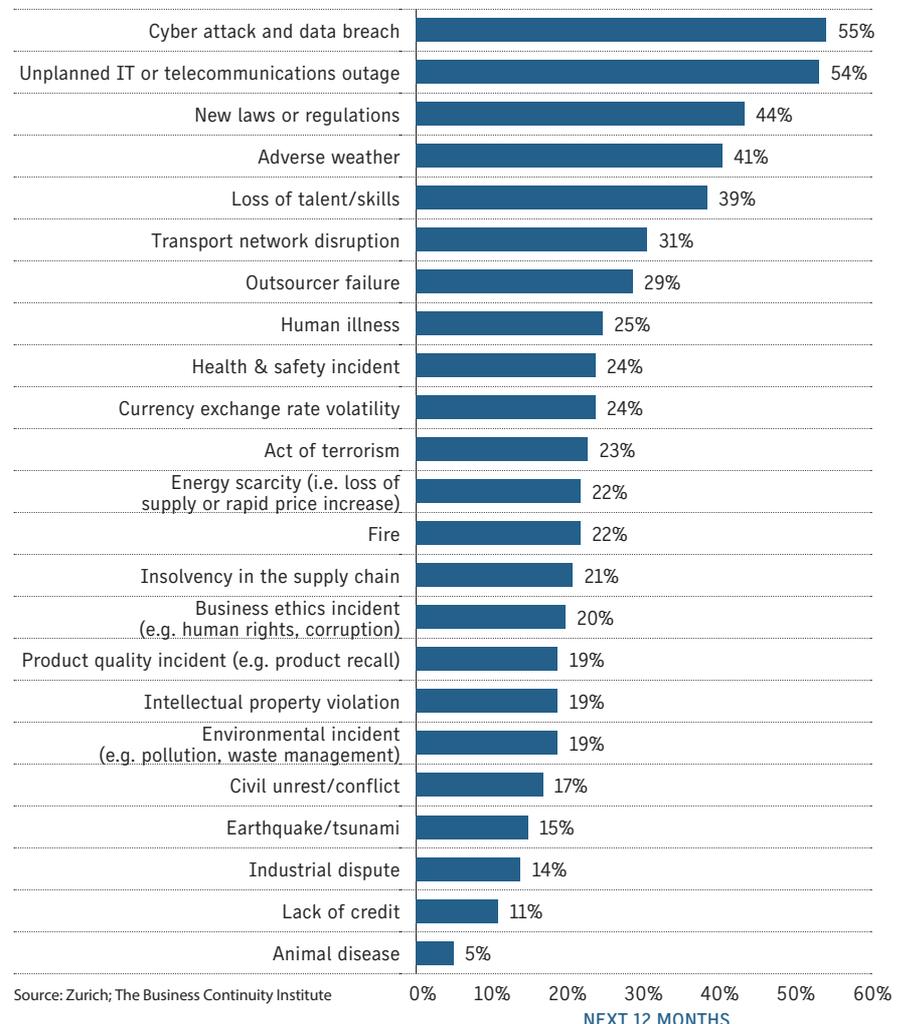
## SUPPLY CHAIN DISRUPTION – LOOKING BACK

Threats that caused significant disruption to firms’ supply chains in the past 12 months



## SUPPLY CHAIN DISRUPTION – LOOKING FORWARD

Threats that are a cause of concern for firms over the next 12 months



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# R!SK

## PERSPECTIVES



# Claims are the insurance product

## Tips on choosing insurers that focus on claims service

By David Crowe | Chief Claims Officer



At many insurance organizations, claims may seem incidental, like things that occur while the company's employees are busy focusing on other duties. Fortunately for policyholders, not every insurer views claims that way. An insurer that is committed to its customers takes claims seriously as a critical part of its business and wants to be there to help when something bad happens. In many ways, claims are the insurance product. Below are five characteristics related to claims service that insurance buyers should consider when choosing an insurance partner.

**Able and willing to pay claims.** Financial strength is obviously important in an insurance partner, to provide protection for the long term. Having the capital to pay claims, however, is not the same as being willing to pay legitimate claims, or to pay them promptly. A track record of consistently positive claims experiences is a strong indicator of a company's willingness to deliver on its promise to pay claims according to the terms and conditions of its policies.

**Focuses on relationships.** Does the insurer's claims team meet with prospective and existing customers before claims are filed? An insurer that integrates its claims and underwriting teams and makes them available to talk about

customers' expectations cares about building and nurturing relationships. Through experience, the best time for a customer to talk with an insurer about a claim is before one happens.

**Searches for coverage.** When a customer files a claim, an insurer generally can follow one of two paths: find ways to deny the claim or search for ways to cover it. An insurer committed to delivering good claims service will look for ways that it can provide coverage, rather than put energy into rejecting coverage. This is where a close collaboration between underwriting and claims operations is helpful. Where gray areas may exist in the policy wording, the claims team can seek insights from underwriters about the coverage intent and find ways to pay the customer's claim. Some insurers are taking tougher positions with regard to coverage decisions in lines where profitability is a problem. A preferred approach is to strive for consistency in claims handling regardless of the line of business.

**Understands what's important to the customer.** Every policyholder has different needs, and what is important to one may be less important to another. There really is no substitute for taking the time to have conversations with decision makers at customer organizations, to

understand what they value and what will be important to them when they file a claim. For example, a business defending a liability lawsuit may be inclined to fight tooth and nail, rather than try to settle. Knowing what's key to the customer will help the insurer keep the policyholder informed of its options and better serve its needs in the future.

**Communicates clearly.** Communication is not just a two-way street; it should have multiple lanes. When it comes to claims, insurers need to communicate with their customers as well as internally, across teams. A lack of communication or unclear communication is problematic in several ways. For example, imagine how a policyholder might react to silence after filing a claim, with the only acknowledgment of the claim being a reservation of rights letter, without any conversation with the insurer. At best, such a policyholder would have an unfavorable view of the insurer, no matter how the claim gets resolved, and might be unlikely to renew with or recommend the company. Similarly, poor communication between underwriting and claims teams can lead to unmet expectations for the customer as well as missed opportunities for the insurer. When insurers emphasize frequent and clear communication, both for internal teams and customers, they can provide the claims service customers need and expect.

For more insights on risk management, insurance and claims, please visit [www.bhspecialty.com](http://www.bhspecialty.com) or call Dave at 617.936.2906

*David Crowe is the chief claims officer for Berkshire Hathaway Specialty Insurance. He joined the company in April 2013, as a member of its founding leadership team, before it began writing business. He has extensive experience in property, casualty and specialty claims.*



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# Claims

## CLAIMS MANAGEMENT

# #MeToo discrimination claims keep rising

BY JUDY GREENWALD

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### INSIDE

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Top third-party administrators, services, types of claims, revenue and more. **PAGE 28**

**E**mployment practices liability claims stemming from the #MeToo movement continue to increase and have not yet reached their peak, experts say.

There has been a nearly 14% increase in sexual harassment claims filed with the U.S. Equal Employment Opportunity Commission in fiscal year 2018 — despite an overall decrease in complaints filed — after several years of declining rates.

The cost of settling the claims may have also increased, and claims that began with major household names are now percolating down to smaller, midsize companies, observers say.

“We certainly haven’t seen the crest yet” of “#MeToo-related claims, said Kelly Thorig, Richmond, Virginia-based U.S. employment practices liability product

leader for Marsh LLC. “I’m not sure whether this is the new normal in terms of elevated frequency and severity or whether it will die down at some point.”

“For me, the fact that we are nearly 18 months past the Harvey Weinstein allegations being made public, and these claims are still having significant traction, suggests it’s certainly not a blip” or short-



term issue, Ms. Thoerig said.

The former movie executive has been charged with sexual assault.

"I don't think it's reached its peak because we still have enforcement bodies" such as the EEOC making it the agency's top priority, said Beth Goldberg, New York-based chief underwriting officer for financial lines for Starr Insurance Cos.

Mark Azzolino, Hartford, Connecticut-based head of management and professional liability at Hartford Financial Services Group Inc., also said the claims have not reached their peak.

"The good news is, with the focus that the #MeToo movement has placed on corporate policies and procedures and training," which has either been required by new laws or initiated by companies on their own, "the risk and control environment is getting better," he said.

Natalie Douglass, senior managing director of the management liability practice for Arthur J. Gallagher & Co. in St. Louis, said #MeToo claims are now "trickling down into the middle-market segment" in addition to the well-known names that were initially cited.

However, Mr. Azzolino said the trend is not specific "to any one industry class or

size of risk." These exposures range from small family-owned businesses to large organizations, he said.

Ms. Thoerig said, "We have also seen a noticeable uptick in precharge or prelitigation demand letters seeking quick, and often expensive, settlements."

In addition, "One thing that's striking to me is the way in which these claims are being presented has changed, in my view," Ms. Thoerig said.

"We obviously still have a significant number of employees choosing to go to the EEOC or state equivalent agencies, but there's a very large swath of claimants that are bypassing these administrative processes and going straight to the employer with an attorney demand letter" and threatening to go the EEOC or file litigation, she said.

The settlement amounts have also increased, experts say.

"At this point, the cost of resolving sexual harassment claims post-#MeToo has increased, in no small part due to the #MeToo movement and public attention," Ms. Thoerig said.

The EEOC's, for instance, reported in April that in fiscal year 2018 it recovered \$56.6 million in monetary benefits for

sexual harassment victims, up from \$47.5 million in fiscal year 2017.

However, there may be some downward pressure on claims. "There's some new legislation in a number of states that targets the use of confidentiality agreements," said Ms. Douglass. This means plaintiffs attorneys can no longer demand higher payments in return for keeping settlements confidential, say observers.

Meanwhile, the environment created by #MeToo claims has influenced the filing

of related claims. "We're seeing new kinds of claims spawning from "#Me Too," such as pay equity, and more sexual discrimination claims stemming from the "glass ceiling," Ms. Douglass said.

"Most of the plaintiff firms are not just checking one box. They're checking several" boxes when they file litigation, said Ms. Goldberg, so if they are alleging sexual harassment, they may also charge retaliation or discrimination on top of that.

"You're seeing multiple allegations coming across in these claims, with retaliation being up there," she said.

The issue has also affected other lines besides employment practices liability, including management liability, according to observers.

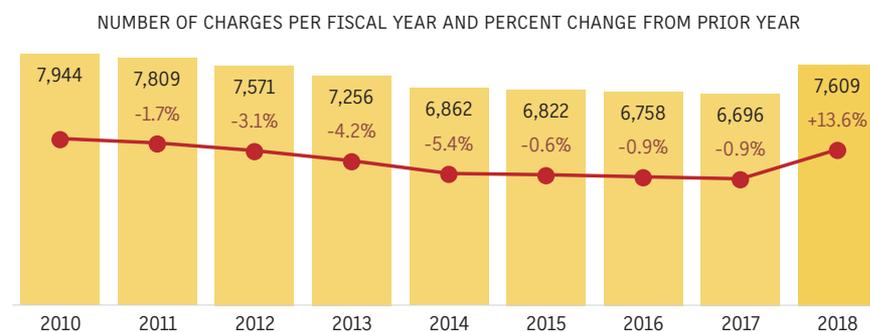
To date, the #MeToo claims have not generated significant policyholder litigation, observers say. Claims litigation stemming from the #Me Too movement "is always a possibility, particularly when the stakes are high," said Ms. Thoerig.

But the good news is "the claims themselves, the underlying exposure and the wrongful acts, those have been part and parcel of EPLI coverage since the dawn of stand-alone EPLI policies.

"There's obviously a lot more attention on the EPLI issue, and they are definitely costing more to resolve, but there's not a perceived gap in EPLI coverage failing to respond to the current sexual harassment claims we're seeing," Ms. Thoerig said.

## SEXUAL HARASSMENT IN THE WORKPLACE

After years of decreases, sexual harassment charges filed with the U.S. Equal Employment Opportunity Commission increased by 13.6% in fiscal year 2018, although total charges filed with the agency dropped 9.3%.



Source: U.S. Equal Employment Opportunity Commission

## Sensitive handling smooths EPLI claims process

The claims process for employment practices liability stemming from the #MeToo movement has gone relatively smoothly, say experts.

Mark Azzolino, Hartford, Connecticut-based head of management and professional liability at Hartford Financial Services Group Inc., said because of their impact on both victims and organizations, there is "just a general care around the claims," with insurers and legal counsel conducting their investigations thoughtfully and

helping to get the process to a resolution "as quickly and fairly as they can."

There is "no rush to judgment" but "a recognition that oftentimes these situations involve significant emotional distress." There is "a desire to make sure these circumstances are handled in a kindly but appropriate way," Mr. Azzolino said.

But there will probably be "significant coverage issues" with claims that were not previously reported, or predated the policy, said Marie-

France Gelot, New York-based senior vice president and insurance claims counsel for Lockton Cos. LLC.

However, said Kelly Thoerig, Richmond, Virginia-based U.S. employment practices liability product leader for Marsh LLC, "I've been pleasantly surprised at the way in which the EPLI markets have dealt with this increased claims activity and claims payments that they are making." By and large, EPLI insurers "appreciate the changed dynamics of what it costs to actually

resolve these claims," she said.

There is "going to be back and forth with the carrier around valuation of the claim," particularly when the employer wants a quick settlement to avoid potential bad publicity and reputational damage, and follow-on copycat claims by other employees, she said.

"There's a tension there," said Ms. Thoerig. But it is "no different than the way things were handled pre-#MeToo," she said.

Judy Greenwald

# Big comp claims raise concerns

BY ANGELA CHILDERS

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**C**ostly catastrophic claims are emerging in the workers compensation sector, partly driven by comorbidities and prescribing of expensive brand-name drugs, experts say.

Comp payers must quickly identify seemingly innocuous claims that have the potential to balloon out of control and proactively work to mitigate those costs, they say.

