

CHANGES COMING: Insurance sector faces up to digital landscape - PAGE 4

BUSINESS INSURANCE®

www.businessinsurance.com

JUNE 2017

SPECIAL
REPORT

CLAIMS
MANAGEMENT

PAGE 32

**BREAK
OUT** AWARDS

FUTURE LEADERS

Interviews with all 40
2017 award winners

PAGE 17



When the name on the door is Berkshire Hathaway, it stays Berkshire Hathaway.

In a rapidly changing industry, Berkshire Hathaway Specialty Insurance provides welcome certainty, with the enduring strength of Berkshire Hathaway's top-rated balance sheet and 70 year insurance industry track record. Look no further for stable capacity, creative solutions, and stellar service. We'll be here, year after year.

A++ A.M. Best

AA+ Standard & Poor's

\$194.4 billion total admitted assets*

\$112.2 billion policyholder surplus*

Asheville | Atlanta | Boston | Chicago | Houston | Indianapolis | Irvine | Los Angeles | New York | San Francisco | San Ramon | Seattle
Stevens Point | Auckland | Brisbane | Düsseldorf | Hong Kong | Kuala Lumpur | London | Macau | Melbourne | Singapore | Sydney | Toronto

*Balance sheets as of 09/30/2016 for the Berkshire Hathaway National Indemnity group of insurance companies.

www.bhspecialty.com

CEO
Adam Potter

PUBLISHER
Peter Oxner
(Chicago)
poxner@businessinsurance.com

EDITOR
Gavin Souter
(Chicago)
gsouter@businessinsurance.com

DEPUTY EDITOR
Gloria Gonzalez
(Washington)
ggonzalez@businessinsurance.com

SENIOR REPORTER
Judy Greenwald
(San Jose)
jgreenwald@businessinsurance.com

REPORTER
Kristen Beckman
(Denver)
kbeckman@businessinsurance.com

REPORTER
Louise Esola
(San Diego)
lesola@businessinsurance.com

REPORTER
Joyce Famakinwa
(Chicago)
jfamakinwa@businessinsurance.com

REPORTER
Rob Lenihan
(New York)
rlenihan@businessinsurance.com

REPORTER
Matthew Lerner
(New York)
mlerner@businessinsurance.com

COPY CHIEF
Katherine Downing
(Chicago)
kdowning@businessinsurance.com

ART DIRECTOR
Jeremy Werling
(Cincinnati)
jwerling@businessinsurance.com

DIRECTOR OF RESEARCH,
PLANNING AND INSIGHTS
Andy Toh
(Chicago)
atoh@businessinsurance.com

MAJOR ACCOUNTS DIRECTOR -
MIDWEST & WESTERN U.S.
Keith Kenner
(Chicago)
kkenner@businessinsurance.com

MAJOR ACCOUNTS DIRECTOR -
NORTHEASTERN U.S. & INTERNATIONAL
Ron Kolgraf
(Boston)
rkolgraf@businessinsurance.com

MAJOR ACCOUNTS DIRECTOR -
MID-ATLANTIC & SOUTHERN U.S.
Mark Krawiec
(New York)
mkrawiec@businessinsurance.com

HEAD OF SALES - EVENTS &
WORKERS COMPENSATION MAGAZINE
Jeremy Campbell
(Cincinnati)
jcampbell@businessinsurance.com

HEAD OF EVENT PROGRAMMING
Joanne Wojcik
(Denver)
jwojck@businessinsurance.com

DIGITAL OPERATIONS MANAGER
Kate Lichnerska
(Chicago)
klichnerska@businessinsurance.com

MARKETING MANAGER
Katie Kett
(Chicago)
kkett@businessinsurance.com

REPRINT SALES MANAGER
Lauren Melesio
(New York)
lmelesio@businessinsurance.com

SUBSCRIPTIONS & SINGLE COPY SALES
membership@businessinsurance.com
312-300-4127

Business Insurance is published by Business Insurance Holdings.

BUSINESS INSURANCE (ISSN 0007-6864) Vol. 51, No. 6, is published monthly by Business Insurance Holdings, 4100 S. Hospital Drive, Suite 209, Plantation, FL 33317. Applications to mail at Periodicals prices is pending at Plantation, FL and additional mailing offices.

POSTMASTER Send address changes to Business Insurance, 4100 S. Hospital Drive, Suite 209, Plantation, FL 33317. Printed in USA. Copyright © 2017 by Business Insurance Holdings.



COVER STORY

It's no secret that the insurance industry faces succession issues in the next decade as baby boomers retire. But there's a new generation of leadership rising. *Business Insurance's* Break Out Awards program honors 40 top professionals who are on track to be the next leaders in the risk management and property/casualty insurance field. Read more about their paths to success. **PAGE 17**

INSIDE



SPECIAL REPORT: CLAIMS MANAGEMENT

Payers turn to early intervention on opioids; predictive models flag problem claims; cyber reserve forecasts can become a guessing game; technology advances help adjusters fight fraudulent workers comp claims. **PAGE 32**

NEWS ANALYSIS

FOR BREAKING NEWS COVERAGE, VISIT

businessinsurance.com

RISK MANAGEMENT

The industry needs to adapt to changes in technology more quickly to avoid being left behind. **PAGE 4**

WORKERS COMP

California is moving past workers comp reform and making efforts to target provider fraud. **PAGE 8**

INTERNATIONAL

Hard hit by Hurricane Matthew, property insurers in the Bahamas are pushing through increases. **PAGE 12**



PERSPECTIVES

The WannaCry ransomware highlighted cyber insurance. Attorney Roberta D. Anderson gives her Top 10 tips for buying coverage. **PAGE 39**

- ▶ **LEGAL BRIEFS**
Recent court opinions **PAGE 14**
- ▶ **OPINIONS**
Digital future beckons for the insurance industry. **PAGE 38**
- ▶ **MARKET PULSE**
Products, deals and more **PAGE 40**
- ▶ **PEOPLE**
Insurance industry moves **PAGE 41**

OFF BEAT

When it comes to longevity, the selfie you post on social media may be the best predictor. **PAGE 42**



VIEW FROM THE TOP

MICHAEL BOURQUE

Workers compensation insurer MEMIC Group announced in May that company veteran Michael Bourque will replace retiring President and CEO John Leonard in September. The incoming CEO discusses the Maine insurer's expansion into other states and key challenges in the workers compensation industry, particularly in Florida where two state Supreme Court decisions have upended the workers comp system. **PAGE 15**



Insurers to tap technology for future success

BY ROB LENIHAN

rlenihan@businessinsurance.com

Technology is slowly changing the way insurers do business, but they have to adapt more quickly — or risk being swallowed whole by the machine, as Charlie Chaplin was in the classic comedy “Modern Times.”

“The insurance industry is probably the last major industry to adopt some of the newer technology and I think part of the reason for that is that it’s always backwards-looking,” said Gloria Vogel, an adjunct professor of finance at New York University and an insurance industry analyst. “You look at the claims and then you get an idea on how to price the risk.”

The rise of the machines was recently highlighted with Brian Duperreault’s appointment as the new CEO of New York-based American International Group Inc. and the announcement that Attune, an online insurance platform, will expand to target a market segment of companies with annual revenues up to \$35 million, representing up to \$150 billion in annual gross written premiums.

Attune’s creation was announced last September by AIG, Pembroke, Bermuda-based Hamilton Insurance Group Ltd. — where Mr. Duperreault had been the chief executive prior to returning to AIG — and Two Sigma Insurance Quantified, an affiliate of Two Sigma L.P., the hedge fund firm affiliated with Hamilton.

Hamilton, which Mr. Duperreault joined in 2013, expanded significantly after he took over the leadership of the firm. Its U.S. platform makes extensive use of technology in underwriting, including a business owners policy that relies on data rather than extensive underwriting



questions to offer coverage quotes.

Francois Ramette, a Chicago-based partner with Strategy&, a PricewaterhouseCoopers L.L.P. company, said Attune may become “more aggressive, more ambitious in terms of the goals that it has established for its platform, but the underlying trend has been there for quite some time.”

“It’s always a question of, yes, you can achieve this, but if you can only do this for one out of 1,000 submissions that you get, you’re not changing the economics of the industry,” Mr. Ramette said. “But then again if they manage down the road to do this for a very large percentage of the risks or submissions that come to them, then it would be a pretty big achievement.”

Seth Chandler, Foundation Professor of Law at the University of Houston, said that “by taking large amounts of data into account, computer-devised algorithms can often be more accurate, predicting risk better than human rules of thumb or history, or older methods.”

“So there’s a lot to be said for use of

machine learning and things like neural networks in underwriting,” Mr. Chandler said. “There are downsides, and the downsides include that usually these algorithms are inscrutable. There is no human on earth who can understand what the machine is actually doing; all we can say is that it seems to be predicting well, but if you try to explain what it is doing, it’s basically impossible.”

However, even predicting can become, well, unpredictable.

“There is also an element of arbitrariness in these algorithms — that is, you can often have several algorithms that are equally accurate in aggregate,” Mr. Chandler said. “They’ll get it right 90% of the time. But in individual cases, particularly the hard cases, the machines will give different answers. One machine might say you’re high-risk and the other machine might say you’re low-risk.”

But insurance underwriters don’t have to worry about being replaced by the machines — at least not yet.

“I would say the only way that could happen is our world remains static, but that’s not our world right now,” said David Kodama, Chicago-based assistant vice president of research and policy analysis with the Property Casualty Insurers Association of America. “We’re constantly seeing new risks and exposures, and it’s challenging the insurance industry in many aspects and many ways. And we’re going to see that challenge increase, and that’s why we need these tools to help our workforce to be able to address the new exposures.”

Greg Williams, senior director with ratings agency A.M. Best Co. Inc. in Oldwick, New Jersey, said underwriters will be needed for complex risk.

“I think right now, especially on the commercial side, they have so much data they’re almost overwhelmed by it,” he said. “So I really think the next stage of (technology and artificial intelligence) is giving the underwriters a better way of interpreting some of the data that they’re getting, streamlining the reports so they become more useful for the underwriter.”

Mr. Williams added that the role of the underwriter will likely change to more of a sales role, “trying to identify potential clients, only in a marketing way, armed with the information that they have.”

PwC’s Mr. Ramette said there will always be human underwriters to at least do a quick check to make sure the algorithms have worked properly.

“At least for now, there’s going to be a pilot in an airplane,” Mr. Ramette said. “Even if that person is just going to make sure the landing is happening appropriately, there’s always somebody there. I think we can make the same analogy for commercial underwriting.”

RELUCTANT RETIREE DUPERRÉAULT RETURNS TO LEAD AIG

Brian Duperreault, 70, can’t seem to stay retired.

Mr. Duperreault, who was named the new president and CEO of American International Group Inc. last month, made that clear during the Chairman’s Chat at Insure-Tech Connect 2016 in October when he discussed how

he came out of retirement to take over at Hamilton Insurance Group Ltd.

“I’ve retired a couple of times,” he said. “I’m actually good at retiring. I’m just not good at staying retired. I felt like I still had some gas in the tank.”

The tank apparently still hasn’t reached



Brian Duperreault

“E” yet, as Mr. Duperreault, a longtime insurance executive who worked at AIG in the 1970s and 1980s, now occupies the top spot at the New York-based insurer.

“He came up the ranks of AIG when it was a proud franchise so it’s a happy opportunity to be the one to put it back

on solid footing,” said Brett Horn, senior equity analyst at Morningstar Inc. in Chicago. “I think his background fits exactly what is still the main problem at AIG, which is getting commercial underwriting back in line with peers.”

Mr. Duperreault spent more than 20 years

at AIG, rising to lead American International Underwriters, which comprised the insurer’s overseas operations. In 1994, he left to head Bermuda-based Ace Ltd. and transformed it into a multinational insurer.

He retired from Ace in 2006 but came out of retirement in 2008 to lead Marsh & McLennan Cos. Inc. and help turn around the brokerage, which was still recovering from the reputational crisis triggered by the broker commission and bid-rigging investigations of then-New York Attorney General Eliot Spitzer. He retired from Marsh & McLennan at the end of 2012. Less than a year later, he came out of retirement again to lead Hamilton.

How long he will remain at AIG this

time around is anybody’s guess, though.

Mr. Duperreault will “have to deal with succession issues sooner than later,” said Paul Newsome, Chicago-based managing director of equity research at Sandler O’Neill & Partners L.P.

“It’s hard to imagine — though it’s possible — that he would run the company for the next decade,” he said.

Gloria Vogel, an adjunct finance professor at New York University and insurance industry analyst, said industry observers expect Mr. Duperreault to stay on at AIG for “three to five years, make the improvements—much like he did with Marsh, train a successor, and then retire for the third or fourth time.”

Rob Lenihan

LUBA (loo•bah)

IT'S HOW YOU PRONOUNCE “GOING THE EXTRA MILE”

LUBA Workers' Comp offers coverage to businesses in Louisiana, Mississippi, Texas, and Arkansas. Thousands of policyholders have experienced the LUBA difference.

Visit our website to learn more or call your insurance agent today.

LUBAwc.com • 888.884.5822

Rated A- Excellent by



LUBA 
WORKERS' COMP
A CASUALTY INSURANCE COMPANY

Genuine Dependability™

Green energy risks evolve as sector matures

BY GLORIA GONZALEZ

ggonzalez@businessinsurance.com

Clean energy projects continue to grow in the United States, and insurers generally see them as attractive risks, although weather-related losses are mounting in the solar sector.