More than 80% of medical costs in workers comp are for claims between \$10,000 and \$500,000, according to Boca Raton, Florida-based National Council on Compensation Insurance Inc. And although overall comp claims are declining, the number of claims exceeding \$10 million in comp jumped to 10 in 2016, according to NCCI, compared with just four during the prior year.

While catastrophic injuries affect those figures, comorbidities, lower-body fractures, back strains and shoulder injuries can also lead to substantial claims in some cases, experts say.

Comorbidities, such as hypertension and diabetes, can increase the cost of an injury that seemed to be a \$30,000 to \$40,000 claim to six or seven figures, said Anita Jovic, vice president of operations at Home Care Connect LLC in Winter Park, Florida, which provides home health services for injured workers.

### MEGACLAIMS IN COMP

Megaclaims in the workers compensation sector are those that cause at least \$10 million in losses.

- **10 megaclaims** occurred in 2016, the most since 2001, and up from four in 2015
- Nearly **70%** of all megaclaims are attributable to motor vehicle accidents and falls from elevation
- Hospital inpatient and home health care account for **more than half** of the medical costs associated with megaclaims.

Source: National Council on Compensation Insurance Inc.

“The injured worker may not know they have an underlying diagnosis,” she said. “For instance, in a crushing injury, if you find out (the worker has) diabetes, that claim balloons. The patient may have a wound that may not be healing as quickly ... that prolongs the care.”

“Comorbidities in general are something we keep at the forefront of our purview,” said Helen Froehlich, the vice president of case management services for Wayne, Pennsylvania-based Genex Services LLC. “What I have seen have a drastic impact on our claims has been very consistently high blood pressure, obesity and adult onset diabetes. Being aware of where a comorbidity is, whether it has a direct potential impact on that individual case ... is imperative.”

Patchez Pirtle, the director of catastrophic services for Owings Mills, Maryland-based



Restore Rehabilitation LLC, said she’s seen pelvis fractures, heel fractures and rotator cuff injuries grow into very expensive claims. Those injuries don’t “necessarily set off alarm bells, but do tend to become very expensive claims,” she said. Often complications from those types of injuries aren’t realized until the employee has been sitting home for months on pain medications, making it more difficult to get that claimant going in the right direction.

Brand-name medications can be a big concern, said Dan Anders, an attorney and chief compliance officer for Tower MSA Partners in Delray Beach, Florida, which specializes in Medicare set asides in workers compensation. “If there’s a brand-name medication ... that comes out during the course of their treatment that the doctor thinks is the next wonder drug, it gets placed on the claim and drives up the cost,” he said. “Opioids, for the most part, are available as generic and may not be too pricey, but it’s the long-term effects ... they require a lot more management by a physician, which means more visits, and tend to have side effects. The side effects can increase such that there’s more medications being prescribed that are nonopioids to deal with those side effects.”

Injuries like back strains or shoulder trauma, which at the outset seem like a standard claim, can also become catastrophic claims because if the initial treatment doesn’t work, “brand-name medications are prescribed and then pain management escalates into a psychiatric issue,” Mr. Anders said.

The key is identifying which claims could escalate, including those driven by expensive medications, said Amy Bilton, shareholder at Nyhan, Bambrick, Kinzie & Lowry P.C. in Chicago. For example, one of her current cases involves a man in his 20s who had a previously asymptomatic condition become symptomatic due to his exposure to fumes at work, ultimately leading to renal failure. His monthly infusion drug, Soliris — which was the only treatment option — costs \$1 million

a month. However, she said they’re constantly looking to see if any new drugs or treatment options are in the works.

“This is obviously an extreme example, but that’s what a lot of these (high cost) cases come down to — extreme examples,” she said.

Tracy Ryan, chief claims officer of global risk solutions at Boston-based Liberty Mutual Insurance Co., said in the past 10 years the company has used a predictive model for claims it designates as “slow developing medical” to help identify these types of expensive claims earlier. The model looks at medical bills, comorbidities, pharmaceuticals and treatments, and by combing through that data constantly, it can send an alert to the claims adjuster to review it before the costs potentially soar.

“We have seen significant reductions that we associate with putting that model in place, and the ability to get nurses on those files sooner, engage with doctors, talk about treatment plans ... it’s an area that is always important because (these types of claims) can look innocuous at the beginning.”

Warning signs that a claim may require more scrutiny may also be evident. “You can see the writing on the wall when a worker goes in and asks for an opioid by name — you know you’re in trouble,” said Ms. Bilton. “And intuition is super important. If you feel like the claim could go bad, treat it as if it’s going to.”

Another key is maintaining a “settlement mindset” from the day the claim is filed, according to Mr. Anders, and ensure that you’re clearly communicating with the worker and getting medical case management early on in the claim.

“You should be thinking about what should be addressed in that claim to ensure, of course, that the injured worker gets the treatment that they need, that the treatment doesn’t go beyond what’s reasonable, and that you’re not paying for treatment that’s unrelated to that injury,” said Mr. Anders.

**O**pioid prescribing has become more restrictive due to regulatory and legislative changes in recent years, but the painkillers can still complicate catastrophic claims, experts say.

In opioid cases, it’s important to have active claim management from the very beginning, said Amy Bilton, shareholder at Nyhan, Bambrick, Kinzie & Lowry P.C. in Chicago.

“Believe it or not, I recommend claims handlers (and attorneys) start watching when the prescription goes longer than three days,” she said. “That is not to say that every case with more than three days of opioid use should have aggressive case management on it.

It’s just my first flag. As more gets prescribed, I really start to watch closer, particularly when it gets to 30 milligrams of morphine equivalency per day.”

Ms. Bilton says her approach is based on U.S. Centers for Disease Control and Prevention guidance from 2017 that found the probability of long-term opioid use increases after just five days of use, and even relatively low doses of opioids of 20 to 50 morphine milligram equivalents increase the risk of opioid dependence.

Lisa Haug, managing director of medical management at Safety National Casualty Corp. in St. Louis, said when opioids are involved, the insurer sends out nurses to the employee’s doctor appointments to communicate with the provider, act as an educator for the patient and liaison and stay on top of the claim “so we don’t have an opioid problem.”

Many functional restoration programs are available to help with opioid addicted workers, and although they can be expensive, they can dramatically improve the quality of life of the injured worker and “you won’t have to pay for narcotics for the rest of their life,” she said.

“If you can get the right resource at the right time for the right patient ... it can change the trajectory of a claim,” Ms. Haug said.

Angela Childers

# Insurtech speeds claims process, but security questions persist

BY MATTHEW LERNER

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From smart homes or businesses that report their own water leaks to 24-hour, multichannel customer engagement, the insurance claims process is being swept into the insurtech revolution, according to industry sources.

The changes create more communication choices for consumers and businesses, but more security challenges for insurers and potential privacy concerns.

“There’s not a conversation we’re having with clients that doesn’t cover looking at the end-to-end claim lifecycle and how we can use technology to make it cleaner, clearer and faster,” said Darcy Dague, managing director in Accenture PLC’s insurance practice in Chicago.

She cited “the ability to automate the first notice of loss process and make that process more automated and seamless” as an example, possibly using a mobile application that a person can click into that will prepopulate fields with a claimant’s information and prompts for a next step, such as to add photos of a claim.

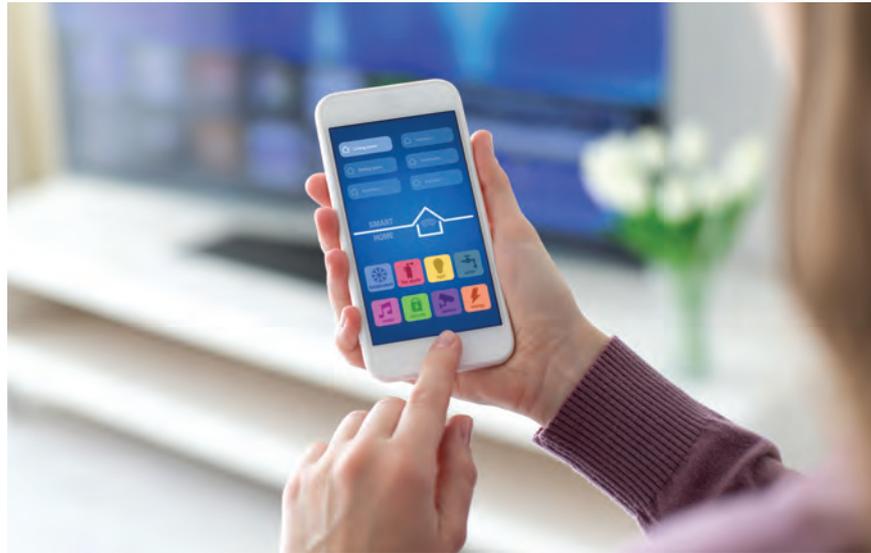
This is just the case at claims manager Crawford & Co., which is using sensors and smart home technology to take personal and commercial policyholders out of the first notice of loss loop.

“You have the capabilities now to do direct sensing of water to provide earlier intervention,” said Kenneth Tolson, Crawford’s U.S. president of claims solutions in Peachtree Corners, Georgia.

About 37% of claims have some tie-in to an escape of water issue, he said.

“We really try to integrate in the new water sensor, (‘internet of things’)-type technology to where we could have a smart home or smart business report directly into our 24-hour call center, which allows the (first notice of loss) to be established at that time,” said Michael Beverly, Crawford’s property product manager for U.S. claims solutions in Peachtree Corners.

Insurers can use satellite imagery of a property loss to gather data such as mea-



## IN 2018

Selected data from 2018 shows insurtech funding growing steeply:

- Insurtechs attracted **\$4.4 billion** in global investment, up 98% from 2017
- The number of deals reached **410**, up 11% from 2017
- The median deal was worth **\$3 million**

Source: Accenture PLC

surements to estimate materials needs and costs, which can be bought automatically, said John Meder, Raleigh, North Carolina-based executive vice president of USI Insurance Services LLC’s risk advisory practice.

“You typically have feet on the ground, but it’s getting to the point where you can do a lot more from behind a desk without having to go out,” Mr. Meder said.

Cloud storage is another popular technology seeing wider use. However, as insurers make the move to the cloud to address data storage issues including cost and volume, issues such as security and related regulation surface, Ms. Dague said. “How do we secure our data properly?” is a question insurers must face.

Similarly, privacy concerns arise with the automation of systems such as Crawford’s water sensors.

“What are the sensors reporting?” Mr. Beverly asked rhetorically.

“The privacy concern is a real one,” Mr. Tolson said.

Distributed ledger technology, often called blockchain, is another technology being used to help information sharing during the claims process, such as from one insurer to another, said Matthew Lehman, managing director in Accenture PLC’s insurance practice in Chicago. “DLT helps to facilitate those types of interactions.”

## Customer-centric

Multiple, parallel channels for customer interaction are also being used in the claims sector, sources said, something being fed by online experiences in other industries like retail and banking, sources said.

“We’re seeing a lot of interaction methods which are happening in industries outside insurance now coming into insurance,” such as messaging and text-type apps, Mr. Lehman said. “Doing more from your phone via text, that’s just a more natural engagement method.”

“Digital channels are growing just because of the way we interact today and because there are more millennials in the workforce,” said Sri Sridharan, U.S. chief

claims officer in Chicago for Marsh LLC. “The expectation is going to keep changing because people are getting that in other places so they are going to expect the same level of response and engagement from insurance and claims as well,” Mr. Sridharan said.

“We have seen over the last three years an increased utilization of our digital products by claimants, clients and policyholders,” Jason Landrum, global chief information officer in Memphis, Tennessee, for Sedgwick Claims Management Services Inc., said in an email. “Handhelds are one of the main ways that consumers are beginning to engage with us during the claims process.”

“The ability to capture in real time videos and photos from the site are giving new and more accurate information that can be applied to the claims process. So, the mobile and immediacy of access is definitely a tool being leveraged,” he added.

Policyholders show different preferences, utilizing different digital channels, sometimes in combination with human contact, sources said.

“At different times, different parties will respond to different channels. Sometimes a phone call is needed, but in some circumstances a text or email, which can be automated, is best,” said Jamie Yoder, president of Screenshot Inc. in Chicago.

In follow-ups for additional information, “We find that if you are contacted via text, we get a response within minutes 70% of the time versus a phone call,” which sees a longer lag time, Mr. Yoder said.

Human touch points remain part of the process for some claims, however.

Screenshot is designed to pull in human input when required, Mr. Yoder said. “Our process always assumes that some combination may occur as the claim is discovered – and that over time, that mix will continue to evolve,” he said.

“What we’re doing is employing data points and processing information faster and more accurately than we’ve ever done, or can be done by a human, so that a human can then step in and make a better informed decision,” Mr. Meder said.

## BUMP IN DATA AGGREGATION CAN HELP STEER RISK MITIGATION

A benefit from the increased use of technology in the claims process has been the collection, from sensors and digital interactions, of huge new stores of data that can help drive mitigation and other activities among insurers and policyholders, sources said.

“There is a lot of data being captured in the process today and aggregated which

was not aggregated in the past,” said Sri Sridharan, U.S. chief claims officer in Chicago for Marsh LLC.

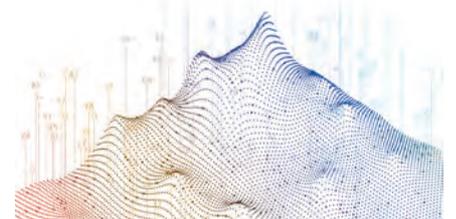
Data that is collected can then be plugged back into companies’ decision-making apparatus, said one source.

Companies are looking at how they can make the most of the data they have to help inform decisions and create value,

said Matthew Lehman, managing director in Accenture PLC’s insurance practice in Chicago.

Risk mitigation is one area that could benefit from the increased data, according to John Meder, Raleigh, North Carolina-based executive vice president of USI Insurance Services LLC’s risk advisory practice.

The increased data gathered by all the



technologies used can shed greater light on claims and potentially help drive risk mitigation, he said. “Data will talk to you.”

Matthew Lerner

## THIRD-PARTY ADMINISTRATORS

### LARGEST THIRD-PARTY ADMINISTRATORS\*

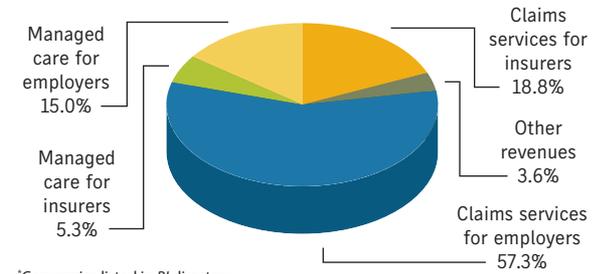
Ranked by 2018 gross revenue

Rank	Company	TPA services provided	Gross revenue 2018	Gross revenue 2017	% increase (decrease)	Total number of claims-handling staff	Officers
1	Sedgwick Claims Management Services Inc. <sup>1</sup>	Multiline**	\$2,747,553,408	\$1,865,953,047	47.3%	18,658	David A. North Jr., president/CEO; Michael A. Arbour, group president; Robert J. Peterson, group president
2	Crawford & Co./Broadspire	Multiline**	\$1,122,979,000	\$1,163,709,000	(3.5%)	6,422	Harsha V. Agadi, president/CEO
3	UMR Inc.	Employee benefits only	\$965,000,000	\$830,000,000	16.3%	3,200	Scott Hogan, CEO
4	Gallagher Bassett Services Inc. <sup>2</sup>	Multiline**	\$950,783,602	\$776,000,000	22.5%	5,105	Scott Hudson, president/CEO
5	York Risk Services Group Inc.	Multiline**	\$800,000,000	\$780,000,000	2.6%	2,100	Thomas W. Warsop, chairman/CEO
6	CorVel Corp.	Multiline**	\$588,000,000	\$519,000,000	13.3%	961	Gordon Clemons, chairman; Michael Combs, president/CEO
7	Meritain Health	Employee benefits only	\$508,500,000	\$452,800,000	12.3%	N/A	Jeff Goddard, president
8	ESIS Inc.	Multiline**	\$448,400,000	\$395,200,000	13.5%	1,403	Keith Higdon, president
9	Helmsman Management Services LLC.	Multiline**	\$316,657,773	\$294,774,169	7.4%	1,850	David Dwartz, president/CEO
10	HealthSCOPE Benefits	Employee benefits only	\$240,098,835	\$161,908,909	48.3%	275	Joe Edwards, CEO

\*Companies listed in BI directory; \*\*Includes employee benefits and/or property/casualty and/or workers compensation; <sup>1</sup>Bought Cunningham Lindsey Group Ltd. in April 2018; <sup>2</sup>Bought WCD Group in July 2018  
Source: BI survey

### TPA REVENUE\*

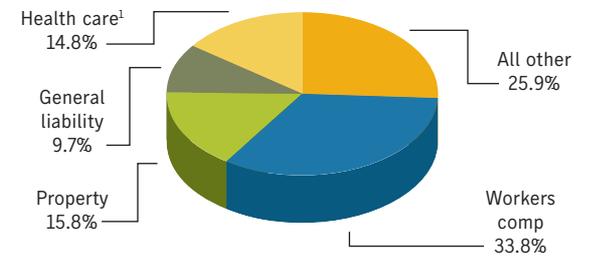
Percentage of 2018 revenue from all services provided



\*Companies listed in BI directory

### TYPES OF CLAIMS MANAGED\*

Percentage of claims by category

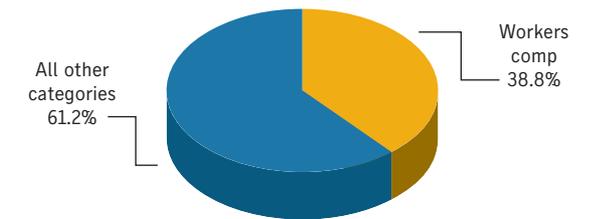


\*Companies listed in BI directory

<sup>1</sup>Includes medical, vision, dental and prescription drugs

### VALUE OF CLAIMS PAID\*

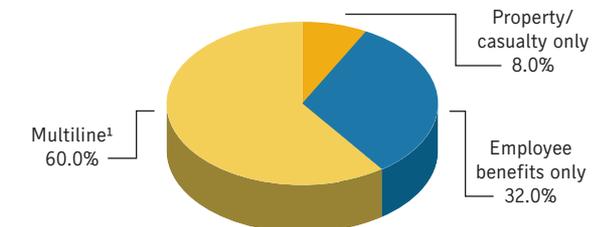
Based on the amount of claims paid in 2018



\*Companies listed in BI directory

### TYPES OF SERVICES PROVIDED\*

Percentage of TPAs handling multiline<sup>1</sup>, employee benefits only and property/casualty only in 2018



\*Companies listed in BI directory

<sup>1</sup>Includes employee benefits and/or property/casualty and/or workers compensation  
Source: BI survey

### LARGEST CLAIMS-HANDLING TPAs\*

Ranked by 2018 gross revenue from claims handled for employers

Rank	Company	2018 revenue <sup>1</sup>
1	Sedgwick Claims Management Services Inc.	\$1,332,158,170
2	UMR Inc.	\$965,000,000
3	Gallagher Bassett Services Inc.	\$587,559,536
4	Crawford & Co./Broadspire	\$493,500,000
5	Meritain Health	\$474,160,000

\*Companies listed in BI directory. <sup>1</sup>Excludes managed care and medical billing services.  
Source: BI survey

### LARGEST MULTILINE<sup>1</sup> TPAs\*

Ranked by 2018 gross revenue from claims handled for employers

Rank	Company	2018 revenue <sup>2</sup>
1	Sedgwick Claims Management Services Inc.	\$1,332,158,170
2	Gallagher Bassett Services Inc.	\$587,559,536
3	Crawford & Co./Broadspire	\$493,500,000
4	ESIS Inc.	\$303,700,000
5	York Risk Services Group Inc.	\$188,000,000

\*Companies listed in BI directory. <sup>1</sup>Includes employee benefits and/or property/casualty and/or workers compensation. <sup>2</sup>Excludes managed care and medical billing services.  
Source: BI survey

### LARGEST BENEFITS-ONLY TPAs\*

Ranked by 2018 gross revenue from claims handled for employers

Rank	Company	2018 revenue <sup>1</sup>
1	UMR Inc.	\$965,000,000
2	Meritain Health	\$474,160,000
3	HealthSCOPE Benefits	\$240,098,835
4	CoreSource Inc.	\$193,597,897
5	AliCare Inc.	\$62,471,000

\*Companies listed in BI directory. <sup>1</sup>Excludes managed care and medical billings services.  
Source: BI survey



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**BUSINESS INSURANCE**

# U.S. INSURANCE AWARDS

Celebrating Today. Creating Tomorrow.

**B**usiness Insurance presented the second annual U.S. Insurance Awards on March 21 in New York, and more than 450 people gathered to celebrate the achievements of outstanding insurance and risk management professionals.

Martin P. Hughes, executive chairman of Hub International Inc., received the Crain Lifetime Achievement Award and was inducted into the *Business Insurance* Hall of Fame, which includes the 2017 and 2018 honorees, Patrick G. Ryan, chairman and CEO of Ryan Specialty Group LLC, and Maurice R. Greenberg, chairman and CEO of C.V. Starr & Co. Inc., respectively.

The award recognizes individuals who have made outstanding contributions to the risk management and insurance sector (see profile opposite).

In addition, teams of professionals from across the industry were honored for specific projects they had collaborated on in the field of commercial insurance.

Finalists in 15 categories were selected by *Business Insurance* staff from more than 180 nominations. The winners were selected by a panel of more than 60 risk managers who independently assessed each of the finalists.

The awards were created to help address the insurance industry's talent crisis by raising money to fund the *Business Insurance* Scholarship, which is administered by The Institutes Griffith Insurance Education Foundation and supports students at universities without risk management degree programs, including historically black colleges and universities.

Profiles of the USIA winners begin on page 32.

Gavin Souter, editor



**THE WINNERS**

**Broker Team of the Year**  
(firms with less than \$500 million in revenue)  
Higginbotham Insurance Group Inc.  
**Page 32**

**Broker Team of the Year**  
(firms with more than \$500 million in revenue)  
Marsh LLC Cyber CAT 3.0  
**Page 32**

**Community Outreach Project of the Year**  
(donations)  
BMS Re, a unit of BMS Group Ltd.  
**Page 33**

**Community Outreach Project of the Year**  
(pro bono and volunteer)  
CNA Financial Corp.  
**Page 34**

**Diversity & Inclusion Initiative of the Year**  
Marsh LLC  
**Page 34**

**Insurance Consulting Team of the Year**  
Willis Towers Watson PLC  
**Page 35**

**Insurance Underwriting Team of the Year**  
(all property/casualty)  
Starr Insurance Cos.  
**Page 35**

**Insurance Underwriting Team of the Year**  
(management liability/professional liability/cyber liability)  
American International Group Inc.  
**Page 36**

**Insurtech Initiative of the Year**  
(underwriting and insurance platforms)  
Ernst & Young LLP  
**Page 36**

**Insurtech Team of the Year**  
(analytics, compliance, other risk management applications)  
CyberCube Analytics Inc.  
**Page 37**

**Legal Team of the Year**  
Anderson Kill P.C.  
**Page 38**

**Managed Care Provider Team of the Year**  
Zurich Insurance Group Ltd.  
**Page 38**

**Risk Management Team of the Year**  
Gilbane Building Co. in partnership with Travelers Cos. Inc.  
**Page 39**

**TPA Team of the Year**  
Helmsman Management Services LLC,  
a unit of Liberty Mutual Insurance Co.  
**Page 40**

**Wholesale Brokerage Team of the Year**  
AmWINS Group Inc.  
**Page 40**

## CRAIN LIFETIME ACHIEVEMENT AWARD

# MARTIN P. HUGHES

BY GAVIN SOUTER

gsouter@businessinsurance.com

**H**appenstance led to Martin P. Hughes taking a job in the insurance industry more than 45 years ago, but hard work, exceptional leadership skills and an ability to get the best from a wide range of different teams were some of the drivers behind his success building Hub International Ltd.

After establishing himself as a top producer in his native Chicago growing his own, then his firm's, books of business via his insurance expertise and sales skills, over the past two decades he's led Hub through close to 500 acquisitions that have helped make it the world's sixth-largest insurance brokerage.

And as one of the first private equity-owned brokerages to pursue a strategy of rapid growth through acquisitions, Mr. Hughes and Hub helped blaze the way for numerous others.

For this and many other accomplishments, Mr. Hughes, executive chairman of Hub, is the 2019 recipient of the Crain Lifetime Achievement Award, sponsored by *Business Insurance*. He received the award during a ceremony at the U.S. Insurance Awards in New York in March.

Born and raised on the south side of Chicago, Mr. Hughes attended Mount Carmel High School in the Woodlawn neighborhood of Chicago and graduated with an accounting degree from the University of Illinois at Chicago.

In 1973, after turning down an offer to join accounting firm Price Waterhouse because he did not want to move to Omaha, Nebraska, where the job was located, he interviewed with Chicago brokerage Mack & Parker Inc. During the interview, it became apparent that the accounting position that had been advertised was in fact an account executive position.

"So they said, 'We are here for the wrong reasons but we have the hour set aside anyway, so would you like to just go through the interview?' so I said sure," Mr. Hughes said. After a second interview, he was offered a sales training position.

Mack & Parker's business was about 95% employee benefits, but the firm wanted to diversify into property/casualty insurance. On his return from a two-month training program run by Aetna Casualty & Surety in Hartford, Connecticut, Mr. Hughes set about calling on prospects to develop the fledgling book.

By 1980, he was running Mack & Parker's commercial lines business, which consisted of middle-market accounts in the Midwest.



Martin P. Hughes

"Because Mack & Parker was dominated by health care, I had to learn everything," Mr. Hughes said.

That willingness to learn helped him grow the book and achieve personal financial success. "The great thing about the business, if you are willing to really commit yourself to it and work really hard, it's almost like owning your own business without all the responsibilities of owning a business."

In 1980 at age 32, Corroon & Black, which was later merged into what is now Willis Towers Watson PLC, offered to make him president of its Midwest operations.

"Mack & Parker was a family-run firm and I loved it, but I also knew that this was the opportunity of a lifetime and I just couldn't pass it up," Mr. Hughes said.

In response, the Mack family offered him a deal whereby he could exercise options to buy a third of the company. "That was a whole new revelation, so I stayed," Mr. Hughes said. Four years later, he and Ed Mack, the grandson of the founder, bought the brokerage.

In 1999, when Mack & Parker reported nearly \$12 million in brokerage revenue, Prem Watsa, CEO of Toronto-based Fairfax Financial Holdings Ltd., offered to buy the brokerage and fold it into Hub, which was then a Canadian brokerage, and make it the bridgehead for Hub's expansion into the United States.

The strategy was to take the firm public and grow rapidly through acquisitions. Mr. Hughes was named CEO of Hub while Richard A. Gulliver, his Canadian counterpart, was named president, and they set about building the firm together.

In 2000, Hub bought C.J. McCarthy

Insurance Agency Inc. in Boston, which had roughly \$12 million in brokerage revenue, and went on to make several more acquisitions, including the Kaye Group Inc. in 2001, which had \$47.2 million in brokerage revenue, and Albuquerque, New Mexico-based Talbot Financial Corp. in 2004, which had about \$100 million in brokerage revenue.

Managing a stream of M&A deals was a new experience for Mr. Hughes. "I became CEO of a company whose mission was to do acquisitions and was a public company, and I had no experience with either. It was a total leap of faith."

But as he worked with the agency managers who joined Hub through the various acquisitions, Mr. Hughes' ability to motivate the new teams and include them in business decisions helped build a unified firm, Mr. Gulliver said.