Meanwhile, state-level policies are likely to continue to support the growth of the clean energy sector despite threats from an increased emphasis on fossil fuel production by the Trump administration.

Renewable energy represented 14.9% of U.S. energy consumption in 2016, up from 9.5% in 2006, according to preliminary data from the U.S. Energy Information Administration, which also reported 63% of the 24 gigawatts of new generating capacity added last year came from renewable energy — the third consecutive year most new capacity came from the sector.

“I would say renewable energy is going gangbusters around the country,” said Daniel McGarvey, a managing director with Marsh L.L.C.’s U.S. power and utility practice in Greenville, South Carolina.

But clean energy groups find themselves having to defend their growing turf. The Advanced Energy Economy, American Wind Energy Association and the Solar Energy Industries Association sent U.S. Department of Energy Secretary Rick Perry a letter on April 28, which denied



that policies supporting deployment of clean energy technology were playing a role in the decline of coal and nuclear plants. The letter was sent in response to an April 14 memorandum issued by Mr. Perry that called for a 60-day study to see if federal mandates and subsidies were responsible for the retirement of fossil fuel facilities.

The federal government has supported the renewable energy sector in multiple ways, including through production and investment tax credits, but the credits are controversial and their extensions have often gone down to the wire or occurred

after expiration.

“People have questioned the longevity of those credits under the current administration,” said Bill Helander, Houston-based executive vice president at JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C. “Some of that uncertainty has probably cascaded into the investment cycle in a way that may have slowed some of those projects.”

The tax credits were renewed in December 2015 for five years, but are scheduled to be phased out over the next few years.

“I think any investment that has been plotted in the intermediate term of the next two or three years, most of that is going to continue to go forward” as there is currently no indication those credits will be rescinded or changed, said Sam Walsh, Newport Beach, California-based senior vice president of underwriting for GCube Insurance Services, which focuses on renewable energy projects.

However, corporate tax reform could affect the sector as tax equity investors, including Allianz Capital Partners and divisions of other insurers, have financed

these projects partly in exchange for their tax credits, said Keith Martin, a Washington-based partner and transactions attorney with Chadbourne & Parke L.L.P. The credits become less valuable at lower tax rates, and their phase-out could be sped up as part of a reform package, but the reform possibility could also result in strong short-term growth for renewable energy projects as companies rush to close deals, he said.

States also continue to encourage renewable energy through renewable portfolio standards that exist in 29 states and typically require escalating percentages of a state’s power supply to be generated from clean energy sources. Hawaii has pledged to generate 100% of its power from clean energy sources by 2045, while California plans to generate 50% of the state’s energy from these sources by 2030.

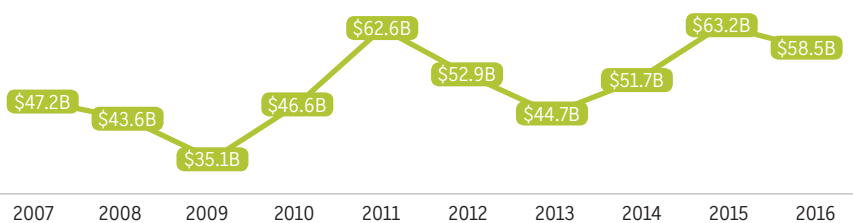
Technological advances have eased some of the earliest concerns about clean energy projects, but insurers are still monitoring claims developments, experts say. “Now that we’re getting to wind farms that are 10, 15, 20 years old, we’re starting to discover there’s more stress on these than we might have thought and maybe they need more maintenance,” Mr. McGarvey said.

Solar panels are becoming more efficient, but solar fields are growing larger and are placed in a wider variety of places, he said. “As solar plants become more pervasive around the country, the insurers that underwrite those are seeing more losses that are weather-related. A tornado can wreak havoc with a solar field, and a hail-storm can do significant damage.”

GCube claims data shows that 49.8% of solar photovoltaic claims were caused by weather, with the average severity of claims increasing by 87% in the last five years due to weather-related losses. GCube can write up to \$700 million for a wind and solar project and partner with Lloyd’s of London and other insurers for additional capacity, Mr. Walsh said.

INVESTING IN GREEN

Investment in U.S. clean energy has grown significantly amid government tax credits and other incentives for production of wind, solar and other renewable power sources.



Source: Bloomberg New Energy Finance

INSURANCE HELPS EASE THE WAY FOR RENEWABLE ENERGY INITIATIVES

Lender requirements are a significant driver of insurance policy purchases for renewable energy projects, which can secure a better rating and therefore financing with the right insurance policy.

Performance warranty insurance can help free up capital and secure more favorable financing terms, although lenders require specific coverages and wordings in these policies, said Michael Schrempf, head of green tech solutions for Munich Reinsurance Co. in Munich. “If you have a photovoltaic plant or a wind farm or a fuel

cell installation, it’s easier to raise capital or receive debt if you have insurance in place, which ultimately covers if the technology does not perform,” he said.

Munich Re began covering the performance risk of solar photovoltaic projects in 2009 and has expanded the coverage to wind and other clean energy technologies since then.

“The insurance industry actually identified this as a very attractive risk,” Mr. Schrempf said. “In the last one or two years, we have seen more serious insurance players

entering this market.”

Fitch Ratings Inc. rates renewable energy projects that incorporate insurance elements, and a primary concern is what is not covered by the policy, said Gregory Remec, a Chicago-based senior director.

“We have to do a very deep dive into those policies to understand in what kind of a situation could the coverage be denied,” he said. In the case of one privately rated renewable energy project, the facility’s performance is dependent on a particular manufacturer staying in business because

it uses the manufacturer’s proprietary technology, Mr. Remec said. Enter the insurance policy, which guaranteed the performance of that manufacturer and would step in if the manufacturer went bankrupt or was unable to fix a technological issue that led to a shortfall in performance.

“That’s an example of a very strong policy that was deemed sufficient to bring that project to investment-grade rating,” he said.

Gloria Gonzalez

Insurers reluctant to cover cyber property exposures

BY JUDY GREENWALD

jgreenwald@businessinsurance.com

While businesses can find plentiful capacity for cyber liability coverage, those companies that want cyber-related coverage in their property policies have a harder time finding willing insurers.

Finding an insurer offering coverage may require some investigation, as well as an effort to piece together a program that has seamless cyber and property coverage, experts say (see related story).

Even those insurers that offer cyber-related coverage in their property policies, though, do so only on a first-party basis. Policyholders would most likely have to turn to their cyber coverage for any cyber-related liability coverage, experts say.

Risk managers are concerned about obtaining cyber coverage in their property policies, said Grace Ries, Johnston, Rhode Island-based staff vice president and manager of cyber risk insurance products at FM Global, which is among insurers offering the coverage.

“There is a shift in risk managers’ minds from worrying about third-party exposure to the new, next concern, which is cyber attacks that can potentially cause catastrophic property damage and business interruption to their business,” she said.

Property insurers are “enthusiastically resisting” including cyber coverage, said Robert Parisi, New York-based managing director and cyber product leader for Marsh L.L.C.

Brokers and policyholders are asking insurers “to maximize the breadth of coverage” of cyber in the first-party property space, and insurers “would obviously want to limit that as much as they can,” said Mike Andler, New York-based property practice leader for Lockton Cos. L.L.C.

“They’re reluctant to provide clarity on whether coverage is available or not,” said Martha Bane, Glendale, California-based managing director of the property practice for Arthur J. Gallagher & Co.

Part of the problem is that many cyber liability insurers are unfamiliar with property coverage, and property insurers often don’t have the expertise to assess cyber risks.

It is “one of those things that are stuck in between,” said Eric Cernak, Hartford, Connecticut-based cyber risk and privacy practice leader at Munich Reinsurance America Inc.

Cyber exposures that property underwriters are prepared to consider usually relate to business interruption exposures.

“But the stand-alone cyber policies are intended to be much more than that, and so the customers are really trying to understand” the exposures and the cov-



erage available, said Erica Davis, New York-based senior vice president and head of specialty products errors and omissions for Zurich Insurance Group Ltd.

Gary Martichello, New York-based property leader for Willis Towers Watson P.L.C., said property insurers “will accept

some cyber risk” for larger policyholders with syndicated, multiple insurers, generally with “a \$5 or \$10 million sublimit” for that coverage.

But “the limits are just not available to cover” a major property loss caused by a cyber incident, said Ms. Bane of Gallagher.

INTEGRATED APPROACH HELPS PLUG COVER GAPS

Risk managers should coordinate their cyber liability and property insurance purchases, experts recommend.

“What may have been an academic risk five, six years ago with the internet of things is now a very real and tangible risk today,” said Joshua Gold, a shareholder with Anderson Kill P.C. in New York. Because of this, “It’s important to make sure that you understand how a policy interreacts with the various risks that can come about.” Look at the property, liability and crime programs and identify inconsistent or contradictory terms and exclusions in the different lines of coverage, Mr. Gold said.

Darin McMullen, Philadelphia-based errors and omissions/cyber insurance product leader at Aon Risk Solutions, said, “We’re taking a look across our client programs to make sure there is seamless coverage and no gaps.” Aon works to avoid potential overlaps, or clarify which policy will respond first, he said, so that coverage can be coordinated.

“It’s important to understand that a property policy and a cyber policy need to be integrated,” just as a casualty or products liability policies needs to be integrated with cyber, each of which have different coverage parts with regard to first-party costs, said Joe DePaul, managing director of cyber risk services at Arthur J. Gallagher Risk Management Services in Parsippany, New Jersey.

“When you look at how to optimize the coverage for our clients, we really have to take a hard look at the language of a property policy, for example how that does — or does not — dovetail with the language of a cyber policy,” he said.

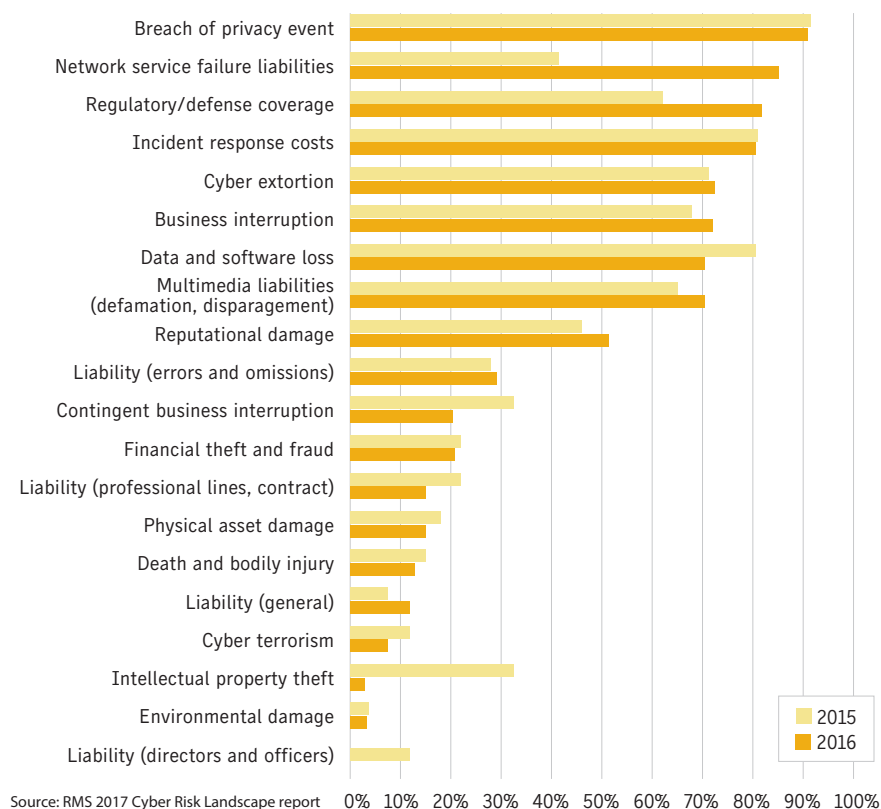
There may be gaps, because while property coverage is expanding, “it is not the be-all and end-all when it comes to potentially replacing a cyber policy and, frankly, I don’t think it’s ever going to be intended to do so,” Mr. DePaul said.

Smaller to midsize risks who are relying on a property policy in particular may need a terrorism or stand-alone cyber policy to obtain the desired coverage for physical damage losses arising from a cyber attack, said David Derigiotis, vice president and director of professional liability at Farmington Hills, Michigan-based Burns & Wilcox Ltd. “It’s not that you’ll be less likely to get the coverage. It’s just that you’ll need to look in a different place” for it, he said.

With larger risks, “you can do a lot more manuscripting and you can bring greater creativity in putting one policy together,” he said.

Judy Greenwald

PERCENTAGE OF POLICIES OFFERING COVERAGE



California's latest comp reforms target fraud

JOYCE FAMA KINWA

jfamakinwa@businessinsurance.com

After passing reforms aimed at reducing workers compensation costs in 2012, California legislators and workers comp professionals are implementing more changes to the system, but this time they are targeting provider fraud.

Increased awareness of fraud helped prompt two anti-fraud measures last year and more action is expected.

Nationally, workers comp costs are lower than 10 years ago, but fraud remains a big problem, said Carol Murphy, Wilmette, Illinois-based managing director at Aon Risk Solutions.

In California, the high-profile prosecution of medical providers has highlighted the problem, said Vanessa Gillis, Sacramento, California-based special investigations unit manager at Sentry Insurance.

"It's been a wake-up call for people to see the exorbitant high costs of medical provider fraud within the workers compensation system. It has really captured the attention of many," Ms. Gillis said.

Many of the prosecutions were in Southern California, including a \$580 million fraud involving kickbacks paid to chiropractors and doctors connected with Pacific Hospital of Long Beach (see



related story). That case "was a turning point on showing how we can stop pervasive medical provider fraud in California," said Bill Zachry, San Francisco-based senior fellow at The Sedgwick Institute, a research arm of Sedgwick Claims Management Services Inc.

The current crackdown on workers comp fraud in the state is a consequence of Senate Bill 863, a workers comp reform bill enacted in 2012, experts said.

"S.B. 863, which was negotiated by

labor and management to increase benefits, reduce frictional costs, and improve medical delivery, also offered the opportunity to have a more transparent system which allowed us to evaluate where there are problem areas," said Christine Baker, San Francisco-based director of California's Department of Industrial Relations.

The measure provided a framework for developing an anti-fraud strategy, said Carmichael, California-based Amanda Gualderama, West regional government affairs director at Sentry Insurance. "It was able to create the independent medical review process, the independent bill review. This is where we are getting all of the data to be able to make these connections into the fraudulent activities," said Ms. Gualderama.

In 2016, two measures targeting fraud were passed — Assembly Bill 1244 and Senate Bill 1160.

A.B. 1244 banned providers from treating patients within the workers comp system if they have been convicted and precluded from treating Medicare and Medicaid patients. The bill went into effect in January.

"There was an investigative series in early 2016 that had shone light on certain physicians who were banned from treating within the Medicare and Medicaid system and they were simply moving their practices, including some of their fraudulent practices, into the workers comp system because there was nothing that precluded them from doing that," said Ms. Gualderama.

S.B. 1160 focused on the widespread liens filed in workers comp courts. It required medical providers to cite the legal authority they relied on to file their claims and banned providers that were charged with medical fraud from collecting lien dollars until their cases were concluded.

"Prior to S.B. 1160, these fraudulent providers ... were basically taking unapproved medical care that insurers did not deem appropriate or medically necessary and, when they were denied payment, the providers would go to court and file a lien or often sold the rights to these liens to collection firms," Ms. Gualderama said.

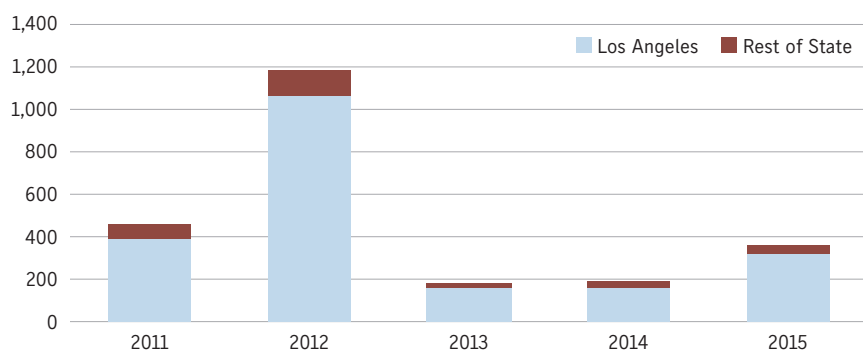
And more action to stifle fraud in the state is expected.

In March, state Assemblyman Tom Daly, in a letter addressed to Assemblyman Al Muratsuchi, chairman of the audit committee, requested an audit for possible fraud in the state's workers comp system. Results of the audit are expected in October, according to a spokeswoman from Assemblyman Muratsuchi's office.

In the beginning of the year, the California Department of Industrial Relations made workers comp fraud a priority.

"The labor secretary has directed us to focus in on fraud and we have been making recommendations. We have been taking direct action administratively and through negotiations with the parties to really focus on anti-fraud measures. We are working closely with the department of insurance through a (memorandum of understanding) to share data back and forth and take steps in sharing information," said Ms. Baker.

NUMBER OF LIENS FILED IN CALIFORNIA



Source: The Workers' Compensation Insurance Rating Bureau of California, 2016

KICKBACK SCHEME COSTS COMP SYSTEM \$580 MILLION

In 2014, Michael D. Drobot, former chief executive officer and owner of Pacific Hospital of Long Beach, pleaded guilty to charges connected to a workers compensation fraud scheme that collected hundreds of millions.

The scheme illegally referred thousands of patients for spinal surgeries and generated \$580 million in fraudulent billings over a 15-year period, according to the California Department of Insurance.

Mr. Drobot and others billed workers comp insurers and the U.S. Department of Labor for hundreds of spinal surgeries and other procedures performed on patients. The medical professionals who referred them were paid illegal kickbacks of \$15,000 for each lumbar fusion surgery and \$10,000 for each cervical fusion surgery, the department said.

In 2015, Studio City, California-based orthopedic surgeon Philip Sobol, Las

Vegas-based chiropractor Alan Ivar, Orange, California-based health care marketer Paul Richard Randall, and Irvine, California-based orthopedic surgeon Mitchell Cohen were charged in connection with the scheme.

"Health care fraud and kickback schemes burden our healthcare system, drive up insurance costs for everyone, and corrupt both the doctor-patient relationship and the medical profession



itself," said United States attorney Eileen M. Decker in a statement last year. "The members of this scheme treated injured workers and their spines as commodities, to be traded away to the highest bidder."

Joyce Famakinwa

OUR MISSION STATEMENT IS QUITE SIMPLE.

OUT-EXECUTE.

If your client has a complex risk situation, you don't have to go it alone. Our specialty risk professionals have deep experience with the toughest risk placements. We not only design creative solutions for all size accounts but repeatedly out-execute the competition. Contact your RT Specialist at www.rtspecialty.com.



rtspecialty.com

R-T Specialty, LLC (RT), a subsidiary of Ryan Specialty Group, LLC, provides wholesale brokerage and other services to agents and brokers. RT is a Delaware limited liability company based in Illinois. As a wholesale broker, RT does not solicit insurance from the public. Some products may only be available in certain states, and some products may only be available from surplus lines insurers. In California: R-T Specialty Insurance Services, LLC License #0G97516. ©2017 Ryan Specialty Group, LLC

Turning up the heat on workplace safety rules

BY KRISTEN BECKMAN

kbeckman@businessinsurance.com

The conversation about occupational heat exposure in indoor environments is warming up in California, leaving employers and regulators unsure of the best path forward.

California Gov. Jerry Brown in September signed S.B. 1167, which directs California's Division of Occupational Safety and Health to adopt a standard to protect the health and safety of indoor workers from heat-related illness and injury. But the legislation is not specific on several points, including what types of workplaces are covered, how indoor temperatures will be measured and how heat issues can be mitigated, observers say.

The rule-making process to flesh these issues out began this year, and a proposed rule based on environmental temperatures, work activity levels and other factors is due to the Cal/OSHA Standards Board by Jan. 1, 2019.

"California is the leader on the issue of heat exposure and preventing employee injury/illness from heat exposure," said John Surma, Houston-based special counsel with law firm Adams and Reese L.L.P. "California has not only started looking at indoor heat exposures, but has lowered the threshold for outdoor heat exposures to 80 degrees Fahrenheit." (See related story.)

"Most states are silent on the issue of heat exposure and have neither laws nor guidelines controlling heat exposures," Mr. Surma added.

Minnesota addressed indoor heat exposure in September 2014 in its Workroom Ventilation and Temperature in Places of Employment rule, which restricts work based on a combination of environmental temperature and work intensity. Minnesota OSHA, in a heat stress guide released in December, said indoor and outdoor heat



stress can be an issue in the state better known for its frigid winter temperatures because workers there do not have the opportunity to become and stay acclimatized when temperatures can vary up to 30 degrees from one day to the next during the summer.

California's efforts to regulate indoor heat grew out of a 2011 case in which a worker became ill while cleaning shipping containers and was hospitalized for three days due to heat stroke, according to Oakland, California-based WorkSafe Inc., a California nonprofit that advocates for workers' rights.

"Implementing worksite protections such as providing worker training, water, cool-down breaks and workflow adjustments are not only common-sense

investments for workers and employers alike, they would prevent devastating worker injury, fatality and curb costs from lost work days as a result of heat illness,"

said Doug Parker, executive director of WorkSafe.

However, opponents say the rule is unnecessary because heat exposure is already adequately covered in California's Illness and Injury Prevention Program requirements.

"The IIPP requires employers to assess their workplace for safety and health concerns and, if found, to correct the hazards," said Joel Cohen, a board member of the California Industrial Hygiene Council, which represents the occupational and environmental health profession. "We believe that if safety and health profes-

sionals are used for assessments of workplace hazards as mandated by the IIPP, there really is no need for this regulation."

The law requires that the standard take into consideration heat stress and heat strain guidelines in the 2016 Threshold Limit Values and Biological Exposure Indices, a publication that provides guidance on evaluation and control of workplace exposure to chemical substances and physical agents developed by the Cincinnati-based American Conference of Governmental Industrial Hygienists.

Cal/OSHA had published two draft discussion documents as of late last month outlining ideas about how the rule might be structured. The latest draft removes some ambiguity around how temperatures in indoor environments will be measured, settling on dry bulb temperature readings, which measures air temperature using a thermometer freely exposed to air without considering humidity or radiant heat.

The draft also removed some complicated language around worker clothing and work activity variations, but still requires employers to measure for both temperature and humidity, which can change throughout the day, said Benjamin Ebbink, a Sacramento, California-based attorney with Fisher & Phillips L.L.P. There is "still lots of complexity about how, when and where you measure, especially in large and complex worksites where there might be great variability from area to area," he said.

Robert Fried, a Pleasanton, California-based partner with law firm Atkinson, Andelson, Loya, Ruud & Romo, agreed that workplace variations make it hard to craft a broad indoor heat requirement that all employers can comply with. "Indoor offices and warehouses are not the same," said Mr. Fried, who also sits on the legal committee of the California Chamber of Commerce. "Some factories generate a significant amount of heat and are subject to a whole series of safety orders already."

HEAT STRESS FACTORS

Between 2002 and 2016, 30 workers died of heat-related illnesses in the United States. Factors that increase susceptibility to occupational heat-related illness and injuries include:

- An increase in temperature
- An increase in humidity
- Lack of air movement
- Lack of controls to reduce impact of equipment that radiates heat
- Use of protective clothing or gear
- Strenuous work

Source: U.S. Occupational Safety and Health Administration

CALIFORNIA RULES FOR BEATING THE HEAT OUTDOORS

Safety and Health released an advisory in late May urging employers to prepare for expected triple-digit temperatures in northern California. The agency said employers should revisit their Injury and Illness Prevention Program obligations and their emergency response procedures.

California has a mandatory outdoor heat exposure rule that went through a lengthy revision process before a final rule was crafted that included easy-to-follow steps employers must take to protect workers from outdoor heat exposure, said Benjamin

Ebbink, a Sacramento, California-based attorney with law firm Fisher & Phillips L.L.P. It was passed after a cluster of heat-related injuries and fatalities in 2005 in the state's agriculture sector, Mr. Ebbink said.

California's outdoor heat illness prevention regulations require employers to take four steps to prevent heat illness: training all employees and supervisors on heat illness prevention; providing enough fresh water so each worker can drink at least one quart per hour and encouraging workers to do so; providing shaded areas upon request or when

temperatures exceed 80 degrees Fahrenheit and encouraging workers to take rests before signs of heat-related illness manifest; and developing emergency response procedures.

California is the only state that has created a mandatory outdoor heat exposure regulation. Most states encourage employers to take steps to protect workers from heat-related injuries and illnesses, and the U.S. Occupational Safety and Health Administration issues citations for heat injuries under its general duty clause.

Kristen Beckman



While California wrestles with how to control heat exposure in indoor environments, it has already experienced dangerously high temperatures for workers outside.

California's Division of Occupational

Marijuana trends force employers to rethink drug testing policies

BY LOUISE ESOLA

lesola@businessinsurance.com

Drug testing in the workplace is under the microscope as more employees are testing positive for state-legalized marijuana, either under recreational or medicinal use, experts say.

When it comes to workplace safety, the message to employers with workers in 29 states where marijuana is legal is: rethink testing and rewrite your policy, according to experts.

"You can't deal with marijuana the same way you deal with alcohol," said Mark Pew, senior vice president at Prium, a Duluth, Georgia-based medical cost management firm.

At issue is how long marijuana stays in a person's system — weeks or more — when compared with alcohol and other drugs, which are typically excreted within hours.

Meanwhile, positive tests for marijuana use continued to climb in both federally mandated, safety-sensitive workplaces, such as transportation and nuclear plants, and general U.S. workforces, according to a study released in May by Madison, New Jersey-based Quest Diagnostics Inc. (See box.)

In saliva testing, positive marijuana tests increased nearly 75% to 8.9% of the general U.S. workforce in 2016 from 5.1% in 2013.

Positive marijuana tests also increased in both urine testing — 2.5% in 2016 vs. 2.4% in 2015 — and hair testing — 7.3% in 2016 compared to 7% in 2015 — in the same population.

Dr. Barry Sample, Seneca, South Carolina-based senior director of science and technology for Quest Diagnostics Employer Solutions, said the numbers were no surprise.

"We have been tracking increased use of marijuana," he said, adding



that states such as Colorado and Washington, where marijuana has been legal for recreational use for several years, saw some of the biggest leaps for workers in safety-sensitive jobs.

In that category, Colorado's numbers jumped 27% from 2015 to 2016 and Washington state's rose 19%. "We've been seeing increases in self-reported use; increases in our workforce data," said Dr. Sample.

Expect the increases to continue, especially in light of the federal government's latest hands-off approach to medical marijuana, experts say. (See related story).