"He focuses on you and the team. He allows you to speak up and say the things that you think are the right things to be highlighted in a business strategy, and you feel that you are part of the outcome. He allows you to take ownership, and then he has your back if it doesn't work out," he said.

As a result of that support, Hub staff "feel that they need to get the job done, do it right and do it with class. He brings that out in people, which is an amazing

talent," Mr. Gulliver said.

For about 18 months after the Talbot deal, Hub focused on integration, upgrading its operational resources and growing the business organically.

In 2007, the brokerage took another turn when private equity investment firm Apax Partners led a \$1.9 billion buyout of Hub and took the firm private. Apax paid \$41.50 a share for Hub, which was trading at \$26 at the time.

The deal set off what became a trend of private equity-backers buying brokers and using them as vehicles to roll up smaller firms.

"We broke the mold and it caused a lot of private equity money to pour into the industry ... people began to see our results and started to do more research on it and recognized that this is a business with repeatable income — and if you are able to keep what you have, grow it organically and do M&A, what a great business," Mr. Hughes said.

In 2013, Hellman & Friedman LLC bought Hub for \$4.4 billion. The San Francisco-based private equity firm remains Hub's largest investor, but last year Toronto-based Atlas Partners LLP took a substantial minority stake.

There is little pressure on Hub to return to public ownership, Mr. Hughes said.

"There is so much capital in the world — pension funds, sovereign nation funds — looking for places to invest their money, and we are a fabulous spot for them to do it, so I don't see us being forced to go back into the public arena anytime soon," he said.

Also in 2018, Mr. Hughes became executive chairman of Hub, and Marc Cohen, who joined the company in 2001 with the Kaye acquisition, became CEO.

Looking ahead, Mr. Hughes said he sees lots of potential for insurance brokers and that he does not expect his firm to be disintermediated by technological developments.

"We have the affiliation with the client, the client has the relationship with us, and with the development of artificial intelligence and the abundance of capital that exists in the world today, there's great opportunity for us to control our destiny in ways that just weren't possible five to seven years ago," he said.

### ABOUT THE AWARD

The Crain Lifetime Achievement award, named after the family that founded *Business Insurance*, recognizes an individual whose outstanding contributions have had a lasting impact on the insurance and risk management sector. The 2018 honoree was Maurice R. Greenberg, chairman and CEO of C.V. Starr & Co. Inc. Mr. Greenberg and the 2017 honoree, Patrick G. Ryan, chairman and CEO of Ryan Specialty Group LLC, were also the first inductees into the *Business Insurance* Hall of Fame in 2018.

## Broker Team of the Year (firms with less than \$500 million in revenue)

# Higginbotham Insurance Group

For Higginbotham Insurance Group Inc., a concentrated effort to expand loss control and claims staffing in its Houston and Austin, Texas, offices couldn't have come at a better time — occurring in the months after Hurricane Harvey devastated its second-largest region.

The brokerage had personnel from its Day Two Services program — which helps clients with cost reduction, regulatory compliance and other services — deployed in Houston, but did not have a local senior claims executive until last year, when it hired a 30-year-industry veteran to fill the position, said Vance Lee, Dallas-based managing director, risk management.

"It's significantly improved our responsiveness in that region, having someone there in the backyard versus having some-



Vance Lee

one flying in from a distance," he said. "The events from Hurricane Harvey have a long tail, and there are a lot of complicated claims scenarios. Having the person there in the office and available day in and day out to serve our clients — the timing's been great."

Higginbotham's risk management staffers also advise clients during U.S. Occupational Safety and Health Administra-

tion inspections and keeps them abreast of changing OSHA regulations.

"Last year, there was a lot of banter back and forth on the anti-retaliation concerns within the OSHA (electronic) record-keeping process," Mr. Lee said. "Post-accident drug testing, for instance, was kind of a controversial subject there for a while. That was an evolving subject, and making sure we were current on the latest interpretations and being available for our clients if and when something was to happen" was critical.

The key risks faced by Higginbotham clients varies based on industry, but "generally speaking, the biggest challenge we see from a safety and general risk management standpoint is with the auto liability marketplace," he said. "I've been doing this for 25 years, and I can't recall a time where it's ever been as challenging as it is right now. Barring tort reform, I think it's probably going to continue. Any industry out there with any sizable transportation exposure, it's critical that they have effective risk management controls in place because we're starting to see some significant, landmark verdicts coming out over the last couple of years. Underwriters are being extremely selective about who they

wish to partner with and it's our job to make sure our clients understand the general state of affairs within that industry and that they are being very aggressive in controlling the exposure to the extent that they can."

Gloria Gonzalez

**FINALISTS**

- **ABD Insurance & Financial Services Inc.** — ABD's Life Science Team launched a more efficient update to its proprietary, client-interactive global clinical trials portal, allowing clients to make clinical trial insurance decisions quickly and efficiently.
- **Bolton & Co.** — Bolton provides employee benefits, risk management solutions and property and casualty coverage for both local and international operations.
- **Chief Insurance Solutions LLC** — The workers compensation team offers services such as bilingual safety lessons, on-site safety evaluations, live safety webinars, citation defense, ergonomics evaluations and access to safety consultants.
- **Integro Group Holdings LP** — Integro Insurance Brokers and its Risk Management practice group serve Fortune 1000 clients with multilayered, complex and evolving exposures.

"The events from Hurricane Harvey have a long tail, and there are a lot of complicated claims scenarios."

Vance Lee, Higginbotham

## Broker Team of the Year (firms with more than \$500 million in revenue)

# Marsh Cyber CAT 3.0

The Marsh Cyber CAT product has gone through several iterations, but a desire to ensure a simple and consistent approach to covering major cyber exposures has always been at the heart of the offering.

"We needed to approach cyber in a way that's not dissimilar from the way that property approaches a risk: That all-risk property policy and all the perils are there unless they're expressly excluded or the carrier decides to pull some of it out so we started with the premise that all of a company's technology perils are insurable," said Robert Parisi, New York-based cyber product leader for Marsh LLC. "It's meant for large sophisticated insureds that are willing to pay a sizable retention ... looking to buy large limits: \$15 million to \$1 billion."

In developing Cyber CAT 3.0, Aarti Soni, Marsh senior vice president based in New York, focused on ensuring the form responded to potential cyber losses under every scenario.

"Carriers are very trigger focused — what type of triggers create a loss — and I think our clients are very focused on loss and damage," she said. "They're concerned that any loss emanating from a



Robert Parisi

Aarti Soni

cyber-type risk should be covered."

She also examined potential overlaps and gaps between cyber and other policies such as property, kidnap and ransom and crime and ensuring losses not sufficiently addressed to date such as social engineering and electronic funds transfer are "brought into the cyber fold."

The difficulty in crafting a product that stays current with such an evolving risk

was highlighted by an Illinois Supreme Court decision in January allowing plaintiffs to sue firms for violating the state's Biometric Information Privacy Act for allegedly failing to properly notify people about their policies even if no actual harm is claimed.

"It is a challenge for our entire industry because technology is going to continue to evolve, and as businesses are using more and more tech (such as biometrics) ... that's something our industry has to think about and make sure our policies are addressing one way or another," Ms. Soni said.

Another major challenge has been the "tale of two markets," as Mr. Parisi calls it. "North American carriers are more comfortable with their own form as opposed to a form from a broker, whereas the London market has more socialized to the form being driven by the broker," he said.

Cyber CAT 4.0 was expected to be ready by the Risk & Insurance Management Society Inc.'s annual conference in Boston, according to Mr. Parisi.

Gloria Gonzalez

**FINALISTS**

- **Aon PLC** — The Innovation & Solu-

"It is a challenge for our entire industry because technology is going to continue to evolve."

Aarti Soni, Marsh LLC

tions team offers parametric products for clients to access index-triggered solutions that protect them against losses from severe weather.

- **Aon PLC** — The group collaborated to develop a market-proactive approach for the 2018 hurricane season to help better understand market trends and post-loss strategies.
- **Marsh LLC** — Marsh's Aircraft Finance Insurance Consortium was designed to serve the aircraft finance market based on the principles of commercial insurance and protecting aircraft investors from defaults.
- **NFP Corp.** — The broker established a venture fund and innovation lab designed to make smart and efficient investments in technology start-ups that offer promise to address evolving customer insurance needs.

## Community Outreach Project of the Year (Donations) BMS Re US

Being a homeless teenager is not always something an insurance executive can relate to, unless they take the time to put themselves in another's sleeping bag and cardboard box.

It's what BMS Re US executives have been doing every year since 2015 in its companywide effort to support Covenant House International, a nonprofit organization that provides housing and support to young people facing homelessness and survivors of human trafficking.

One of the organization's most notable fundraisers is its Sleep Out events held each year in 16 cities nationwide that provide donors and fundraisers an opportunity to sleep outside on concrete, provided with a sleeping bag, cardboard box and a plastic bag in case it rains.

"It's a pretty moving experience, spending the evening like that ... rain or shine," said Kristine Westall, Minneapolis-based chief operating officer for BMS Re US, a unit of BMS Group, who has participated in the Covenant House Sleep Out three times in New York, which is where the organization is headquartered.

BMS Re US's involvement in Covenant House stems from Chief Executive Officer Andrew Bustillo serving on the board



Kristine Westall

of directors for Covenant House.

"It was clear he was really passionate about this," she said, adding that BMS Re has its own social responsibility committee in which its Covenant House work fits.

BMS Re also offers employees time off to volunteer for Covenant House and other nonprofits. "It's important for companies to think of ways they can give back to the community."

Through Mr. Bustillo's work, the insurance industry now has its own Sleep Out: (Re)Insurance Sleep Out, which encourages those in the industry to participate every September. In 2018, there were 16 teams and 92 participants who together raised over \$400,000, and the BMS team alone has been the top fundraiser for the past two years raising over \$105,000 each year and over \$400,000 since 2015, according to the company.

BMS Re US also supports Casa Alianza, Covenant House International's arm in Latin America, of which Mr. Bustillo now serves on the board. BMS has pledged to visit community sites in Mexico, Guatemala, Honduras and Nicaragua, calling on service trip participants to donate a personal contribution or create a fundraising campaign of \$3,000, the company says.

*Louise Esola*

### FINALISTS

• **CBIZ Benefits & Insurance Inc.** — CBIZ sponsors a national food drive that has delivered millions of pounds of food to banks across the country.

• **FM Global** — FM Global's employees at its corporate offices in Johnston, Rhode Island, set a record for their donations to United Way of Rhode Island. Its

"It's a pretty moving experience ... it's important for companies to think of ways they can give back to the community."

Kristine Westall, BMS Re US

employees also spent hundreds of hours volunteering for a local community food bank and an organization working with homeless and at-risk individuals.

• **Higginbotham Insurance Group Inc.** — Through the Higginbotham Community Fund, Higginbotham partnered with the North Texas Community Foundation to provide monetary support to nonprofits operating in markets where it has offices, including 30 across Texas and one in Oklahoma City, donating to employees experiencing the impact of Hurricane Harvey and to health care organizations in honor of a colleague who passed away from leukemia.

• **Philadelphia Insurance Cos.** — Employees partner with the American Diabetes Association to help provide children with diabetes and their families access to needed medical care and medications.

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## Community Outreach Project of the Year (pro bono and volunteer)

### CNA

An initiative to increase employee engagement turned into CNA Financial Corp.'s Volunteer-A-Thon annual giving campaign, in which thousands of employees donate their time and talents to help their communities.

In October 2016, the insurer launched its first campaign that encouraged employees to get out and give back to their community, to coincide with the Insurance Industry Charitable Foundation's Week of Giving.

The program also fosters friendly competition between departments by rewarding the business unit with the highest number of volunteer hours with a \$10,000 grant from CNA for the nonprofit of their choice, said Brandon Davis, CNA's director of public relations and corporate social responsibility.

*"Every single activity contributes to us building a stronger community, wherever that is."*

Brandon Davis, CNA Financial Corp.



Brandon Davis

The company took a multilayered approach in creating the program by offering employees the assistance of the corporate social responsibility team to identify volunteer opportunities, as well as training volunteer leaders to guide them on how to identify potential nonprofits for volunteer partnerships, said Mr. Davis. Employees may volunteer through corporate volunteer events, but they are

also free to organize and/or volunteer in their own communities.

Logistically, the program wasn't without its challenges, and the company had to think strategically about the best way to ensure good communication between CNA and the nonprofits, said Mr. Davis. To facilitate this, the company created a toolkit for employees leading events that provided start-to-finish guidance on communicating to team members and nonprofit partners and making sure volunteer hours were recorded and submitted.

CNA's human resources department won the grand prize in the 2018 campaign and nearly every employee in that business unit donated their time.

Although the company didn't know what to expect in terms of level of participation when it began the program, employees volunteered more than 2,500 hours of time in 2018 — an increase of nearly 1,000 over 2017 — at 887 events for 115 different nonprofits in more than 50 cities worldwide, Mr. Davis said. Employees engaged in a wide range of volunteer work such as picking up trash, planting gardens, making toys for shelter cats and dogs and assembling care kits.

"Every single activity contributes to us building a stronger community, wherever that is," said Mr. Davis.

Angela Childers

#### FINALISTS

- **American International Group Inc.** — Through its partnership with non-profit Enactus, AIG provided nutrition awareness workshops and free wearable fitness devices to encourage healthy eating and exercise for parents and children in a low-income Texas preschool district.
- **Crawford & Co.** — Employees at Crawford & Co. created care packages, including crafts, snacks, cards and blankets for patients at Children's Healthcare of Atlanta.
- **Hartford Financial Services Group Inc.** — Legal professionals at Hartford developed an anti-cyberbullying program providing best practices to Connecticut school districts on preventing and minimizing cyberbullying and social media abuse.
- **Marsh LLC** — Employees at Marsh committed to volunteering in the month of May and gave back by making meals for a food bank supporting recent tornado victims, installing smoke alarms and acting as mentors for young students.