The implications for workplace safety remain to be seen, which leaves it up to employers to decide how to approach marijuana use, said Mr. Pew.

"It's a very confusing message because presence does not equal impairment," Mr. Pew said. "Just because you test positive for (marijuana) does not mean you are cogni-

tively impaired."

States differ on their approaches to intoxication and workplace accidents and some call for proving an intoxicated worker caused their injury for their workers comp claim to be denied, which is problematic when a positive marijuana drug test is submitted as the only evidence, experts say.

Sarah Sullivan, Denver-based risk control services coordinator for Lockton Cos., recommends that employers focus on better training for supervisors and employees on spotting whether an employee is intoxicated or high during the workday, and especially following an accident.

"You can't solely rely on the drug test anymore so you are going to need to come up with training to recognize impairment so you can prove (it)," she said.

Ms. Sullivan published a white paper in May tackling the issue. For her research, she examined court

records to gauge state positions on proving a worker was impaired at the time of an injury.

"A number of states are overturning drug test results saying the employer did not actually see them impaired at the time of the accident," she said, naming courts in Louisiana and Georgia as among them.

Also at issue are pre-employment and random, unannounced drug tests as a way to maintain a safe workplace, said Mr. Pew.

"I have heard employers tell me that some are no longer doing pre-employment testing or have taken... marijuana off the panel because they can't find enough clean candidates in the (job) pool," he said. "Some say they will absolutely always test. There's a weird pragmatic discussion that has to be had by each employer."

Employers should consider what kind of work is being performed by their employees before testing for drugs, Mr. Pew said.

"If it's a bunch of forklift drivers or those operating nuclear plants, none of your employees should be impaired," he said. "However, if you are doing software development or customer service, does it hurt and can you find enough clean candidates to fill the position? Each employer has to make that decision for themselves."

Ms. Sullivan offers similar advice to her clients.

"Does (marijuana) affect what your employee is doing? You have to look at their job description."

"I've heard some employers say that because the laws and the science are changing so quickly that they are removing the drug policy from the (human resources) manual," said Mr. Pew. "I have always advised people that marijuana is so different... you have to have a separate policy."



MARIJUANA IN THE WORKPLACE

The percentage of employees testing positive for the use of marijuana has increased 75% over the past three years.

2016

8.9%

2013

5.1%

Source: Quest Diagnostics Inc.



FEDS BARRED FROM SPENDING MONEY ON MEDICAL MARIJUANA FIGHT

President Donald Trump's administration will not spend any federal dollars fighting medical marijuana in the current fiscal year.

The \$1.1 trillion appropriations plan adopted in May to keep the federal government running includes language that will prevent the government from spending money during the 2017 fiscal year to fight medical marijuana, which is still considered illegal by

the U.S. Drug Enforcement Administration, but is now legal in 29 states.

Cannabis remains classified as a Schedule I drug alongside cocaine and heroin, a category the federal government classifies as drugs having no currently accepted medical use and a high potential for abuse.

Workers compensation experts have been closely watching how the new administration would act given Attorney General Jeff Sessions'

negative stance on a substance that is illegal under federal law despite voters in many states overwhelmingly approving marijuana use for medicinal purposes.

According to a May 5 statement from the White House, a section of the bill "provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various states and territories."

Louise Esola

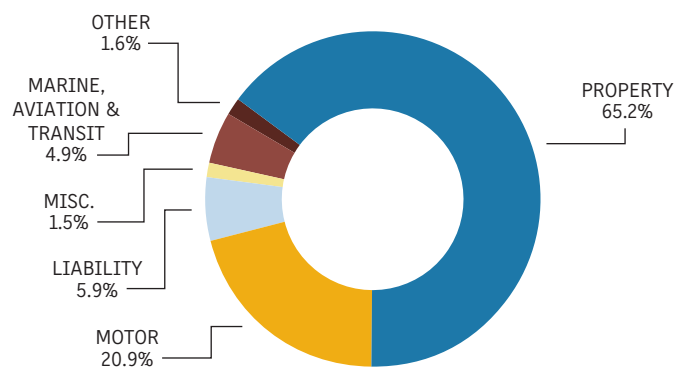
PROFILE: BAHAMAS

87

GLOBAL
P/C MARKET
RANKING

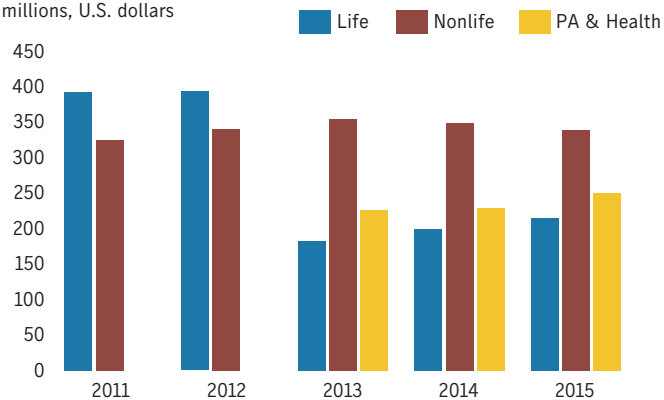
Historically, the Bahamas market was dominated by British insurers, but more recently Bahamian and other Caribbean insurers have become the largest players in the market. Competition is strong, although property rates have stabilized, and in some cases increased, since Hurricane Matthew struck the islands last year, causing about \$400 million in insured losses. Much of the industrial and commercial insurance business in the Bahamas is derived from the tourism sector, although several of the large hotels are insured offshore. Premiums are largely driven by reinsurance pricing, which in turn can be influenced by catastrophe losses elsewhere.

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

Several lines of insurance are compulsory, including:

- Third-party auto liability
- Liability for unmanned aerial vehicles
- Liability for liquefied petroleum gas operators
- Liability for aircraft and recreational watercraft owners
- Professional liability for various professions, including investment fund administrators

NONADMITTED

Nonadmitted insurance is not permitted because the law provides that insurance must be purchased from locally authorized insurers except where specific permission has been granted for the nonadmitted placement by regulators.

INTERMEDIARIES

Brokers and agents have to be authorized to conduct insurance business. Brokers that enter into contracts with unregistered insurers must have regulatory approval. An intermediary would be personally liable for contracts placed with nonadmitted insurers. Intermediaries involved in approved nonadmitted placements do not have to be specifically registered to deal with the regulator on such issues. Brokers involved in authorized nonadmitted placements do not have to warn buyers that their insurer is not subject to local supervision.

MARKET PRACTICE

Several larger exposures are insured directly offshore; furthermore, Lloyd's of London is a registered insurer. Certain classes, such as professional liability, marine or aviation, may require placing in a nonadmitted market, and in such cases the regulator will grant permission. In practice, insurers do not abuse the situation, and in most cases business placed offshore is done so because of a lack of market capacity.

MARKET DEVELOPMENTS

Updated May 2017

- The government has increasingly found itself mired in various scandals, and concern is being expressed from all quarters about a growing climate of corruption, criminality and violence.
- Hurricane Matthew in 2016 was an extremely destructive and long-lived tropical cyclone that caused widespread destruction and catastrophic loss of life during its journey across the Western Atlantic, including parts of Haiti, Cuba, the Dominican Republic and the Bahamas.
- The widespread availability of reinsurance capacity has led to renewed competition in the property insurance sector in recent years, although following Hurricane Matthew some reinsurance protections showed modest increases in the 2016 year-end renewal season, leading to stabilized and in some cases increased rates.
- Sagicor General Insurance of Barbados has reportedly applied for a license to operate in the Bahamas, notwithstanding the current preponderance of property/casualty insurers operating in the market and an absence of any real growth.
- The profile of the local insurance market seems unlikely to change significantly in the near future. The revised insurance legislation, which has been fully implemented since 2010, has not led to a reduction in the number of intermediaries, as had been hoped.

AREA

5,382

square miles

POPULATION

362,000

MARKET CONCENTRATION

59.3%

market share of top 3 insurers

2017 GDP CHANGE (PROJECTED)

1%

Information provided by Axco Insurance Information Services.
www.axcoinfo.com



IN A MORE CONNECTED WORLD

A MORE
CONNECTED
LAW FIRM

When it comes to risk, the world is more interconnected than ever. A risk in one location or line of business can quickly spiral into others. Managing risk requires connection of experience across a range of business areas and economies. That's why we're creating a law firm that can partner with you to manage risk across business lines, in the US and around the world.

Find out how we can partner with you at clydeco.com/US

Atlanta, Chicago, Miami, New Jersey, New York, Newport Beach, San Francisco, Washington, DC and over 35 offices globally.

CLYDE & CO

Better on your side

Court certifies class action against Hartford

■ A federal court certified a class action against a Hartford Financial Services Group Inc. unit over its method of calculating payment for a fire loss.

G. Grant Johnson had charged that Hartford Casualty Insurance Co. had underpaid him for his loss in calculating depreciation, in violation of the California Insurance Code, according to a ruling by the U.S. District Court in San Francisco in *G. Grant Johnson v. Hartford Casualty Co.*

Mr. Johnson owns a commercial building in San Francisco partially damaged by fire in 2013. Hartford paid Mr. Johnson \$731,000 under the “actual cost value” option in his policy, which involves estimating the cost of repair and paying the insured after deducting a “fair and reasonable amount” for physical depreciation.

Mr. Johnson spent \$644,000 of that on repairs but has not yet repaired the property’s third story, according to the ruling by Judge William H. Orrick.

Mr. Johnson charged in his lawsuit that Hartford underpaid him by purposefully miscalculating the actual cost value “depreciating all components of plaintiff’s structural loss without regard to whether the components were normally subject to repair and replacement during the useful life of that structure,” in violation of California’s Insurance Code, said the ruling.

“The crux of Hartford’s arguments” is that “Johnson cannot show that he has been injured” because it paid him more than he spent to repair his building, said the ruling.

The policy language “supports Johnson’s position that the total amount recoverable under the policy is not limited to the amount actually spent on repairs,” the ruling said.

In agreeing to certify the case as a class action, he said, “common questions predominate.”

Insurer prevails in Glitz nightclub shooting case

■ A federal court refused to dismiss a motion by Evanston Insurance Co. seeking a declaratory judgment it is not obligated to defend or indemnify the owner of a property where a fatal nightclub shooting occurred, because the owner had falsely claimed on its insurance application that the building was vacant.

Orlando, Florida-based Republic Properties Inc. owns property that it leased to Glitz Ultra Lounge to operate as a nightclub, according to the ruling by the U.S. District Court in Orlando in *Evanston*

Insurance Co. v. Republic Properties Inc.

Its policy application with Deerfield, Illinois-based Evanston, a unit of Markel Corp., described the property as a vacant.

On Feb. 7, 2016, two people were killed and several injured during a shooting at the club. Four people were later arrested and charged with second-degree murder, according to news reports.

Some of the injured either filed claims against Republic, or sued the company, according to the ruling. Evanston initially advised Republic it would investigate the claims and lawsuits.

However, upon learning that Republic had falsely described the property as vacant in its insurance applications, Evanston sought a declaratory judgment it had no duty to defend or indemnify Republic.



Republic filed a motion to dismiss Evanston’s complaint, contending the claim for a declaratory judgment was premature because there has been no decision as to whether Republic was responsible for any of the injuries.

The District Court disagreed. “The fact that Republic has not yet been found responsible for any of the injuries at issue is of no consequence,” said the ruling.

Former BoA worker wins appeal on defamation charge

■ A reasonable jury could conclude Bank of America N.A. acted with malice when, without a thorough investigation, it reported to a third-party database firm monitoring fired bank employees that it had evidence of a former employee’s criminal wrongdoing, says a federal appeals court, in reversing a lower court ruling.

Salma Aghmane, a former vice president of Charlotte, North Carolina-based Bank of America who was terminated in 2013, charged the bank falsely reported it had conclusive evidence of her criminal wrongdoing to Scottsdale, Arizona-based Early Warning Services L.L.C., according to the ruling by the 9th U.S. Circuit Court of Appeals in San Francisco in *Selma Aghmane v. Bank of America N.A.*

Early Warning keeps records of former bank workers fired for knowingly causing

or attempting to cause financial loss.

Ms. Aghmane filed suit against the bank on charges including blacklisting and defamation for reporting her to Early Warning because of a “she said-she said” conflict with a cousin who had claimed Ms. Aghmane withdrew funds from her account without permission.

Another bank subsequently withdrew a job offer after learning about the report.

The District Court granted Bank of America partial summary judgment and Ms. Aghmane appealed.

The cousin who made the charge declined to seek prosecution or to identify Ms. Aghmane in writing, while Ms. Aghmane told the bank orally and in writing that the cousin had authorized the transactions and provided documents showing the cousin owed her money, said the ruling. But the bank did not contact the cousin again.

Based on the facts of the case, “a reasonable jury could find (the bank) either knew or reasonably should have known it did not have ‘conclusive evidence’ that Aghmane had engaged in criminal wrongdoing,” said the ruling.

Insurer wins liability claims dispute over untimely notification

Submitting an insurance claim more than seven months after a lawsuit has been filed is not “as soon as practicable,” says a federal appeals court in upholding a Nationwide Group unit’s coverage denial.

Robert Spinner, a former employee of Minneapolis-based wholesale distributor Food Market Merchandising Inc., sued the firm in January 2014, seeking unpaid commissions, in a lawsuit that was eventually settled, according to a ruling by the 8th U.S. Circuit Court of Appeals in *Cincinnati in Food Market Merchandise Inc., a Minneapolis corporation. v. Scottsdale Indemnity Co.*

Food Market notified its insurer Scottsdale, a unit of Nationwide, of the lawsuit in August 2014, which was during the policy period, according to the ruling.