## Diversity & Inclusion Initiative of the Year

### Marsh

Attracting and retaining diverse talent in the insurance field continues to be a challenge, but Marsh LLC realized that one possible solution lies within the company.

Officials at the brokerage realized it already had a pipeline of diverse talent throughout its departments and locations, and created a program to foster and develop this talent pool into future senior leaders at the company.

In 2018, Marsh launched its 12-month Global Diversity Leadership Development Program, which identified a group of 50 diverse top performers working in a wide variety of departments in the company and paired them with executive sponsors and peer coaches to help each individual with their development goals and to provide them with insights, coaching and visibility within the firm.

The participants invited into the program committed to meeting with their executive sponsors and coaches and attending several one- and two-day intensive learning programs on topics including communication strategies and inclusive leadership techniques. The program will culminate with a two-day learning intensive in July 2019 in London and provide participants with the



Alex Amonett

opportunity to share their insights.

The program has an intensive focus on leadership development skills and inclusion, said Alex Amonett, Marsh's Seattle-based global leader of inclusion, diversity and colleague experience, and each participant goes through training on unconscious bias and facilitating conversations of understanding.

"We wanted most importantly to create

systematic change as opposed to a stand-alone program," he said, noting that as the participants become the next wave of leaders, they'll be able to "exemplify, model and truly know how to put into action the type of behaviors" needed to maintain a diverse and inclusive workforce.

The implementation of the program did come with challenges, however. With participants coming from countries including Singapore, China, Italy, Germany, Columbia and Argentina, Mr. Amonett and his colleagues had to consider variants based on region, business line and culture, as well as each individual's needs when matching them with a leader that would be the right fit for the candidate. "Some were paired with truly global leaders who sat across the world from them," he said.

Of the inaugural class, most of whom began the program at the vice president level, 86% are women, 62% are ethnic or racial minorities and 10% identify as LGBTQ. The program's ultimate goal is to promote 85% of the group to senior vice president or equivalent roles by 2020. Six months into the program, about 30% of participants so far have been promoted.

Marsh is using this program as a way to ensure it is creating a more equitable pro-

cess for the way that it engages and promotes diverse talent, he said.

Angela Childers

#### FINALISTS

- **Hartford Financial Services Group Inc.** — Through Hartford's courageous conversations program, employees have the ability to have planned or unplanned discussions and use internal social channels to share their stories and raise issues important to them, such as mental health, LGBTQ safety, race relations and immigration.
- **Liberty Mutual Insurance Co.** — Liberty Mutual's Men as Allies program invites male employees to play a part in creating a more inclusive environment by drawing awareness to the importance of gender collaboration.
- **NFP Corp.** — Through its women in leadership council, NFP launched a seven-city tour to actively attract women across a range of high school and colleges into the insurance industry.
- **Zurich Insurance Group Ltd.** — Nearly a third of Zurich's employees belong to one of the company's employee resource groups, which network with colleges and universities with diverse student populations and host sessions on inclusion and attracting and engaging diverse talent.

## Insurance Consulting Team of the Year Willis Towers Watson

A commitment to invest in talent and data analytics propelled Willis Towers Watson PLC's integrated casualty consulting team to develop cutting-edge claim and risk control tools.

When the practice started in 2014, "we realized that to differentiate between being just a regular brokerage and a true consulting practice we had to up our game, so we invested heavily in analytics," said Joe Picone, the brokerage's claim consulting practice leader in Richmond, Virginia.

With the addition of key claim and risk executives from other brokerages, the Willis Towers Watson consulting team was able to take a fresh approach to reducing a client's total cost of risk — listening to clients' needs and coming up with innovative solutions.

For example, the team created a web-based tool for companies to select a third-party administrator, known as TPA Market Match. The idea is to match a company's specific needs and business profile to appropriate TPA candidates.

"It's sort of like a Match.com way to pick a TPA," said Mr. Picone.

The team also developed an outcomes-based audit, which looks at the whole claims process, not just how the



Joe Picone

adjuster performed, he said.

"This audit will tell you the claims adjuster scored a 94 or a 95 (percent against best practices), but the employee was a 42, and the way your supervisor handled it in this situation was a 62. The return-to-work program that you have in place is ineffective — it's an 80, there's some improvement needed. It's a whole different way of looking at things," Mr. Picone said.

The team is also developing a new tool for medical cost containment solutions, which will "decipher the costs of medical" in the workers compensation space, he said.

The consulting team's work has also generated some cross-selling opportunities with Willis Towers Watson's commercial broking business. "Very often we don't have a brokerage relationship with clients, and once we do the services, we're able to become their broker afterwards," he said.

Since its first full year in 2015 when it had 24 clients, the consulting practice grew to 220 clients in 2017 and is projecting over 300 accounts in 2019, he said.

"We're doing things with technology that nobody else is doing right now. When you are backed by leadership, innovation and data analytics, it's a great environment," Mr. Picone said.

*Claire Wilkinson*

### FINALISTS

- **Aon PLC** — The Aon Inpoint consulting team delivers 100 strategic projects annually for insurers covering all regions, segments and lines of business, using data analytics to offer targeted and granular insights.
- **KCIC LLC** — KCIC deployed the

"We're doing things with technology that nobody else is doing right now. When you are backed by leadership, innovation and data analytics, it's a great environment."

Joe Picone, Willis Towers Watson PLC

Ligado Platform's database to help its client understand the insurance assets available to defend lawsuits and to fund settlements, including for long-tail environmental, product-related injuries and sexual abuse claims.

- **ReSource Pro LLC** — ReSource Pro's operational advisory team developed an industry standard contact center and service request processing metrics to deliver efficiencies for a national program administrator.

- **Zurich Insurance Group Ltd.** — Zurich's team developed targeted risk review for construction site assessments that evaluates the risks present during different phases of construction.

## Insurance Underwriting Team of the Year (all property/casualty) Starr Insurance

Construction projects are inherently risky, but Starr Insurance Cos.' construction division saw an opportunity to address a major insurance challenge for such projects and ensure continuity of coverage to mitigate obstacles to building construction and on-time completion.

Construction primary and excess liability coverages are typically purchased as separate products, leaving the potential for mismatch in terms and conditions. Rather than shy away from the challenge, Starr's construction division sought to build a new product for the construction industry that combines primary and excess general liability coverages for single large projects.

The timing was right, according to Andy Robinson, senior vice president, primary and excess construction, with Starr in Boston.

"There's a primary product and there's an excess product, but they're all very different in what they provide. Because of the complexity of project coverages ... that could create problems down the road," Mr. Robinson said.

Starr Construction started talking with brokers about how a program that combined primary and excess general liability coverages might be structured.



Andy Robinson

Building a new primary product that would align with existing excess coverage was no easy feat.

"We spent three to four months working with our key wholesale broker partners to design a product," said Mr. Robinson.

The collaborative effort brought together underwriters on both the primary and excess business lines, claims professionals and legal expertise to develop a product

that combined the different lines of coverage in a way that would also "protect the company adequately" so it wasn't taking on too much risk, he said.

After a soft opening in September 2018 through an exclusive group of 40 wholesale brokers, the primary and excess general liability wrap-up, known as Starr CIP Enterprise, went from zero submissions on day one to a rolling inventory of 200-300 submissions within three months, with the product officially launching in November, Mr. Robinson said.

Starr's challenge from company chairman and CEO Maurice R. Greenberg to innovate meant the construction team was able to assemble this new wrap-up coverage and bring it to market within just a few months.

"It really energizes the organization top to bottom when we can do something like this," he said. "This will spawn some other ideas."

*Claire Wilkinson*

### FINALISTS

- **American International Group Inc.** — AIG's Multinational Client Brief team uses tools that inject transparency and simplicity while delivering greater efficiency, contract certainty and optimum program management to its multinational clients.

"It really energizes the organization top to bottom when we can do something like this."

Andy Robinson, Starr Insurance Cos.

- **Axa XL, a unit of Axa SA** — Axa XL's environmental team continues to develop new products and find new ways to address business' environmental risks, with the help of data and analytics, including enhancements to its professional and pollution insurance for contractors and consultants.

- **Everest Insurance** — Everest Insurance's Structured Solutions team, which was built to work on the transactions that traditional insurance and financial markets typically cannot handle, provides innovative solutions to address complex or unique issues that are outside the realm of standard products.

- **McGowan Program Administrators** — McGowan Active Shooter/Workplace Violence Programs includes coverage for victim expenses, legal liability expenses, business interruption/extra expenses, off-site exposures and physical damage.

## Insurance Underwriting Team of the Year (management liability/professional liability/cyber liability)

# American International Group

American International Group Inc. wanted to make sure it had a solid understanding of cyber risk and its potential effect on business.

“We wanted to get more consistency across the globe in how we underwrite all our policies,” said Tracie Grella, AIG’s head of cyber risk insurance.

To address the issue, AIG launched its Cyber Underwriting Model in late 2017, in which the insurer combines data and knowledge garnered over its 20 years writing cyber insurance with data security to develop a model that quantifies and scores policyholders’ cyber risk.

Policyholders receive a monthly “boardroom-ready” report, which details the probability of different types of loss, areas of strength and weakness and recommendations for the best risk-reducing controls that can be implemented, Ms. Grella said. They are also provided with benchmarking data — a critical factor because boards “want to know where they fall relative to their peers,” she said.

“The report is somewhat interactive because clients can run it every month with updated threat intelligence based on the current threat environment,” Ms. Grella said.



Tracie Grella

They can also use the information it provides to analyze whether the amount needed to reduce the risk is worth the cost of implementing certain controls, she said.

“Everyone in the cyber community is trying to quantify risk, and this is one of the first steps in helping them to do that, showing how implementing controls can impact the decision-making,”

Ms. Grella said.

“We also needed a model because we need all underwriters at AIG to understand how cyber risk impacts policies,” Ms. Grella said. “As we move toward affirmative coverage, we needed to make sure we have a platform that all underwriters can access, including those in other lines of business such as property and marine.”

“Clients are thrilled with the data that we’re able to provide back to them,” Ms. Grella said.

“People have said to us, ‘This is great. It’s exactly how we see our risk, which is helpful when we go to management,’” because it is no longer a matter of just them saying this. “They have a leading insurance carrier also saying” where they need to invest, said Ms. Grella.

Judy Greenwald

### FINALISTS

• **Axis Capital Holdings Ltd.** — By applying Modern Portfolio Theory to the underwriting process and engaging in disciplined decision making, the Axis Financial Institution team built a diversified insurance portfolio comprised of a variety of products and risks across a geographic spread.

“Everyone in the cyber community is trying to quantify risk, and this is one of the first steps in helping them to do that.”

Tracie Grella, AIG

• **Beazley PLC** — Beazley’s new BBR Services, launched in November 2017, covers the universe of cyber risks confronting small and midsize business, including business interruption, in a streamlined 22-page policy.

• **Executive Perils Insurance Services** — ExecutivePerils Inc. has an insurance product with Arch Insurance, RE360, that enables today’s diversified real estate companies to choose from an extensive menu of coverages.

• **Zurich Insurance Group Ltd.** — In 2018, the Zurich North American Cyber Underwriting Team introduced an extensive and easy-to-understand cyber insurance policy written to include all of the core cyber coverages as well as market-standard enhancements.

## Insurtech Initiative of the Year (underwriting and insurance platforms)

# Ernst & Young

Collaboration was key as a small consortium worked to produce Insurewave, a technology platform for the placement of marine hull and war coverage with plans to expand.

The project began with contact between Ernst & Young LLP and GuardTime AS, the project’s technology provider, which had been developing blockchains in other industries including defense and telecommunications, according to Shaun Crawford, global vice chair for industry markets in London for Ernst & Young.

Ernst & Young had been “talking for quite a while about how this technology could apply to insurance,” a high-cost, low-efficiency business, Mr. Crawford said, adding that he wanted to take the project to a client and noting shipping insurance as “the oldest, most inefficient insurance market in the world,” with

Ernst & Young had been “talking for quite a while about how this technology could apply to insurance,” a high-cost, low-efficiency business.

Shaun Crawford, Ernst & Young LLP



Shaun Crawford

stringent regulatory and capital requirements. The project aimed to solve challenges in the quoting and purchase of marine hull and war coverage via a secure permissioned distributed ledger.

Denmark-based shipper AP Moller-Maersk A/S was contacted and enthusiastic about the project, and the two parties set about a 12-week proof of concept phase which validated the concept and

allowed them to move on to a first-stage build, he said.

“It was a great idea but would never have gotten off the ground without Maersk,” Mr. Crawford said.

Funded by EY and performed and executed by Guardtime, the build took almost a year to the time it came online at the beginning of June 2018, Mr. Crawford said.

While the first iteration of Insurewave focused on marine hull and war coverage and limited to participants EY, Guardtime, Maersk, Maersk Insurance A/S, MS Amlin, Willis Towers Watson PLC, and Axa XL (originally XL Catlin), Mr. Crawford said sights are now set on potentially expanding to other participants and perhaps further product lines.

Insurewave, he said, “is not just a Maersk proposition, it’s all hull and war coverage,” and then can be extended to other lines such as cargo and aviation.

Matthew Lerner

### FINALISTS

• **Axa XL, a unit of Axa SA** — In collaboration with Slice Labs Inc., Axa XL created an on-demand cyber insurance online platform for U.S. small and medium-sized businesses, which is cloud-based

and available digitally either through the web or mobile phone where a few simple questions are asked and a qualifying customer can purchase a policy online.

• **Liberty Mutual Insurance Co.** — In June 2018, Liberty Mutual Insurance and REIN, which creates digital insurance products around evolving risks, launched DroneInsurance.com, an online drone insurance program built on the REIN platform built to address the risks of commercial drone operations from a single drone to an entire fleet.

• **Next Insurance Inc.** — Through the Next site, customers can get instant quotes, purchase policies, view policy information and update and maintain payment information, add an additional insured to a policy with the click of a button, obtain real-time live certificates of insurance or cancel a policy instantly with no penalty fees.