The notification provision said the insurers must be give written notice of any claim “as soon as practicable, but in no event later than sixty (60) days after the end of the policy period.”

After Scottsdale tentatively denied coverage, Food Market filed suit in federal court in Minneapolis charging breach of contract, and breach of the covenant of good faith and fair dealing.

Scottsdale formally denied coverage a week later, stating Food Market’s notice was untimely.

The lower granted Scottsdale summary judgment dismissing the case, which was unanimously affirmed by a three-judge appeals court panel on appeal.

DOCKET



FORMER LAW FIRM FINANCE CHIEF FOUND GUILTY IN FRAUD TRIAL

The former executive director of defunct law firm Dewey & LeBoeuf L.L.P. was acquitted of all charges, while its chief financial officer was convicted on two felony fraud charges and a misdemeanor count of conspiracy. Stephen DiCarmine was cleared, but Joel Sanders was found guilty by a jury in a state trial court in New York. “Joel Sanders used his position as chief financial officer to mask the failing financial health of Dewey & LeBoeuf, leading insurers and lenders to believe the firm was still above water,” District Attorney Cyrus Vance Jr. said in a statement. Mr. Sanders is expected to be sentenced on Oct. 6, the Manhattan District Attorney’s Office said. Dewey & LeBoeuf once had as many as 1,400 lawyers, before going bankrupt in May 2012.

EX-AIG CEO GREENBERG LOSES APPEAL OVER INSURER’S BAILOUT

A federal appeals court threw out a ruling that the U.S. government illegally bailed out insurer American International Group Inc. during the 2008 financial crisis, in a defeat for former chief executive officer Maurice R. Greenberg. The Federal Circuit Court of Appeals in Washington said that Mr. Greenberg’s Starr International Co. lacked standing to challenge the bailout because that right belonged to AIG, which chose not to sue.

Reuters

J&J ORDERED TO PAY \$110 MILLION IN U.S. TALC-POWDER TRIAL

Johnson & Johnson was ordered by a Missouri jury to pay more than \$110 million to a Virginia woman who says she developed ovarian cancer after decades of using of its talc-based products for feminine hygiene. The verdict in state court in St. Louis was the largest so far to arise out of about 2,400 lawsuits accusing J&J of not adequately warning consumers about the cancer risks of talc-based products including its well-known Johnson’s Baby Powder.

Reuters



Workers compensation insurer MEMIC Group in May announced that company veteran Michael Bourque will replace retiring President and CEO John Leonard in September. The incoming CEO spoke to *Business Insurance* Deputy Editor Gloria Gonzalez about the Portland, Maine-based insurer's expansion into other states and key challenges in the workers comp field, particularly in Florida, where two state Supreme Court decisions have upended the workers comp system. Edited excerpts follow.

Michael Bourque

MEMIC GROUP

Q First off, congratulations. This is a very exciting opportunity for you, I would imagine.

A Coming at a time when the company is succeeding on all fronts, the board I don't believe hired me to come in to make a lot of big changes. Certainly to continue the success we had is what my plan is. We've grown by 70% over the last five years, from 2012 to 2016, in terms of written premium. We have our home office here in Maine, and we have about 66% of the commercial market in Maine, but we have lots of places to grow in the markets up and down the East Coast. We're in four of the seven largest workers comp markets in the country — that includes New York, New Jersey, Pennsylvania and Florida. There's a lot of opportunity for us in those places where we're just becoming known as a workers comp specialty company that really does focus on the prevention effort and really knows workers comp very well.

Q Florida's a state that we follow quite closely in terms of some of the recent developments in the workers comp space. What's your sense of the Florida workers comp system at this point?

A There's a lot going on in Florida, that's for sure. It was very good news when the court determined that (the National Council on Compensation Insurance Inc.'s) rate increase could stand. We think that was absolutely necessary for the Florida market in general. We've seen what's happened since that court case, and you've seen the filing of petitions from attorneys increase considerably, and I think that's something you have to keep an eye on. Frankly, I think if you don't specialize in workers comp and you're not paying close attention, I think you could get yourself in trouble. I think we're perhaps uniquely able to deal with that, being specialists in comp and having a pretty good understanding of where some of the pitfalls might be, but having unlimited attorney fees is a real challenge and something that we'll have to monitor. But so far, I think we're still feeling good about Florida. We're feeling good about the progress we made, and we know there's opportunity there within the target

markets that we're in. We remain excited about it, but we're keeping a close eye.

Q Are there any other states that you're watching carefully in terms of developments in the workers comp space?

A We're always watching all of them. But I think Florida is the one where the most news is happening, where those two cases really threw things into a spin for a while last year and it took a while for some people to sort out. I think we're always looking long term, and so we will endure some blips to be a long-term player in the market, to be there for our agents

people who are experienced and generally know how to do their jobs. On the other hand, maybe they can't do what they quite used to do, and having employers be able to acknowledge and work with that I think is something that's important. Our home state, Maine, is the oldest state (by age of population) in the country, and so we have experience in dealing with some folks who are aging in the workplace and helping them to avoid injury in the first place and to get back when they do get hurt.

Q Obviously, opioids is a big topic in the workers comp space. What do you think needs to happen to help address the impact of the opioids epidemic?

A I think it starts with the doctors, and I think many of them are getting the word now and understanding fully the damage that these things can do when they're perhaps prescribed short term but become long term in terms of their usage. We're seeing laws in various states that are coming into place that are telling doctors that they can only prescribe for a short duration for acute pain and for chronic pain; most of them are usually 30 days. Understanding that and I think taking into account the new chronic pain guidelines, which were just released recently from the (American College of Occupational and Environmental Medicine), that really talks about ways to avoid that kind of use of opioids. I think everybody is becoming more attentive. You really just have to work at it and be willing to invest the resources because the good news is you can combat it when you work at it.

Q The other issue that we hear quite a bit about is opt out, and I'm curious about your thoughts overall on opt out.

A I think it's a dangerous trend in terms of what it would offer for injured workers. I think what we see is that it doesn't provide the same protection or comparable protection. I think it becomes all about cost as opposed to being about taking care of employees. I'm sort of alarmed that it ever happened to begin with, but heartened by the fact that some courts have found that this is truly not an equal type of coverage.



and customers when they need us, and so we don't consider ourselves especially reactionary. I think we've analyzed markets closely as we've gone in and looked at the fundamentals, and I don't see any real big challenges in these other states that are as volatile as what we've seen in Florida.

Q What does the aging of the population generally mean from a workers comp perspective for your firm?

A Well, that's a challenge also. It means recovery times for injured workers who are older tend to be longer. Certainly, we've had several catastrophic injuries that have occurred to workers who are 65 or 70 or older, and understanding that people are staying in the workforce longer and that the population in general is aging. I think we've got to do a very good job with safety programs. On the one hand, you have

There's a lot going on in Florida, that's for sure ... if you don't specialize in workers comp and you're not paying close attention, I think you could get yourself in trouble. I think we're perhaps uniquely able to deal with that.

AWARD-WINNING JOURNALISM



Congratulations to *Business Insurance* reporter, Louise Esola.

Her compelling December 2016 investigative feature package, "Who Pays to Heal Mental Injuries of First Responders?" has been awarded the American Society of Business Publication Editors' (ASBPE) most prestigious award for individual writing, the **2017 Stephen Barr Award**, as well as the **2017 Gold National Award: Investigative/Impact**.

A Z B E E S
ASBPE Awards of Excellence
WINNER OF THE
2017 Stephen Barr Award
AND
2017 Gold National Award: Investigative/Impact



COVER STORY

PTSD

Continued from previous page

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Workplace tragedies create new perspective on comp

BUSINESS INSURANCE

www.businessinsurance.com

DECEMBER 2016

SUPREME COURT: Business cases to be heard by a more conservative bench - PAGE 4

MENTAL HEALTH ON THE LINE

First responders with PTSD seek workers comp benefits

PAGE 22

WOMEN TO WATCH

Profiles of 25 top industry leaders in 2016

PAGE 32

SPECIAL REPORT

RISK MANAGEMENT EDUCATION

PAGE 20

COVER STORY

PTSD

Continued from previous page

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Continued from

Financial roadblocks

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

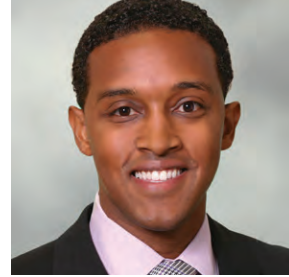
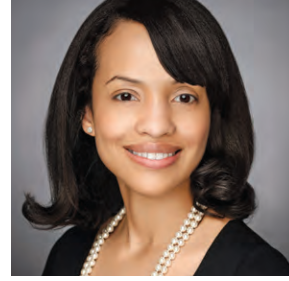
Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...

Financial roadblocks are preventing work...



BUSINESS INSURANCE BREAK OUT AWARDS

Business Insurance's Break Out Awards program honors 40 top professionals on track to be the next leaders in the risk management and property/casualty insurance field.

Succeeding our 40 Under 40 program, which was limited to brokers, the Break Out Awards recognize professionals from across the risk management and insurance spectrum — risk managers, brokers, insurers, wholesalers, lawyers and other

service providers.

We want to highlight the achievements of up-and-coming leaders in the industry, so while there is no age limit, nominees must have been in the industry for less than 15 years to be eligible for the awards.

We also wanted to have a diversity of honorees so the winners are divided into to four geographic regions with no single company having more than one winner per region.

In the following pages, you can read

edited excerpts of interviews *Business Insurance* reporters conducted with the winners and gain insights into their personalities, their paths to success and their views on the industry.

The winners will be celebrated at regional award events this month in New York, Atlanta, Chicago and Los Angeles.

Gavin Souter, editor

2017 BREAK OUT AWARDS WINNERS

NORTHEAST

Caitlin Costello
Marsh L.L.C.
Page 18

Timothy Crowley
Crystal & Company
Page 18

Gisel Castillo Davila
Tishman Speyer Properties
Page 18

Shane Hogan
Aon Risk Solutions
Page 18

John Loftus
Willis Towers Watson P.L.C.
Page 20

Megan Miller
Beecher Carlson Insurance Services L.L.P.
Page 20

Jill Allison Opell
Michelman & Robinson L.L.P.
Page 20

Manan Patel
The Spofford Group Insurance Brokerage Ltd.
Page 20

Grace Ries
FM Global
Page 21

Michael Turnbull
American International Group Inc.
Page 21

SOUTH

Kimberly Ashmore
Wiley Rein L.L.P.
Page 21

Jeffrey D. Howard
Gillis, Ellis & Baker Inc.
Page 21

Alexandra Lunde
Aon Risk Solutions
Page 22

Megan McClellan
Marsh L.L.C.
Page 22

Jared Mathis
Blue River Underwriters
Page 22

Meghan Mullee
Alliant Insurance Services Inc.
Page 22

Brandon Perry
Victor O. Schinnerer & Co.
Page 24

Wynne Sharpe
JLT Specialty Insurance Services Inc.
Page 24

Kevin Smith
Willis Towers Watson P.L.C.
Page 24

Joey Sylvester
Arthur J. Gallagher & Co.
Page 24

MIDWEST

Sean M. Carney
Sidley Austin L.L.P.
Page 25

Chris Consolo
Marsh L.L.C.
Page 25

Courtney Davis
The University of Chicago
Page 25

David Derigiotis
Burns & Wilcox Ltd.
Page 25

Jay Gates
RMH Franchise Holdings Inc.
Page 26

Prasad Gunturi
Willis Re
Page 26

Natalya Harvey
Cooper's Hawk Winery and Restaurants
Page 26

Michael Hessling
Gallagher Bassett Services Inc.
Page 26

Tyler LaMantia
Arthur J. Gallagher & Co.
Page 28

Chris Rafferty
Aon Risk Solutions
Page 28

WEST

Michelle Bennett
Cable One Inc.
Page 29

Eric K. Brown
Lockton Cos. L.L.C.
Page 29

Gardner Jones
ABD Insurance & Financial Services Inc.
Page 29

Joseph A. Laskowski
Arthur J. Gallagher & Co.
Page 29

Andy Lewis
Alliant Insurance Services Inc.
Page 30

Matt Nicholas
Willis Towers Watson P.L.C.
Page 30

Michael Parme
Haight Brown & Bonesteel L.L.P.
Page 30

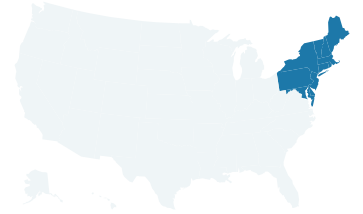
Sarah Sherman
JLT Specialty USA
Page 30

Jennifer Smith
Marsh L.L.C.
Page 31

Amy Vitarelli
Heffernan Insurance Brokers
Page 31

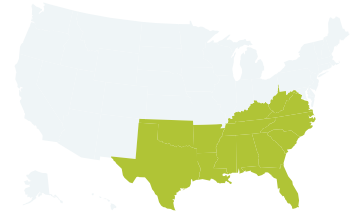
NORTHEAST

PAGE 18



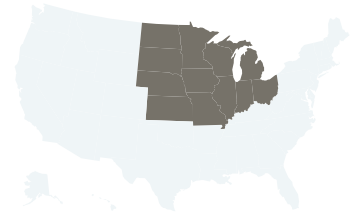
SOUTH

PAGE 21



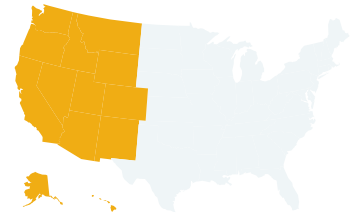
MIDWEST

PAGE 25



WEST

PAGE 29





CAITLIN COSTELLO

31

Senior vice president,
senior casualty client adviser
Marsh L.L.C.
New York

Caitlin Costello has been with Marsh L.L.C. her entire 10-year career. She became interested in the industry because of a friend who interned with the broker. She started at Marsh in 2007 after graduating from Michigan State University with a bachelor's degree in finance and retailing. In 2016, she was promoted to her current position. Her industry expertise is real estate and hospitality.

Top industry concern

It's not a new one, but as a colleague and manager I think a lot about talent management, recruitment and retention, not just at Marsh, but across the industry.

There is certainly a talent and knowledge gap in our industry that needs to be planned and solved for. Additionally, we likely need to be thinking about our talent pipeline differently, as the dynamic change we are looking for in our industry will require an evolving skill set.

Best-kept secret about insurance

I believe the dynamism and opportunities in this industry are underestimated.

What inspires you?

My family is a continual source of inspiration, professionally as well as personally. I accompanied my grandfather, a relationship manager at Dr. Pepper, on many business trips as a child. My grandmother was an unsighted senior executive at Macy's by the end of her 25-plus-year career. Both my parents have graduate degrees and full time professional careers. The way all of them were professionally successful and yet still genuine, kind individuals as well as a collective family has always been motivation enough to want to achieve for myself and them.

Something people don't know about you

I was a competitive gymnast in the USA Gymnastics Junior Olympic program from the age of 6 to 18. I credit the sport with teaching me about discipline, work ethic, perseverance, and resilience.



GISEL CASTILLO DÁVILA

31

Director, global risk and insurance management
Tishman Speyer Properties
New York

Gisel Castillo Dávila knew she wanted a business career, but didn't know anything about risk management until she took an elective course at St. John's University in New York. Richard Bennett, an associate professor in the School of Risk Management, Insurance and Actuarial Science, who passed away in January, spoke of the industry in such a magical way that she switched majors to risk management.

Top industry concern

The reason why I felt so passionate about starting (the New York chapter of the Young Risk Professional group) is that

because when you graduate everything is geared toward students or the more senior professionals. There was a gap for those who were freshly in the industry. I think that was very difficult at first.

Best-kept secret about insurance

I feel like this industry has so much to offer. In any kind of industry you want to be a part of, you have this little niche of risk management and insurance that's part of everything and is necessary in any business or life roles that we have. You're a part of building something. There's more to it than just insurance.

What inspires you?

Strong women in the industry. I'm very inspired by everyone I've met and how they've gotten so far in their careers.

Next big thing in insurance

I think technology is going to continue to be a big benefit to the industry. I think the claims aspect and the analytics will continue to grow as the technology gets better, which will also lead into more cyber risk issues.

Hobbies and interests

I love seeing Broadway shows. I like traveling. We try to do one big Europe trip every year.



TIMOTHY CROWLEY

36

Managing director
Crystal & Company
New York

Timothy Crowley graduated from college with a finance degree in 2002. He began his insurance career in property/casualty and focused on directors and officers liability insurance when he joined Crystal & Company in 2003 after a short stint at another broker.

Top industry concern

I think our biggest industry concern is hiring and retaining quality talent throughout the various functions of an insurer or insurance brokerage — making sure our industry remains desirable to the next generation.

Best-kept secret about insurance

Once you're inside the industry there's so many different ways you can go within the industry as far as the broker side, the carrier side, the risk management side, the buyer side, the claims side. Once you obtain the fundamental skills of understanding of transferring risk, there's so many different opportunities.

What inspires you?

I think innovation is what continues to keep things interesting for me. The four corners of the insurance contract are what they are, right? We're selling a bunch of words on a piece of paper. But to keep things fresh, to respond to the evolving needs of our clients ... that innovation is what's critical.

Next big thing in insurance

I think the next big thing is going to be breaking down the walls of cyber insurance. More and more insureds are going to be looking for an all-inclusive solution for all things dealing with information and data security. So whatever the ultimate damages are I feel like we as an industry need to put all those coverages under one roof, rather than having various silos and a lot of finger pointing in claims scenarios.

Something people don't know about you

I've never had a cup of coffee.



SHANE HOGAN

33

Senior vice president and account executive
Aon Risk Solutions
New York

Shane Hogan joined Aon Risk Solutions in 2015 with more than a decade of experience in various roles at large international insurance brokers. He began his career specializing in the design and implementation of global insurance programs and held positions in both New York and London focusing on managing the needs of U.S. multinational clients.

Best advice you've been given

To always act with intention. Be fully committed to the task at hand and do the best possible job you can, even if the task is beneath you. In time the job, tasks and responsibilities become larger and more

complex but people's ability to count on you, even for seemingly trivial things, is incredibly important.

Next big thing in insurance

I am following a lot of the emerging tech disrupting insurers and intermediaries, and I think this is a big growth area for our industry. Coupled with the changing workforce including retiring baby boomers, I see a big opportunity to improve the traditional way in which insurers/brokers/insureds transmit information and work with one another.

How do you unwind?

I am an avid runner and I find that whenever I run, I allow my mind to leave me for a brief period of time. It's a feeling for me that's very akin to meditating. It elevates my mood and helps me relax.

Something people don't know about you

I grew up in Miami and experienced firsthand one of the greatest insurance losses of all time: Hurricane Andrew in 1992. I remember how the insurance company gave our family a place to live after the storm and then rebuilt our house after it was razed. This experience taught me a lot about dealing with loss and the importance of what we do in the insurance industry.

CALL FOR NOMINATIONS

SUBMISSIONS
DUE JULY 17



NOMINATIONS ARE OPEN

**Nominate innovative risk management products
and services + risk management teams**

Business Insurance's Innovation Awards, now in their eighth year, are being refreshed for 2017. In addition to recognizing **innovation in new products and services** that insurers, brokers, technology companies and other service providers create for professional risk managers, the awards program will also recognize risk management **innovations created by risk management teams** – all those involved in the risk management process, including risk managers, brokers, underwriters, TPAs and other service providers will be recognized.

The awards for innovations in individual products and services, as they were previously, will be presented to the companies that created the products; the awards for innovations in risk management will be presented to the team of individuals from multiple companies that were involved in creating the innovative risk management program.

Up to 5 products/services submissions accepted per company; no limit to number of risk management team submissions.

The 2016 Innovation Award winners will be profiled in the October 2017 issue of *Business Insurance* and will be recognized at the **Innovation Summit & Awards** on October 5, 2017, in New York.

If you have any questions about the awards or the nomination process, please contact: Gavin Souter, Editor, gsouter@businessinsurance.com, 312 757 5512.

The deadline to submit nominations is Monday, July 17 at 11:59 p.m. EDT.

SAVE THE DATE:

Risk Management Roundtable

October 4, 2017

Innovation Summit & Awards

October 5, 2017

Cyber Summit & Expo

October 5-6, 2017

Sheraton New York Times
Square Hotel

FULL CONFERENCE SPONSORS



BUSINESS INSURANCE

**INNOVATION
AWARDS** 

SUBMIT YOUR NOMINATION ONLINE:

businessinsurance.com/innovation/nominations



JOHN LOFTUS 35
Senior vice president, cyber security and privacy
Willis Towers Watson P.L.C.
New York

John Loftus began his career in investment banking, working at Goldman Sachs and then Morgan Stanley, when a trustee at his school introduced him to an alumnus at Willis Towers Watson P.L.C. The connection paid off, and he has been with the company for eight years.

Best advice you've been given
Number one, the journey is the reward, meaning that you really need to be passionate about your job and what you do and enjoy the challenge and learn and grow every day. You have to enjoy the ride and not be focused on the accolades.

The other piece of advice that stood out in my mind is the need to embrace change and not to shy away from it.

Best-kept secret about insurance
My old CEO said insurance is the DNA of the modern world. Nothing happens without insurance. We enable virtually every economic transaction in the world.

Next big thing in insurance
I think it could be block chain technology, and specifically the block chain insurance industry initiative. The potential to transform the insurance industry by having transparent distributed ledgers of contract-related information to help streamline our communications and our transactions, improve our process, improve our contracts, our policy delivery ... there's a lot there.

How do you unwind?
I live in the West Village, in Manhattan, and at this time of the year it's awesome to go for a run outside. Also, having dinner with friends in the West Village, in SoHo or Tribeca, after work is a lot of fun.

Hobbies and interests
I do like to ski when the weather permits ... I like to surf in the summer, and I'm definitely into music and going to concerts here in the city — there are so many.



JILL ALLISON OPELL 42
Partner
Michelman & Robinson L.L.P.
New York

Jill Allison Opell is the chair of Michelman & Robinson L.L.P.'s insurance industry group. She joined the law firm in May 2016. She started her career doing energy regulatory work and went to the insurance side 13 years ago when the executive director at a firm where she was working said, "I need your personality in the insurance department."

Best advice you've been given
Probably to treat everybody the same. Don't look at someone's position, don't look at anything about them, just treat the person the way you want to be treated. You never know who you're talking to

and more importantly, it's really important to treat everyone with respect.

Top industry concern
Everybody seems to have the same concern about data security. It seems to be the hot topic right now. But even broader than that, it's insurance companies keeping up with the times and keeping up with the appropriate technology. We're not typically known as an industry with very young talent. It's very interesting to see how to intersect technology and insurance and I think that's really where we have to go.

Next big thing in insurance
I think that there are going to be more tech startups. We need to figure out how to underwrite certain tech products, and we're going to use tech in order to be able to do so. We need to come up with a way to actually underwrite cyber. I just don't think it's been around long enough. I don't think it's exactly where people would like it to be. There's got to be some way to anticipate and some technology they can create to be able to really understand and underwrite the actual cyber risk.

Hobbies and interests
I make jewelry and I love watching football and all sports.



MEGAN MILLER 39
Managing director
Beecher Carlson Insurance Services L.L.C.
New York

An engineering graduate, Megan Miller started her insurance career as a risk engineer at FM Global after spending time after college teaching English in Japan. After FM Global, she moved to XL Group P.L.C., where she became involved in underwriting, and later to Swiss Re Ltd. In 2016, she moved to Beecher Carlson Insurance Services L.L.C. to get closer to customers as a broker.

Top industry concern
The impact of technology on the industry and our industry's collective lack of innovation. Other organizations in other

industries are coming up with solutions that our industry should be coming up with. That concerns me. We need to bring innovative solutions to clients and not just your standard coverages.

What inspires you?
It's my daughter. She's 4 years old, and she's at the age where she's discovering the world and learning. Just the way she approaches everything and the things she says make me stop and think all the time.

Next big thing in insurance
Focusing on the customer experience is something, especially the carriers, are going to have to start doing. Carriers talk about being client-centric, but they are focused on the bottom line first ... which of course you have to be, but going forward they are going to have to differentiate themselves because things are getting more commoditized and automated.

Something people don't know about you
I have an engineering degree, I have an MBA and I also speak Japanese and I think in my current role, which is more of a sales role, people assume that people in that role, especially women, don't have a technical or financial background so when I tell people about my background they always seem a little surprised.



MANAN PATEL 34
Managing director
The Spofford Group Insurance Brokerage Ltd.
Hingham, Massachusetts

Manan Patel got his start in the insurance industry through an internship in the casualty department of Marsh L.L.C. while a student at Boston College. He joined the brokerage after graduation, then joined The Spofford Group Insurance Brokerage Ltd. in 2012 where he works in management liability.

Best advice you've been given
One of my mentors at my prior employer, when we went through a lot of changes, he said to keep your focus and don't worry about the noise around you. Doing the right thing, working hard and working smart always gets ahead.

Top industry concern
The lack of real talent development initiatives. In the old days, there used to be training programs and a lot of cross-company training. I think some of that has stopped because of cost pressures, and it's widely published that there's a drought of young people joining the industry. So if you don't have a training program and you aren't training people, 30 years from now who's going to be running the insurance industry?

What inspires you?
Smart, talented, humble people inspire me. Usually our client base is C-suite individuals — CEOs, CFOs, general counsel. I'm amazed that I meet a lot of C-Suite individuals who have these qualities that I really try to learn from their success and how they got there.

Hobbies and interests
For somebody who is a vegetarian, I would like to think I'm a real foodie, which is tough, because there are not that many choices out there, but I really try to enjoy new restaurants. I really like to read interesting articles. I'm always curious.

Something people don't know about you
I went for my undergrad to study pre-med to be a doctor and somehow I decided to change course and get into the insurance industry.



GRACE RIES

32

Staff vice president, manager of cyber risk insurance products

FM Global
Johnston, Rhode Island

Grace Ries started her career in the insurance industry as a field engineer in the San Francisco offices of FM Global after graduating with a degree in chemical engineering and materials science engineering in 2007. She moved on to account management and now leads a dedicated unit tasked with developing an underwriting approach and coverage capabilities to meet clients' needs for first-party cyber solutions.

Best advice you've been given

The best advice I've been given is to be brave and always try something new. It resonates really well with me because

when people think about cyber, they think of doomsday. It's a challenging topic, it's scary, no one really wants to go there, but ... why not now? Because that's the most relevant topic in the industry.

Top industry concern

Traditionally people worry about their credit card information being stolen or their identification being stolen, but now I'm starting to see a shift of our risk managers worrying about what can cause catastrophic damage to their property and shut their business down.