• **Pinnacol Assurance** — Pinnacol developed and launched a digital platform, Cake Insure, which reduces the time to get a quote and purchase a workers compensation insurance policy from days to minutes, provides live chat and text support and delivers online certificates of insurance.

Insurtech Team of the Year (analytics, compliance, other risk management applications)

## CyberCube Analytics

As the market for cyber insurance grows and matures, new tools such as CyberCube Analytics Inc.'s platform for cyber risk aggregation modeling are being deployed to help understand and manage the ever-changing and evolving risks.

CyberCube was founded in 2018 with significant funding from ForgePoint Capital and Symantec Ventures, with which CyberCube has a relationship to provide exclusive access to Symantec's cybersecurity data collection and feeds a large part of the CyberCube model, said Rebecca Bole, head of industry engagement for CyberCube in London.

CyberCube also has access to Symantec's threat intelligence and cybersecurity research teams, "helping us to identify trends and incorporate them into our model before they become claims," she said.

Symantec started work on the CyberCube platform in 2015 as an internal research and development team, developing both proof of concept and a pilot product, which was brought to market as CyberCube Analytics in 2018, Ms. Bole said.

"The ability to gain a multidimensional, forward-looking view of cyber risk is



Rebecca Bole

imperative for insurers and reinsurers to grow their cyber portfolios in a controlled manner," she said.

"The unique challenge with cyber risk is that it is changing all the time: The threat actors, methods of attack, end-points used to perpetrate attacks are constantly evolving. No two attacks are the same," Ms. Bole said.

"CyberCube takes a different approach

toward modeling," she said.

"Many traditional catastrophe models rely on loss data to predict the future. You can't do this with cyber: The past is not an indicator of the future. We have to use different data sources and combine these with threat intelligence and cybersecurity expertise to gain this forward-looking view of risk," Ms. Bole said.

Publicly announced clients to this point include Munich Reinsurance Co., Chubb Ltd., Guy Carpenter & Co. LLC, CNA Financial Corp. and JLT Re Ltd., she said.

*Matthew Lerner*

### FINALISTS

• **Aclaimant Inc.** — Aclaimant's Resolution performance system helps companies see risk more clearly using workflow tools to streamline risk management, including workplace safety, incident and claims management and analytics all in one system.

• **National Council on Compensation Insurance Inc.** — NCCI's team developed and released Aggregate Loss Factors on Demand — an online application designed to perform complex calculations regarding aggregate excess loss factors and basic premium factors used in retrospectively rated workers comp policies using

*"The unique challenge with cyber risk is that it is changing all the time: The threat actors, methods of attack, end-points used to perpetrate attacks are constantly evolving. No two attacks are the same."*

Rebecca Bole, CyberCube Analytics Inc.

actuarial models.

• **Ventiv Technology Inc.** — Ventiv teamed with key partners to develop an application programming interface initiative in the commercial insurance sector that provides real-time data exchange connecting disparate systems at multiple organizations.

• **Verisk Analytics Inc.** — Verisk's Energy & Power Intelligence Xchange, a benchmarking and risk scoring platform, aims to support more informed decision-making in the energy insurance sector by providing energy underwriters, risk engineers and portfolio managers with information on an individual risk and portfolio basis.



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## Legal Team of the Year Anderson Kill

For Anderson Kill P.C.'s policyholder clients, what's old is new again.

Asbestos litigation, for example, has been going on for years but is evolving, said Robert Horkovich, a New York-based managing shareholder with Anderson Kill, citing the example of Johnson & Johnson facing thousands of claims alleging that asbestos in the company's talc-based products caused mesothelioma.

Meanwhile, directors and officers liability coverage remains "very important" as shareholder and other lawsuits continue to be filed against corporate directors and officers, he said.

Now add emerging risks such as cyber and opioids to the mix, Mr. Horkovich said.

"Cyber obviously has become much more important," he said. "It's a new frontier of risk ... that risk managers have to deal with. And it's an evolving, unfolding risk."

*"The numbers don't lie ... the fact of the matter is that there are more severe storms than there ever have been, and that's affecting the property market."*

Robert Horkovich, Anderson Kill P.C.



Robert Horkovich

"Here, we are now with a whole new layer of talc cases and opioids presenting new, daunting liability challenges," Mr. Horkovich added.

Another evolving area to monitor are first-party losses caused by natural catastrophes, he said. "The numbers don't lie," Mr. Horkovich said. "Whatever the politics of debating global warming, the fact of the matter is that there are more severe

storms than there ever have been, and that's affecting the property market."

Anderson Kill has served as lead or co-counsel in several cases that scored key victories for policyholders. In November 2018, a New York appeals court affirmed that an American International Group Inc. unit must defend the Port Authority of New York and New Jersey and several contractors against asbestos claims brought by construction workers on the original World Trade Center, according to *American Home Assurance Co. v. The Port Authority of New York and New Jersey et al.*

"The Port Authority World Trade Center case is very important," Mr. Horkovich said. "It clarified that the duty to defend is not severable. It's not pro rata. Each insurer on the risk is on the risk 100% and that principle has now been very clearly stated. The insurance companies have to defend the entire claim. They can't pick and choose what parts of the claim they want to defend."

In *Siltronic Corp. v. Employers Insurance Co. of Wausau et al.*, an Oregon court granted Siltronic's motion for summary judgment in November 2018, after holding the exclusion for "expected or intended" pollution did not apply because the poli-

cyholder Siltronic bought the property at the heart of the case not knowing it was already contaminated with highly toxic coal tar. Mr. Horkovich called the decision "a win for the policyholder and win for the environment."

Gloria Gonzalez

### FINALISTS

- **Caterpillar Inc.** — Caterpillar's in-house legal team won changes to the captive law in Illinois to help make the state a more attractive captive domicile and led innovations in captive financing for employee benefits.
- **McCarter & English LLP** — McCarter & English's insurance coverage team has won numerous cases for policyholders in property damage and business interruption claims, errors and omissions and directors and officers coverage cases.
- **Squire Patton Boggs** — Squire Patton Boggs has expanded its capacity, including its expertise in insurtech, and has represented insurers in numerous actions, including asbestos and environmental coverage disputes, and construction defects.
- **Wiley Rein LLP** — Wiley Rein's insurance practice has won numerous cases including False Claims Act litigation, asbestos liability litigation, and an insurance coverage dispute.

## Managed Care Provider Team of the Year Zurich North America

Early intervention is the best way to mitigate the risks of injured workers becoming addicted to opioids and other controlled substances — a cornerstone of Zurich North America's playbook for handling potentially complicated claims.

And while the notion of addressing claims at first light appears simple, Zurich's "multifaceted approach" of deploying data, predictive modeling, claims flagging, nurse case managers and real-time insights have helped the workers compensation insurer produce better outcomes, said Dr. Nina McIlree, the company's Schaumburg, Illinois-based vice president of medical management.

Zurich introduced its system of managing claims about a decade ago, but it has been enhanced year after year by gathering claims characteristics to better understand issues that could prolong and complicate a claim, such as overutilization of drugs.

The latest tool is Zurich's Vital Signs predictive model, which evaluates claims variables, including prescription drug use and injury information, to weigh whether a claim requires more attention. Vital Signs has resulted in nurse case management referrals that come in 2.5 times faster than



Dr. Nina McIlree

before the tool was deployed two years ago, resulting in cost-mitigation savings between \$6,000 and \$26,000 per claim, according to company statistics.

"This is utilizing data through predictive modeling that starts at day one of the loss," she said. "As the claim matures and more data is obtained, there are tools to identify issues, such as triggers for potential overutilization" of such drugs as opioids and

benzodiazepines — both nervous system depressants that can hinder recovery.

The strategy in terms of opioids alone has resulted in a 50% average reduction in prescribing the drugs to injured workers since 2017, according to company data. Targeting opioid and benzodiazepine overuse and misuse has resulted in a 49% lower spend, 62% fewer claimants and 63% fewer prescriptions, the company reported.

Knowing that case histories could help steer new claims, the challenge was to create a user-friendly system for claims managers and nurse case managers that put to use an "enormous amount of data" on past claims, said Dr. McIlree. "We created a dashboard that is very clear," she said of the simplified platform that provides users alerts similar to traffic stoplights, warning claims managers that the predictive model is showing a claim may be problematic. "If something goes from green to yellow, you have to see what is driving it, if it goes to red you have to see what is driving it."

Louise Esola

### FINALISTS

- **Gallagher Bassett Services Inc.** — Gallagher Bassett's Concussion Protocol Team was created to manage concussion exposures for public sector employees,

resulting in earlier diagnosis, expedited specialist treatment, and concentrated support by trained nurses and speeding return to work.

- **Gallagher Bassett Services Inc.** — The Return to Work team identifies and addresses issues that impact an early return to work such as employee perceptions of injuries, poor communication between the individual and employer, and the lack of a return to work plan.

- **Liberty Mutual Insurance Co.** — Liberty Mutual and its wholly owned third-party administrator Helmsman Management Services continually refine the care of catastrophically injured workers, securing the right care at the right facilities, facilitating appropriate home health care, home modifications and durable medical equipment, and managing their return to work through managed care enhancements.

- **Sedgwick Claims Management Services Inc.** — Sedgwick's surgery nurse program helps manage high-cost surgical claims more effectively by proactively engaging injured employees, providing dedicated nurse resources and technology to help injured employees prepare for surgery and recover afterward using a prehabilitation/rehabilitation model to improve outcomes.

## Risk Management Team of the Year

# Gilbane Building in partnership with Travelers

Falls are a stubborn workplace safety challenge for construction sites, but Gilbane Building Co. in partnership with Travelers Cos. Inc. and Triax Technologies took it on headfirst.

Gilbane officials were examining technologies to improve safety when they came across the Spot-r clip technology from Triax, said Donald Naber, Gilbane's senior vice president and director of risk management based in Providence, Rhode Island. The device detects falls and identifies the person, location and fall distance, improving response time by up to 91%, according to Triax.

The technology allows employees to generate alerts based on unsafe work conditions, which facilitates an immediate response from the project team, he said.

There were some early stumbles, namely false readings on one project site. "It was almost as if the little boy was crying wolf and the project team was getting frustrated," Mr. Naber said.

Rather than removing Spot-r from the worksite, he called in the Triax team, which discovered the clips were set at a very low threshold so the technology was registering falls if someone jumped down a foot or quickly went down stairs.



Don Naber

An "unexpected" benefit was that the observation process revealed that subcontractor workers were taking shortcuts into project areas not in compliance with established exits and entrances, partly to try to meet their contractual schedule obligations, he said.

Gilbane officials spoke to employees identified as jumping and said, "You're relatively young and it seems like you're

going to be in this business for a long time, but if you continue to have those repetitive jumps ... it's going to take a toll on your joints, your ankles, your hips and your knees," he said.

Gilbane is still gathering Spot-r data specific to its worksites, but company officials and Travelers discussed how the data could be used not only to improve safety at Gilbane sites, but to overlay with Travelers loss information and share safety lessons with other policyholders — with the insurer agreeing to partner on the technology expense — because "data is such a valuable tool within our industry, and unfortunately it's not shared as well as we would like it to be," he said.

*Gloria Gonzalez*

### FINALISTS

- **ABD Insurance & Financial Services Inc.** — ABD's property/casualty team worked with a rapidly growing e-commerce company to better design their insurance program to align with their risk philosophy while finding ways to lower costs.
- **Henry Crown & Co. — CC Industries Inc.** — The Henry Crown risk management team found creative ways to manage their total cost of risk, reducing expense

"Data is such a valuable tool within our industry, and unfortunately it's not shared as well as we would like it to be."

Don Naber, Gilbane Building Co.

and mitigating losses, while introducing enterprise risk management across a diverse portfolio of businesses.

- **The Graham Co. and Penn Medicine** — Graham and Penn Medicine partnered to support the hospital facility's world-renowned researchers, clinicians and faculty by developing custom and collaborative programs to manage risk, negotiate insurance options and strategize outside-the-box approaches to ensure safety for a major building project.

- **Walmart Inc.** — Walmart's global risk management team delivered innovations in casualty claims management that drive reductions in administrative expenses and ultimate claim costs; and that deliver better claims results and continue to evolve Walmart's approach to risk transfer and retention to deliver a more balanced risk profile.

# WELL DONE.

We are proud of our North American Claims team for using advanced data applications to help our customers manage and mitigate opioid abuse in the workplace. We're honored to receive the U.S. Insurance Award for Managed Care Provider Team of the Year from Business Insurance.

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## TPA Team of the Year

# Helmsman Management Services

When it comes to best medical outcomes for injured workers, the 1,100-strong team at Helmsman Management Services LLC set return to work as the goalpost.

“Return to work is the cornerstone of any program that we handle in the TPA space,” said Mark Siciliano, Atlanta-based vice president, who leads the eastern half of the country in managing claims for Liberty Mutual Insurance Co.’s workers compensation third-party administrator Helmsman. “How we get them there... that’s where the rubber hits the road.”

Helmsman combines a number of programs and resources to work with injured workers, Mr. Siciliano said, adding that parent company Liberty Mutual’s national footprint as one of the country’s largest insurers “helps support a lot of programs.”

Gaining traction is Helmsman’s Temporary Transitional Employment program, which provides injured workers temporary, volunteer positions with nonprofit organizations. This helps speed healing and aids in return to work by getting the injured worker engaged and out of the house, all the while helping the community the worker lives in, according to the company.

Among the challenges are securing par-



Mark Siciliano

ticipant buy-in to the program — from the employer who funds the volunteer worker, to the nonprofit supporting the worker by providing engaging activities, to the recovering worker who has to show up, according to Mr. Siciliano.

“The hardest part for us is to make sure we have to sell to all three of those components,” he said. “It’s a lot of coaching; a lot of strategy around how it is communicated.

Our adjusters have to be sales people to explain the benefits” to all three parties.

By the end of 2018, the program included more than 37,000 volunteer organizations and placed injured employees in more than 6,100 sites, up 7% from the prior year, the company reported.