How do you unwind?

I always reserve 10% of my energy to look forward to coming home to my two children. I have 1-year-old and 3-year-old daughters. I do look ... forward to the one meal that I cook and we can all share as a family together.

Hobbies and interests

I love to cook. I like to travel with my kids. We actually went to Hong Kong as a family on a 17-hour flight ... we just love to do things together as a family and distance doesn't stop us.

Something people don't know about you

I was born and raised in Hong Kong, so my family is there. I can speak three languages — English, Cantonese and Mandarin.



MICHAEL TURNBULL

36

Americas M&A manager

American International Group Inc.
New York

Michael Turnbull came to the insurance industry from the legal field. He was a U.K.- and then Hong Kong-based mergers and acquisitions attorney advising American International Group Inc. when he had an opportunity to set up AIG's Asia transactional risk business. His responsibilities expanded to include Australia and New Zealand, after which he relocated to New York to manage the Americas team.

Best advice you've been given

Listen carefully to problems or concerns, and try to think creatively to find a suitable solution.

Top industry concern

There's been very sudden growth in competition in the M&A insurance space in the last six to 12 months, with a number of new market entrants starting to play in the space. My key concern is how they are establishing themselves in relation to the terms they offer, and whether or not the terms get pushed to a place that makes the business difficult to sustain, bearing in mind that there are claims in this line of business.

Best-kept secret about insurance

It's fun. The area I work in is a cross between a legal role and a business role, and I'm able to get involved with clients' transactions and help them execute them in a way that they wish to do so. And it's been fun doing that.

Next big thing in insurance

I think we will see an increased growth in tax liability insurance. That's already starting to happen, and I think it will continue.

Hobbies and interests

I am a very keen rugby union fan. I used to play that, and now I'm on the lookout for my favorite U.S. sport.

Something people don't know about you

I have been shark diving in South Africa.



KIMBERLY ASHMORE

41

Partner
Wiley Rein L.L.P.
Washington

When Kimberly Ashmore was studying for a law degree at George Washington University in Washington, she received a paid internship with then-law firm Ross, Dixon & Bell L.L.P. Her mentor, Richard Simpson, was a partner with the firm at the time working on interesting professional liability issues. They both joined Wiley Rein L.L.P. in 2008.

Top industry concern

All businesses are really struggling to become as efficient as possible, including insurance and law firms. It's just a challenge to figure out how to provide services at the level that you want to

provide while also being as efficient as you want to be. There's a lot of pressure both within my environment, which is the law firm, but also my clients' environments because they're getting a lot of pressure. They would love to be able to spend whatever it took, but everybody has to operate within this understanding that sometimes you can't do the Cadillac because all you need is the Ford and in the end, that's OK.

Next big thing in insurance

The way law firms look now and the way they will look 15 years from now is going to be incredibly different. I don't know if we'll see the billable hour go away completely, but I think it will be a completely different structure. I don't know that you're going to see law firms doing the traditional associate partnership track. We're going to be forced to streamline in ways we haven't before.

How do you unwind?

I spend time with my kids. I love hot yoga. It's the one place I can go and my mind just clears. That's my way to keep stress levels down and stay focused and happy.

Something people don't know about you

I skipped the third grade.



JEFFREY D. HOWARD

32

Vice president and shareholder
Gillis, Ellis & Baker Inc.
New Orleans

An accountant by training, Jeffrey D. Howard moved into the insurance brokerage sector in 2011 when he joined Gillis, Ellis & Baker Inc., where he specializes in the identification and management of accounts' complex environmental exposures. Previously, he worked at Ernst & Young L.L.P., where he specialized in audits of oil and gas exploration and production companies, and has a master's in accounting from Texas Christian University.

Best advice you've been given

The best advice I've been given came from W. Anderson Baker III, our pres-

ident — that everything matters. One of the things we focus on is there are no small tasks or small requests, because the slightest error in adding a car or amending coverage could cost someone their business.

Top industry concern

My top industry concern, one, is the growing difficulty in commercial auto, what will happen in that space in terms of availability and rates from an immediate standpoint. Also, the continued evolution of cyber and data breach coverage, the fragmentation of that market, its constant new entrants and the differentiation in coverage forms. I would say that makes that area just an ever-changing landscape.

How do you unwind?

Usually jogging with my dog.

Hobbies and interests

Kayak fishing with my wife, deer hunting and working with the Friends of Cabildo, which is a museum I'm on the board of. It's a part of the Louisiana State Museum, and it's where the Louisiana Purchase was actually signed.

Something people don't know about you

I would say as much as I go fishing, I'm horrible at it. People think I'm out there every weekend, but it's largely to moderate or little success.



ALEXANDRA LUNDE 33
Vice president, account executive
Aon Risk Solutions
Dallas

Alexandra Lunde is an account executive who oversees client development and strategic implementation at Aon Risk Solutions. Her expertise includes large property/casualty insurance programs with sophisticated risk profiles and large retentions. She began her insurance career in 2006 after living abroad in Italy and has worked on a variety of accounts, with a focus on Fortune 500 clients. Prior to Aon, Ms. Lunde spent five years at Marsh L.L.C. Most recently her focus has narrowed to the manufacturing, retail and real estate industries.

Best advice you've been given
I have been fortunate to have some great mentors and coaches. I think of things like pick your battles, dress for the job you want and always tell the truth.

Best-kept secret about insurance
The career path. When kids are in school thinking about what they want to be, I don't think the insurance industry comes to mind. I have found the industry to have such a multitude of career-path options. The opportunity is the best-kept secret.

Next big thing in insurance
What I love about our industry is that while the basic blocking and tackling is always going to be the same, the innovation we are charged with is more present than ever. I am excited to see us jump into new industries and new solutions.

How do you unwind?
Doing some sort of right-brain activity like painting or crafting.

Hobbies and interests
I love to travel and see new places. But when I am not on the road, casual dinners at home feeding family and friends would be at the top of my list.



MEGAN MCCLELLAN 37
Senior vice president and FINPRO client adviser, practice leader
Marsh L.L.C.
Washington

Megan McClellan has been a broker in the Marsh L.L.C. FINPRO practice since March 2012. She advises clients on the evaluation and design of risk transfer solutions that address financial and professional exposures, including directors and officers liability, errors and omissions, cyber security and privacy liability, employment practices liability, fidelity and fiduciary liability. Prior to joining Marsh, she practiced law for nearly four years at Troutman Sanders L.L.P. Before attending law school, she worked for Marsh as a risk analyst in property/casualty lines in Washington for nearly three years.

Top industry concern
That women are still underrepresented in the insurance community. I frequently attend underwriting meetings. ... I am often the only woman in the room or if there are other women (there), they are with Marsh or with a client. I've spoken to (industry) leaders and the view is shared. There are not enough women in the industry. We can do a better job of making women feel encouraged and supported.

What inspires you?
I sit on an advisory board for a nonprofit organization. One of the awards we give out is the youth awards. It's given to a person under 21 who started a nonprofit. Every year I attend this gala, it always inspires me what these basically teenagers have already done for children around the world. So that inspires me to do something beyond my day-to-day work.

Next big thing in insurance
Wage and hour insurance has been around for years, but I am seeing a shift in the coverage for our larger clients. I am seeing more and more looking to procure the coverage. I see the next big thing as it being a standard product.

How do you unwind?
I have a (17-month-old) son. I really unwind by playing with him and then having dinner with my husband, without the cellphones out on the table.



JARED MATHIS 41
Executive vice president
Blue River Underwriters
Atlanta

Jared Mathis spent six seasons as a professional baseball player with the Milwaukee Brewers minor league system before he joined MacDuff Underwriters Inc. as a wholesale broker in 2003. He then spent a year in pharmaceutical sales before joining Dominion Specialty Group Inc. as a property broker. He joined Blue River Underwriters, a division of Breckenridge Insurance Group, in 2012 to develop its property underwriting business, and he was recently promoted to executive vice president of the firm's specialty property business.

Best-kept secret about insurance:
The amount of people that you get to meet and you get to come in contact with, and the relationships that you can build. It's weird. It's obviously a huge industry, and a huge part of everyday life for folks, but it's also a small industry where it seems like everybody ends up knowing everybody and you always run into the same people.

Next big thing in insurance
Technology is going at such a rapid pace, not just on the software side but what we have to cover with drones entering day-to-day life, artificial intelligence and all the cyber risks.

Hobbies and interests
I'm a big sports guy. I love sports. I've always played. I like playing tennis. I like working out and coaching my kids.

Something people don't know about you
I think a lot of people probably don't know that I played professional baseball. I made it up to Double-A. I was all over the country and got to travel around quite a bit. I'm from Florida, where it's beaches and flat and trees everywhere, and then I played rookie ball in Ogden, Utah, and the Wasatch Front was the backdrop of our outfield and it was gorgeous. It was nothing like I'd ever seen before.



MEGHAN MULLEE 36
Assistant vice president
Alliant Insurance Services Inc.
Washington

Meghan Mullee is a third-generation insurance professional, coming from a family filled with people who work or have worked in industry. She initially avoided the industry, but after college she ended up on the personal lines side. She transferred to commercial lines when she joined Alliant Insurance Services Inc. as a producer in 2011.

staggering. However, we cannot allow this ease of access to information to become a crutch. We have to remember that without a certain level of expertise, trying to sort through and make sense of the information so readily available to our clients may be overwhelming. It is imperative that we as brokers continually develop knowledge that is both broad and deep.

What inspires you?
My dad from the get go! He is in the industry but even if we had ended up in different lines of work, just watching him build a business from scratch is inspiring. I would also say my husband — his work ethic, having someone in your house that is constantly trying to improve themselves and work harder, this is incredibly motivating and keeps you on your game.

Next big thing in insurance
We are seeing conservation branch out from being just what people think of as saving land to all these interesting and different initiatives that they have going on in their industry.

How do you unwind?
I spend time with my family. I live in Loudoun County, and there is a huge agritourism push right now. There are a lot of different small local farms, wineries, breweries and all these things, so my family and I try to support local agritourism.

Top industry concern
As the world becomes increasingly automated it is imperative that brokers demonstrate value as trusted advisors and experts in our field. The sheer amount of information people have access to today is

BUSINESS INSURANCE

REACH THE BEST BROKERS IN THE WORLD

Each year, *Business Insurance* publishes two highly anticipated broker issues: The **Broker Trends & Profiles Issue** (July 2017 issue) and the **Broker Supplement** (included with October 2017 issue). These issues reach BI's qualified audience, which includes influential brokers at the top brokerages in the U.S. and internationally. Don't miss the chance to get your message in front of this premium audience.

BROKER TRENDS & PROFILES ISSUE

KEY FEATURES INCLUDE:

- Top 10 Brokers Worldwide
- Top 100 Brokers of U.S. Business
- Profiles of the Top 10 brokers
- Interviews with senior executives and industry analysts
- In-depth analysis of the key issues facing the insurance brokerage sector

Space Close – 6/9*

Materials Close – 6/16*

Issue Date – July issue

*Deadline extensions available upon request.

BROKER SUPPLEMENT

KEY FEATURES INCLUDE:

- Brokerage rankings
- Most productive brokerage firms
- Rankings by sector
- Ranking brokers on the cusp of the Top 100
- Top broker growth strategies

Space Close – 9/1

Materials Close – 9/8

Issue Date – included in October issue of *Business Insurance*



ADVERTISE Contact your advertising representative for ad placement opportunities.

RON KOLGRAF
Major Accounts Director,
Eastern U.S. & International
312-574-3975
rkolgraf@businessinsurance.com

MARK KRAWIEC
Major Accounts Director,
Mid-Atlantic & Southern U.S.
312-620-1195
mkrawiec@businessinsurance.com

KEITH KENNER
Major Accounts Director,
Midwest & Western U.S.
312-386-5791
kkenner@businessinsurance.com

JEREMY CAMPBELL
Head of Sales, Events
& WC Magazine
513-737-4063
jcampbell@businessinsurance.com



BRANDON PERRY

32

Vice president, architects and engineers large firm manager

Victor O. Schinnerer & Co.

Chevy Chase, Maryland

Brandon Perry has spent his nine-year career in the insurance industry moving up the ranks at Victor O. Schinnerer & Co. He graduated from the College of William & Mary with a bachelor's degree in business administration and management and history in 2007. In 2016, he was promoted to manage the underwriting manager's architects and engineers large firm program.

Top industry concern

I really think the top concern has to be the next generation of leaders and where that's coming from, because within the

organizations that I work with a lot of leadership is nearing retirement. There are a lot of younger people at firms, but it's a little bit unclear where the next generation of real leaders in these organizations is coming from.

Next big thing in insurance

The next big thing in terms of professional liability insurance is you're going to see a trend toward more web-based services, especially in small business. Obviously, when you talk about professional liability firms, cyber is a very hot topic. I don't think the industry has a completely defined solution for that when it comes to the professional field.

Hobbies and interests

Outside of work is somewhat dominated by my 1-year-old, Caleb. Until he came along, it was coaching and umpiring in Capitol Hill Little League here in D.C. for the last six years. Other than that, it was flag football and running and backpacking and traveling.

Something people don't know about you

My first date with my wife was a three-day backpacking trip. Basically, it ended up with us driving out to the mountains thinking this could go really well or very, very poorly. It came out very well.