Helmsman has also adopted the injured-worker advocacy model popular in workers comp claims-management circles.

Mr. Siciliano points to empathy and kindness as keys in keeping costs down and making claims run smoother, he said.

“A lot of our clients working with us have approached this mindset,” he said. “It’s always a good thing when the employee feels valued and needed in the workplace... (This is) driving our culture through the empathetic side of life.”

Louise Esola

### FINALISTS

• **Gallagher Bassett Services Inc.** — Gallagher Bassett’s LegalScore product provides a fact-based foundation for risk managers and firms to understand and improve performance, while its Carrier Practice Strategic Services Team combines top claims expertise, innovative management solutions, and cutting-edge technology to form effective claims management partnerships with insurers.

“Return to work is the cornerstone of any program that we handle in the TPA space.”

Mark Siciliano,  
Helmsman Management Services LLC

- **RCM&D Self-Insured Services Co.** — RCM&D introduced solutions to help clients dramatically reduce workers compensation claim duration, litigation and cost, including Early Intervention, which drives results using nurse case managers and technology-based support and monitoring.
- **Sedgwick Claims Management Services Inc.** — Sedgwick’s American Airlines team managed the airline’s on-the-job injury claims and reduced incurred losses even as it continued to assume additional managed care responsibilities including bill review and utilization review.
- **York Risk Services Group Inc.** — York’s California-based dedicated Walmart team has driven loss reductions despite increases in new claims by refining their approach to new-loss intake and initial investigations and increasing their execution for resolutions and closures.

## Wholesale Brokerage Team of the Year

# AmWINS

With its strong focus on risk management and market expertise, AmWINS Group Inc.’s energy practice team has transformed the role of wholesale insurance broker from option of last resort to first resort for its retail brokers and their insureds.

“What we’ve brought to our agents and risk managers is capacity, coverage, options for solutions on their accounts which they’ve never had in the past,” said Heath Cunningham, team leader for the energy group at AmWINS Brokerage of Georgia, based in Atlanta.

Whether it’s a company of 4,000 or 10 employees, AmWINS’ specialist energy team brings the same approach to every account, analyzing client needs and finding the right type of coverage and capacity, Mr. Cunningham said.

Because of the volume of business that the team writes, it’s able to see trends in the marketplace and to share that information with its retail brokers, he said.

“It’s about bringing a truly united front to retailers to help their insureds as opposed to a wholesaler being an option of last resort. It’s a completely different role than what a wholesaler historically has been known for,” Mr. Cunningham said.



Heath Cunningham

In a “transitioning” energy market where capacity is pulling back due to adverse loss experience, such as utility accounts exposed to the California wildfires, finding capacity for certain risks can be challenging, Mr. Cunningham said.

The AmWINS’ team sees its role not just to fill a void in the market, but to create additional capacity and new products in these situations.

The midstream space, or pipeline risk, is one example, Mr. Cunningham said. “A lot of our markets have been able to step into that space over the last two to three years,” he said.

AmWINS has also developed coverage-specific products for midstream risks, providing additional capacity that complements the marketplace while being innovative, he said.

Claire Wilkinson

### FINALISTS

- **Burns & Wilcox Brokerage** — Burns & Wilcox, a unit of H.W. Kaufman Financial Group, has seen significant growth over the past two years as team members are encouraged to work collaboratively to find solutions for complex risks.
- **Insurance Marketing Center Inc.** — Insurance Marketing Center has processed and enrolled hundreds of group cases in a short time frame reacting to changes in the legislative and regulatory environment.
- **R-T Specialty LLC** — R-T Specialty’s Chicago-based professional liability team achieved extraordinary growth and success by developing solutions to evolving risks such as cryptocurrency and

blockchain across multiple product verticals, including commercial management liability, technology errors and omissions and financial institutions professional and management liability.

• **R-T Specialty’s** New York-based property team prioritizes teamwork and listens to their clients to understand the challenges they face, offering enhanced coverage with new policy language for rail clients, real estate developers and specialty contractors.

“What we’ve brought to our agents and risk managers is capacity, coverage, options for solutions on their accounts which they’ve never had in the past ... It’s about bringing a truly united front to retailers to help their insureds as opposed to a wholesaler being an option of last resort.”

Heath Cunningham,  
AmWINS Brokerage of Georgia

## Marsh offers program to manage cyber risks

■ Marsh LLC introduced Cyber Catalyst, a program that aims to help organizations make better-informed choices about cybersecurity products and services.

The program brings cyber insurers together to identify and evaluate solutions they consider effective in reducing cyber risk. Participating insurers include Allianz SE, Axis Capital Holdings Ltd., Axa XL, Beazley PLC, CFC Underwriting Ltd., Munich Reinsurance Co., Sompo International Holdings Ltd. and Zurich North America, Marsh said in the statement.

Participating organizations may qualify for enhanced terms and conditions on individually negotiated cyber policies with participating insurers, Marsh said.

## Genex introduces managed care platform

■ Genex Services LLC introduced a managed care platform intended to help case managers and adjusters obtain information they need more easily and improve outcomes.

The platform, called Unity, uses mobile and smart-logic technology to connect payers and employers in real time to enable coordination of services for an injured worker, Wayne, Pennsylvania-based Genex said in a statement. Stakeholders can view the necessary data, care management insights and a workflow showing the claim's continuum of care.

Unity is available via desktop or mobile device and uses multifactor authentication.

## Online platform for SME insurance launches

■ Zurich Insurance Group Ltd. and CoverWallet Inc. launched an online platform for small and medium-enterprise insurance in Switzerland.

CoverWallet will launch in Switzerland with a core group of "anchor products" for small businesses including workers compensation and general liability, Inaki Berenguer, CEO and co-founder of CoverWallet, said in an interview, and could later expand to include professional liability and directors and officers covers, he said.

Zurich will be the exclusive supplier at launch, he said, adding, "Over time, working with Zurich, we may consider adding other products from other carriers."

## Neon to lead political risks consortium

■ Neon Underwriting Ltd., the Lloyd's of London managing agency unit of



## RMIS firm unveils cloud-based platform

■ Risk management information systems provider Ventiv Technology Inc. has launched a cloud-based analytics platform for risk managers, insurers and claims managers.

The Ventiv Analytics cloud enables users to combine and explore claims, exposure, property type and any third-party data to look for correlations and insights into their businesses, Atlanta-based Ventiv said in a statement.

Ventiv already offers multiple prebuilt data sets for historical earthquake, wildfire, weather and census data, but users can now add third-party data, including data from third-party administrators, insurers and consultants, to the analytics platform, according to the statement.

The platform will enable risk, insurance and claims executives to more accurately identify "opportunities for risk mitigation, loss prevention and cost savings," Ventiv CEO Bill Diaz said in the statement.

Neon Holdings Ltd., will lead a new London Political Risks Insurance Consortium with MS Amlin PLC as a joint agreement party.

The consortium plans to provide up to \$100 million in Lloyd's capacity per policy to corporate investors and financial institutions for assets that can be located anywhere in the world, including in emerging markets, Neon Underwriting said in a statement.

Coverage is for a maximum policy period of seven years for risks including confiscation, expropriation, nationalization, deprivation, and political violence and war.

A Neon spokesman said four syndi-

cates will participate in the consortium, including Hiscox Ltd.

## Axa XL marine offers contractor policy

■ The North America marine insurance business of Axa XL, a division of Axa SA, has introduced a new contractor's equipment policy.

The policy spans 33 coverages, including new policies with the following per-occurrence limits: drones for \$1,500; extra expense, \$10,000 for contractor's equipment and \$5,000 for property that supports the business; improvements, betterments, attachments and upgrades for \$25,000; necessary repairs for \$1,000; newly acquired covered property, \$10,000 for property that supports the business; property while underwater for \$10,000; replacement keys and locks for \$1,000; rigger's legal liability for \$25,000; and void service contract of warranty for \$2,500.

## Chubb adds e-learning functions to travel app

■ Chubb Ltd. launched an extended range of e-learning modules as part of its Chubb Travel Smart app for business travelers.

Developed with GWS Production AB, which provides companies and organizations with a travel duty of care management platform, the new integrated e-learning modules allow users to access all functions in a single mobile application, the insurer said in a statement.

A record is kept of employees who have completed specific courses, allowing risk managers and employers to monitor usage and ensure workers are adequately prepared for their trip, the statement said.

## Crawford & Co. offers sensors for water leaks

■ Claims administrator Crawford & Co. launched smart water-sensor technology to help reduce water damage claims.

Atlanta-based Crawford's escape-of-water claims management product provides round-the-clock monitoring and detects leaks via sensors placed throughout a property. If water is detected, the wireless sensors alert Crawford's operations center, which notifies the property owner of the event within minutes, dispatching a water mitigation company to the site if needed, Crawford said in a statement said.

Crawford's 24-hour call center takes first notice of loss claims by phone to begin to mitigate the water damage claim, the company said.

## DEALS & MOVES

### AmTrust spins off Lloyd's, surety businesses

AmTrust Financial Services Inc. signed a definitive agreement to sell its Lloyd's of London business to Canopus AG, while Liberty Mutual Insurance Co. has agreed to buy its credit and surety reinsurance operations. Terms were not disclosed.

The Canopus transaction will make it one of the largest insurers at Lloyd's with about \$2.2 billion in premium and is expected to be completed in the third quarter, Canopus said in a statement.

The Liberty deal includes AmTrust Surety, AmTrust Insurance Spain, Nationale Borg and Nationale Borg Reinsurance, Liberty Mutual said in a statement.

AmTrust, which has a significant book of workers compensation business, has said it intends to focus on its U.S. specialty business.

### Marsh & McLennan Agency buys regional broker

Marsh & McLennan Agency LLC has acquired Phoenix-based commercial broker Lovitt & Touché Inc. Terms were not disclosed.

Lovitt & Touché provides commercial property/casualty services in Arizona and surrounding states, with a focus on construction, real estate, nonprofit, health care and manufacturing, Marsh & McLennan Agency said in a statement.

### Gallagher acquires Virginia agency

Arthur J. Gallagher & Co. bought McLean Insurance Agency Inc. Terms were not disclosed.

Potomac Falls, Virginia-based McLean places over \$13 million in premium, according to its website.

The agency offers retail property/casualty, life and employee benefit brokerage and consulting services throughout the eastern United States, Gallagher said in a statement.

### AssuredPartners boosts Texas footprint

AssuredPartners Inc. has acquired Baldwin-Cox Agency LLC of Dallas. Terms of the deal were not disclosed.

The agency reports \$9 million in annualized revenue, Lake Mary, Florida-based AssuredPartners said in a statement. It specializes in construction bonds but also handles other property/casualty and employee benefits business.

## Cat models facing complex disasters

**A**s catastrophe losses accelerate again, experts from numerous disciplines are trying to get a better grasp on what is causing natural disasters and how to mitigate against future losses.

Catastrophe risk management efforts are centuries old, according to recent research by academics in the Czech Republic. A study by researchers at the Czech University of Life Sciences in Prague shows that communities in the country have long reacted to flooding losses by building new settlements at higher altitudes than their flooded homes.

Tracing rebuilding efforts back nine centuries, however, the research, which was published in *Nature Communications* in March, found that the communal risk management efforts lasted only a generation, and in the second generation after a disaster, settlements again sprang up closer to flood zones.



**Gavin Souter**  
EDITOR

Other recent research shows the complexity of the issues that catastrophe risk management experts are addressing. According to a sigma study by Swiss Re Ltd. published last month, losses from so-called secondary perils and secondary-effects of primary perils, which refer to losses such as the torrential rain that followed Hurricane Harvey in 2017, accounted for more than half of the more than

\$219 billion in losses from catastrophes in 2017 and 2018.

Front of mind for many insurers are losses from the California wildfires, which is a secondary peril of climate change — warmer temperatures create drier surfaces, increasing the risk of wildfire and drought.

Of course, wildfires are not a new phenomenon in California. But like the Czech villagers before them, Californians are developing homes and businesses in more exposed areas, increasing the risk of property damage in areas where urban communities meet nature.

As insurers, homeowners and risk managers contend with the increased wildfire risk, they should be able to rely on more than intergenerational communications to fight the losses.

As we report on page 4, catastrophe modeling firms are trying to help solve the problem by developing models that can scientifically assess wildfire risks. Catastrophe modeling as a discipline first gained attention after another memorable catastrophe: Hurricane Andrew. The storm caused massive damage in South Florida and in large part led to the formation of the Bermuda catastrophe reinsurance market. Many of the reinsurers that formed after the storm relied heavily on the models to underwrite the risks.

Wildfires, however, are a very different risk from windstorms, and the catastrophe models addressing them are in their infancy. Only time will tell if the models can effectively assess wildfire risks and help permanently imprint a record for the collective memory. While there's little evidence to suggest that recent catastrophes will affect development trends in the same way they did in medieval times, having a grasp on the consequences should at least help property owners and their insurers prepare for the inevitable.

Aggregate economic loss by wildfire since 2000:

**\$149B**

Acres burned from wildfires in California in 2018, highest on record in the state:

**1.82M**



VIEW FROM WASHINGTON

## Pay gap needs plugging

**E**qual pay for equal work: Seems like such a straightforward concept, doesn't it? But ensuring women are fairly compensated for the work they do has proved to be a stubborn challenge for corporations and the women working for them.

A woman still makes only 80 cents for every dollar earned by a male counterpart, amounting to an annual gender wage gap of \$10,169, according to U.S. Census Bureau data from 2017. The pay disparity is even more striking for women of color, with black women paid 61 cents on the dollar and Latina women paid 53 cents on the dollar. These inequities persist despite passage of the 1963 Equal Pay Act.

In February, the U.S. Supreme Court remanded a federal Equal Pay Act decision issued by the 9th U.S. Circuit Court of Appeals in San Francisco, leaving in place a lingering circuit court split over whether employers can ask job candidates about their salary history. But many employers are already forbidding questions about salary history in response to the growing number of states and other governmental entities that prohibit these inquiries.

Democrats think they have found part of the answer. The U.S. House of Representatives adopted the Paycheck Fairness Act on a 242-187 vote on March 27, largely along partisan lines, although seven Republicans broke ranks to vote in favor of the bill. The measure would strengthen the Equal Pay Act and gender discrimination protections by eliminating caps on damages when employers act with malice or reckless indifference and restrict an employer's ability to inquire and rely on a prospective employee's previous salary — a practice known to have a disproportionate effect on women.

But not everyone agrees that additional legislation is the right approach. The Alexandria, Virgin-

ia-based Society for Human Resource Management expressed concern that the bill would prohibit legitimate pay practices. "While we agree that salary history should not be the sole factor in setting compensation, employers should have the ability to discuss salary expectations with prospective employees," Johnny Taylor, the group's president and CEO, said in a March 26 letter to congressional leaders.

And on the House floor, in opposition to the legislation, Rep. Virginia Foxx, R-N.C., said, "It's an insult to women everywhere that Democrats are passing this bill off as something good for them."



**Gloria Gonzalez**  
DEPUTY EDITOR

I'm not insulted. I am quite the workaholic, and I absolutely want to be sure that such efforts are always compensated at the same level as a man in a similar position.

The gender pay gap is not just a U.S. problem. Since regulations requiring U.K. organizations with 250 or more employees publish data about their gender pay gap took effect on April 5, 2017, it

has become clear that companies with U.K. operations, including well-known insurance entities, also have a problem. Lloyd's of London's gender pay gap declined by 7.8 percentage points in 2018, but it still represents a difference between the average pay for men compared with women of 19.9%, according to its recent report.

It shouldn't take additional legislation to ensure every woman makes exactly what a man makes in the same job, but maybe it's necessary.

# College admissions scandal could give risk managers the blues



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**O**peration Varsity Blues made headlines worldwide as the FBI charged 50 individuals, including well-known celebrities, with participating in a nationwide college admissions scandal involving many high-profile, elite institutions. And now come the lawsuits.

As this scandal plays out, higher education institutions, directly affected or not, should be acting now to identify uncovered risk exposures, strengthen existing coverage, update crisis management protocols and review operational processes.

On the coverage front, most colleges and universities have a wide range of directors and officers, employment practices liability and educator's legal liability policies in place. These are standard coverages for any higher education institution to have. The devil, however, is always in the details, and in moments of crisis, details matter. A few policy details you should dig into include:

- **Preclaim coverage:** Most policies provide coverage for post-claim cost expenses, but some allow recovery of legal expenses for preclaim advice when certain conditions have been met. Check for pre-event coverage, as well as policy sublimits and other conditions that may apply, and add it where you don't have it.
- **Counsel limitations:** From who you can hire to how much they can be paid, policies can limit your legal defense team. Check the fine print, inform your general counsel and adjust accordingly with your broker.
- **Class action conditions:** How does your coverage define a class action? Big actions require big, often lengthy defenses. Is your general counsel comfortable with your policy's definition, and do they know how coverage will respond to such claims?

No one can predict when or where a crisis will occur, and though schools may have their own media and public relations teams, in an age of viral social media a scandal can quickly balloon beyond internal capabilities. In these situations, how will your institutions manage a crisis? Crisis management coverage, which can be included in a policy as an endorsement or secured on a stand-alone basis, is designed to help a school assess and mitigate the impact to its reputation and finances by connecting the school with crisis experts — quickly.

Interestingly, crisis management coverage is sometimes referred to as a liability mitigation tool, seen as benefiting both the school and its insurer. How? By helping to mitigate damage to the school's reputation in the court of public opinion. Mitigation of reputational damage in the public



sphere can, in turn, extend into the court of law and help reduce legal liability. Insurers have realized that by paying some upfront costs to cover public relations expenses, they not only protect a school's greatest asset — its reputation — but can also help lower the final settlement amount.

In any scandal such as Varsity Blues, reputational damage is perhaps the longest lasting, hardest to quantify and most difficult element of the claim to overcome. Given this reality, colleges and universities, as part of their risk exposure analysis, need to go beyond reviewing insurance coverage to evaluate operational procedures and policies. How are admission decisions being made? How much latitude are key personnel given in those decisions, and is the process transparent?

*Varsity Blues should be used as a wakeup call to implement better operational processes or ERM programs within the organization. Operational processes and ERM programs need to be understood as something more than increased bureaucracy.*

Risk managers are often the missing link for gathering and sharing such critical information, but they must be more than simple conduits of data with their internal constituents. Rather, by pursuing a program of active, ongoing internal networking, a risk manager will be able to organically attain a better understanding of the risk exposures the institution faces. Not only do such interactions build trust between the risk manager and senior leadership, they ensure information is properly traveling in each direction. Insights gathered on an ongoing basis allow risk managers to raise their assessments and recommendations with senior leadership in a timely, highly credible fashion.

Internal networking and sharing of crit-

ical information is a key function of any good operational process or enterprise risk management program. It is imperative that all stakeholders understand the risks the institution faces and ensure they are appropriately managed.

For schools with strong operational processes or ERM programs, Varsity Blues is the perfect opportunity to reassess how their internal response and coordination efforts would react to such an event. At colleges or universities that do not have strong operational processes in place, Varsity Blues should be used as a wakeup call to implement better operational processes or ERM programs within the organization. Operational processes and ERM programs need to be understood as something more than increased bureaucracy, but rather as vital methods to improve an institution's capabilities and coordinate efforts to manage risks effectively.

Risk managers also need to use the resources and expertise their outside consultants — particularly their brokers — can bring to their institutions. Brokers need to be understood as far more than a transactional conduit for purchasing insurance. Plugged into both the insurer world and an array of clients, brokers are at the vanguard of insurance practices and risk assessments, both critical skill sets required to help their clients make better decisions about their risk exposures, and may have data analytics and catastrophic risk modeling resources that schools should take advantage of and incorporate into their ERM programs.

Operation Varsity Blues demonstrates that a crisis can unfold from any direction and at any time. Having a comprehensive insurance program is important, but not enough. Colleges and universities need to ensure they have the best policy terms and conditions, crisis management protocols in place, and operational processes designed to manage a crisis and help an institution recover from the unexpected.

When the unthinkable becomes reality, it is important to be prepared both tactically and strategically, to return to normalcy as quickly as possible. That is, until the next one comes along.



### UP CLOSE

## Richard E. Rabs

**NEW JOB TITLE:** Downers Grove, Illinois-based vice president, safety and risk management, Sunrise Transportation LLC

**PREVIOUS POSITION:** Chicago-based manager of insurance and risk, Archdiocese of Chicago

**OUTLOOK FOR THE INDUSTRY:** The industry will prevail — nay, it will flourish. The young practitioners of our profession are better educated and prepared, as well as focused in their pursuits, compared to most from my generation. That is not to say we are without skills and abilities.

**GOALS FOR YOUR NEW POSITION:** The company is experiencing significant growth through acquisition and organic development. As a result, it is in need of structure and policies and procedures around safety and risk management. And I am honored to lead those efforts.

**CHALLENGES FACING THE INDUSTRY:** As any transportation organization knows, let alone a company that is primarily based in the transportation of students with special needs, our auto liability is the most significant challenge. All aspects of claims costs are rising. Settlements, awards and plaintiff-oriented juries and courts have caused premiums and retained losses to rise while at the same time constricting the market for all but the most favorable of risks.

**FIRST EXPERIENCE:** I was a multiline personal property and casualty claims adjuster.

**ADVICE FOR A NEWCOMER:** Embrace a diversity of experiences and education. Learn all that you can and embrace your future.

**DREAM JOB:** Superhero. I don't care which one, as long as I can fly, have superpowers and help people fight against injustice.

**LOOKING FORWARD TO IN YOUR NEW JOB:** Long hours, endless projects and helping to build a culture measuring success through safely moving children forward.

**COLLEGE MAJOR:** I took a traditional route to insurance: I was a journalism major.

**FAVORITE MEAL:** My next one, especially if it is spaghetti and meatballs.

**BOOK:** Anything written by W.E.B. Griffin. I read to escape and use my imagination.

**HOBBIES:** Spending time with my grandchildren. I enjoyed my children, and grandchildren are 10 times better — and then you send them home.

**TV SHOW:** "Last Man Standing." As the father of four daughters, I can relate!

**ON A SATURDAY AFTERNOON:** In the summertime, floating in the pool with friends and adult beverages; in the winter, Grandpa naps.

"The industry will prevail — nay, it will flourish. The young practitioners of our profession are better educated and prepared, as well as focused in their pursuits, compared to most from my generation."



PartnerRe Ltd. recruited former Axis Capital Holdings Ltd. executive **Jonathan Colello** to head its reinsurance operations in the United States. Mr. Colello was appointed

president North America for Axis Re last May. At PartnerRe, he will be CEO, P&C Americas and president of Partner Reinsurance Co. of the U.S.



Starr Insurance Cos. appointed **Carmella Capitano** to the newly created position of head of primary general casualty-risk management and excess casualty. Ms. Capitano,

who will be based in New York, had been vice president and profit center manager.



Munich Reinsurance America Inc. named **Adam Edelstein** to be chief operating officer for Munich Re Specialty Insurance, a new commercial insurance unit in

North America. Mr. Edelstein, based in New York, was previously owner of Quintessential Solutions LLC.



Tokio Marine Kiln Group Ltd. appointed London-based **Will Curran** to be head of reinsurance, effective April 1. He succeeds David Huckstepp, who

is leaving on a "planned break from the sector." Mr. Curran joined Tokio Marine in 2008 and has been the deputy underwriter of reinsurance since.



Sompo International Holdings Ltd. promoted **Christopher Gallagher**, who was previously chief risk officer and group actuary of its commercial property/casualty business,

to the newly created role of CEO of its commercial property/casualty business. Mr. Gallagher is based in Pembroke, Bermuda.



Liberty Mutual Insurance Co. named Boston-based **Janelle Edem** to be chief of staff, global risk solutions. Previously, Ms. Edem was general manager, UPS distribution

and service, for the national insurance operation of global risk solutions.

### SEE MORE ONLINE

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



## Remember ... driving in September?

There's something about Saturdays in September, according to the results of a survey by Erie Insurance Group revealed this post-summer weekend day as the time most distracted drivers admit to daydreaming as a contributing cause to a crash.

Ranked in order, the same goes for Saturdays in May, Fridays in October, Saturdays in August and Fridays in July, according to the insurer whose analysis of fatality statistics culled from police reports found that "generally distracted" and "lost in thought" are cited in car crash investigations the most on those days.

The days less likely to produce daydream accidents included Sundays in December, Thursdays in February, Mondays in January, Wednesdays in February and Tuesdays in February.

## Boss' sweet smell of victory

That settles it: Farting on a colleague is not workplace bullying.

So says an Australian appeals court, which this spring dismissed a bullying case brought by an engineer who accused his former supervisor of repeatedly breaking wind toward him, The Associated Press reported.

The court found that even if engineer David Hingst's allegations were true, flatulence did not necessarily constitute bullying, according to the wire service.

Mr. Hingst had testified that he had moved out of a communal office space to avoid his supervisor's flatulence and that the supervisor would then enter Mr. Hingst's small, windowless office several times a day and break wind, according to the wire service.

Mr. Hingst, seeking \$1.3 million, told reporters he planned to appeal to Australia's High Court.



# VERIZON WORKER IN DOGHOUSE AFTER CAT RESCUE



A Verizon worker in Philadelphia was suspended from his job for 15 days after using the company's equipment to rescue a cat stranded on top of a telephone pole, CBS Philly reported.

Maurice German was working in a neighborhood in Port Richmond, Pennsylvania, in early March when he was summoned by a frantic resident asking him to help rescue Momma the cat, who had been stranded for 12 hours, the station reported.

Mr. German swung into action by using a boom lift to safely reach and rescue Momma amid cheers of neighbors watching him perform what his company saw as a hazardous mission.

In speaking of the suspension, a Verizon spokesman said vehicles and equipment were not intended to be used in the area where Mr. German rescued the cat.

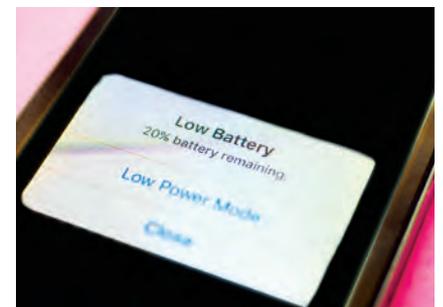
"We take no joy in this job action," the spokesman told news reporters. "Unfortunately, while this employee's goal was admirable, he potentially put his life and those around him in jeopardy."

## New hire relates to injured workers

Twenty-year garbage truck driver Robert Biddix knew a thing or two about workers compensation after suffering a back injury at work that left him permanently impaired.

And he'll learn even more as he starts his new job as a paralegal working for Reck Law PLLC, a workers compensation law firm that represents injured workers in Washington, after taking a retraining course at Tacoma Community College paid for by his workers comp claim.

The Seattle-based firm announced Mr. Biddix's new job last month, praising the state's system for returning injured workers to work, either in their chosen field or a new one that can accommodate a disability.



## Dead phone yields higher charges?

Those with insurance company apps on their smartphones who forget to charge their phones might want to set a reminder — on an app, of course — to do so.

According to a cyber expert, insurers are using battery life as a way to gauge whether a policyholder is organized or not. Low-to-no battery life from time to time means the policyholder is disorganized and thus a higher risk, wrote a columnist in the Dallas Morning News in April.

"Depleted battery equals a high-risk consumer? High risk equals higher premiums. Data collected on us affects our insurance premiums and our credit scores, and we don't even know it," wrote columnist Dave Lieber, reporting on legislative hearings on the matter of privacy and cyber concerns, calling for legislation that protects consumers from such intrusions.

"These kinds of privacy abuses are exactly why we need a new Texas data privacy law," he wrote.



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