WYNNE SHARPE

36

Senior vice president

JLT Specialty USA

Houston

Wynne Sharpe likes to say his parents spent a small fortune to help him figure out he didn't want to be an accountant after graduating from Washington and Lee University in 2003. But he quickly found his career path when he joined Lloyd's of London insurer Catlin, which later became part of XL Group P.L.C., underwriting professional liability and gaining experience working in both the U.S. and London markets. He joined JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C., in 2014.

Top industry concern

In Houston, because about 90% of what we do is energy focused, we're concerned about the viability and longevity of our client base. The challenge we have is how do we adapt as brokers to help support our clients in what is a very, very challenging economy for them.

Next big thing in insurance

Certainly, cyber is something that's on the mind. Insurance traditionally has done a very good job at covering physical losses, losses to people, to assets, to physical property. It's still a challenge to help clients understand what their exposure is to cyber, what a cyber loss means.

What inspires you?

I get a lot of inspiration from my family life, from my wife and my children. I've been very lucky in my career to be blessed to work with a lot of great colleagues, a lot of great carrier partners, great mentors. My father has been a great inspiration to me as well. He was a successful banker. He showed me a lot of good habits to follow in my professional career.

Hobbies and interests

I enjoy playing tennis to the extent I have time and feel brave enough to ask my wife for an opportunity to leave the house on the weekends. I get to play golf every once in a while. I like to read books, but I don't get to that very much anymore.



KEVIN SMITH

31

Vice president, FINEX

Willis Towers Watson P.L.C.

Nashville, Tennessee

Kevin Smith is an executive risk broker at Willis Towers Watson P.L.C. who has worked in the management liability field since joining the industry. His first permanent insurance job was at Ace Ltd., but he'd held two internships at the insurer during college, including a stint at its Lloyd's of London operation. Looking to work more closely with clients, he moved over to the broking side of the business in January 2016.

Top industry concern

Making sure that the industry attracts the best and brightest young talent. I think that tech and finance are trendy careers,

but insurance can be very rewarding for young professionals.

Best-kept secret about insurance

Definitely the people. Whether it's the mentors I've had over the years, the camaraderie amongst co-workers or the exposure you get to a broader array of individuals across different industries on the client side, the experience gained through these interactions is unique and hard to find elsewhere.

Next big thing in insurance

Hands-down, data. Being able to harness and effectively use the vast amount of quantitative and qualitative information that we collect is going to significantly change how the insurance industry operates in the not-too-distant-future. The key to this is not only going to be the technology that we use to collect and analyze this information, but also being able to cohesively communicate this to the people on all sides of the transaction, and the cultural change to the way the insurance industry has historically operated.

Hobbies and interests

I'm an avid outdoorsman, so everything from big- and small-game hunting to camping and hiking. Also, whether through work or personal, I also enjoy traveling and seeing new places and meeting new people.



JOEY SYLVESTER

32

National director, operations and planning

Arthur J. Gallagher & Co.

Metairie, Louisiana

Joey Sylvester, who has worked at Arthur J. Gallagher & Co. since 2013, was named national director, operations and planning, in December. He manages specialty products submissions and helps clients with issues regarding third-party risk transfer. Previously, he worked at a home health care firm.

Best advice you've been given

Find a way to differentiate yourself. Finding a way to differentiate yourself from the crowd — really in life, in your career — is crucially important, and I've really taken that to heart over the last several years.

Best-kept secret about insurance

A lot of people outside of the industry maybe don't know about the opportunity to be creative, whether it's finding creative solutions to fill client needs or going so far as to create new insurance products.

Next big thing in insurance

Technological platforms and the greater influx of technology into the field is going to be the next big thing in insurance. We've seen that in just about any other industry, and we're starting to see that in insurance now. I think that's going to be the wave of the future.

How do you unwind?

I have a 2-year-old at home, so some days I unwind by coloring with her or reading to her. Other days, when she's throwing a tantrum, I probably get more wound up than unwound, so it depends on the day.

Hobbies and interests

I have played the bass guitar since I was 10 years old, and still do that as a hobby. Also, the ukulele, more recently, and I definitely do that whenever I can.

Something people don't know about you

One, I have probably the cutest 2-year old daughter in the world. Two, I do a dynamite karaoke Neil Diamond impression.



SEAN M. CARNEY

Partner
Sidley Austin L.L.P.
Chicago

Sean M. Carney is a partner in the Chicago office of Sidley Austin L.L.P. His practice is focused on a variety of corporate, securities and regulatory matters relating to the insurance and financial services industries, including mergers and acquisitions, corporate finance, corporate reorganizations and venture capital/private equity investments. He also counsels insurers in connection with the regulation of insurance holding company systems and the structure and regulation of alternative risk financing mechanisms and complex reinsurance arrangements.

Best advice you've been given
To embrace failure as a way to grow.

Top industry concern
State budget cuts (across the country) have affected state insurance regulatory departments. It has made it hard to retain professionals. That may affect their ability to both protect the needs of the consumers and to regulate the industry that allows innovation and growth. Budgets cuts and smaller staff may hinder that.

Best-kept secret about insurance
How dynamic and interesting the legal practice in the insurance industry is. There are not many newly graduated law students who are dying to become insurance lawyers. But because of the nature of the (industry), I think our practice is one of the most innovative practices. The practice is dynamic, and it keeps us on our toes.

Hobbies and interests
Biking in Chicago. I am a pretty active road biker and mountain biker. A long ride is a great way to clear your head.

Something people don't know about you
Once when I was in college, I spent the night in a Chinese jail. It was a youth hostel for travelers on one side, an administrative office in the middle, and their temporary overnight holding cells on the other side.

41



COURTNEY C. DAVIS

Director of risk management
The University of Chicago
Chicago

Courtney Davis joined the University of Chicago as director of risk management in 2015. She got her start in the industry during an internship with Arthur J. Gallagher & Co., which she joined full time as an account executive in the firm's higher education practice after she graduated. She continued her education focus as a vice president and education placement specialist for Marsh USA Inc. in 2012. At the University of Chicago, she is accountable for achieving strategic objectives and ensuring effective risk management for the organization.

Top industry concern
If you would have asked me a year ago, this would probably be different, but I think it's politics and the regulatory impact it has on our industry, especially when comes to things like international exposure and cyber liability.

What inspires you?
I think what inspires me is my ability to impact and lead others. I have a lot of younger family members who I want to be an example to and other family members who I want to make proud. I also feel like I represent in my everyday life a minority in the industry. I'm a minority because I'm a woman, but I'm also a minority because I'm a woman of color, and I feel like I should be the inspiration to others and impact my community whether that's closely with my family or larger in terms of the demographics I represent.

Hobbies and interests
Working out. I love spending time with my family. Watching sports and traveling. I do have a few guilty pleasures like a few of the TV shows I like to watch or play games on my phone. I like watching football so much, I do fantasy football with a group of women, which you don't hear very often. We're pretty good, too. I haven't won yet, so there's some good competition.

32



CHRIS CONSOLO

Senior vice president
Marsh L.L.C.
Chicago

Chris Consolo joined Marsh L.L.C. as an intern and hasn't looked back. After graduating with a degree in economics, he joined the brokerage fulltime in 2005. He works in the global property practice and credits his loyalty to Marsh to his clients and colleagues.

Best advice you've been given
Let my work product speak for myself.

Best-kept secret about insurance
People think that working in insurance is reviewing insurance contracts on a daily basis, but really it's the opportunity to see inside a variety of companies across the

34

landscape of business.
What inspires you?
Certainly my parents have inspired me. I have also been fortunate to have several role models in the industry as well.

Next big thing in insurance
Within (the property sector) and insurance, it's the continued development of terms and conditions. Any crossover with cyber is a hot topic these days, but that's a continued development of property and insurance. I look forward to helping develop those terms and conditions throughout the next decade.

How do you unwind?
Taking a short walk when I get home with my girlfriend and dog. Walking around the city in general is a nice way to unwind in the city of Chicago.

Hobbies and interests
I'm a big Cleveland sports fan. I am from Cleveland.

Something people don't know about you
I think I am a bit of an open book. I love my job. I like working here in Chicago. I am close with family and friends. That's me in a nutshell.



DAVID DERIGIOTIS

Corporate vice president and director, professional liability
Burns & Wilcox Ltd.
Farmington Hills, Michigan

David Derigiotis joined Burns & Wilcox Ltd. in 2008 and has been a corporate vice president since 2013. He is director of the firm's professional liability center of excellence, where he leads a team of brokers and underwriters that foster strategic partnerships with insurers, security firms and other industry organizations. He previously worked for four years as an underwriter at Markel Corp.

Best advice you've been given
The best advice ever given me was an old quote from (football coach) Mike

Ditka: that success is not permanent and failure isn't fatal.

Top industry concern
I think the top industry concern has to do with insurtech, insurance technological advancements. Technology has disrupted so many other areas outside of insurance, such as retail, hospitality and taxi services, and advancements in technology have been slow in insurance. But I think once they're adopted, things will change quickly.

Best-kept secret about insurance
It's the excess and surplus lines industry, the ability to be creative, think outside the box, to find solutions for very tough problems, to collaborate with people all across the United States, London, Bermuda. It's an amazing world of insurance to operate in that many young people aren't aware of. The thing I love is that you're able to really dig your heels in and be an expert in a variety of areas that interest you.

Hobbies and interests
With five kids at home, my hobbies are around my children and their athletics. I coach youth football, and I'm involved with baseball, basketball and soccer.

Something people don't know about you
I have competed professionally in mixed martial arts.

37



JAY GATES

43

Director of risk management
RMH Franchise Holdings Inc., dba Applebee's
Lincoln, Nebraska

Jay Gates joined RMH Franchise Holdings Inc., which operates 175 Applebee's franchises in 15 states, in 2014 after spending 11 years at Sedgwick Claims Management Services Inc. in roles of increasing responsibility. After graduating from the University of Nebraska with a degree in criminal justice, he spent four years as an investigator for the Nebraska Equal Opportunity Commission. At RMH, he has implemented an enterprise risk management philosophy.

Best advice you've been given

Do things right the first time if you don't want to have to go back and do them

again. I got that advice a long, long time ago, and it's always proven to be good.

Top industry concern

My biggest concern right now would have to be the overall downward trend in traffic and sales in the casual dining space. There's a trend right now where the whole restaurant space has changed, and casual dining across the board is seeing a downward trend in both traffic and sales. Fast casual places are much quicker than the whole sit-down dining concept. That market seems to be doing a little bit better, but people are eating at home, people are picking up prepared foods at the grocery store on their way home, so overall, it's having an impact on the casual dining space.

What inspires you?

I'm a sports guy, so I get inspired by watching athletes put in the hard work it takes to become a champion. I've used that thought process in my career and I'd say it's proven successful thus far.

Hobbies and interests

I don't get to play that much, but I'm an avid golfer. I played in high school. I love to play golf, but I don't seem to have time to play anymore.



PRASAD GUNTURI

41

Executive vice president, catastrophe analytics
Willis Re
Minneapolis

Prasad Gunturi has used his education in engineering and his interest in disaster risk mitigation to build a career in the insurance industry. He views insurance as a mechanism for risk reduction and mitigation. A talk with a friend led him to Willis Re, which has proven to be a valuable experience. Prior to Willis Re, he was with Risk Management Solutions Inc. He also co-authored the ArkStorm study, an official report of the U.S. Geological Survey containing a scientific examination of the impact and losses caused by a potential storm to strike California.

Top industry concern

We have seen Hurricane Katrina and Superstorm Sandy. The one thing that concerns me is when we might need to wake to a big earthquake event. The concern for me is that I hope it is not like Katrina, that would uncover a lot of unknowns associated with earthquake peril, such as the extent of the shaking, the chain reaction of the event to various other industries, the overall economic impact and also the impact on technology, because Silicon Valley holds a lot of this technology. Another event could be a Katrina-like cyber attack that could have a significant impact on the insurance industry and people in general.

Next big thing in insurance

I expect big data and predictive analytics to play a significant and extensive role in our industry. Some companies are already using big data analytics for target marketing and research purposes. However, I see big data being put to day-to-day use due to significant advancements that we have been seeing in computing power and data technology, and volume, variety and veracity of the data that insurance companies are able to gather these days.

Something people don't know about you

I drink coffee most every day before going to bed. It never bothers me. I sleep well after drinking coffee.



NATALYA HARVEY

36

Risk manager
Cooper's Hawk Winery & Restaurants
Countryside, Illinois

Natalya Harvey got into risk management quite by accident. She started with Cooper's Hawk Winery & Restaurants in 2012 to oversee the company's benefits program in its human resources department, but as the restaurant chain grew, so did her responsibilities as she asked more questions "and more things came under my umbrella." Before Cooper's Hawk, she worked in human resources for both Mesirow Financial Holdings Inc. and Gift of Hope.

Best advice you've been given

Always ask questions and keep it simple. Those two have really been a driving force for me at Coopers Hawk. Being

new to the restaurant industry, it was all about asking questions. Also, we use a lot of acronyms, we speak in insurance terms, and no one else knows what we're talking about. Keep it simple, make it where everyone can understand.

Top industry concern

Cyber risk. For me, it's such a faceless crime, and it's one that really impacts so many different layers of the business. It's the brand, it's the reputation, it's the financial piece, all of that falls into one. The guests and folks that we serve trust us with a lot of personal information. For us, it's all about the cyber risk, understanding and making sure we mitigate that exposure as much as we possibly can.

Hobbies and interests

Event planning and decorating. I love planning parties and then creating all the decorations. It's a way to escape from everything that's going on and focus on what you're doing in that moment. I think with risk management that project planning is already part of that, especially with all the different things that we work on.

Something people don't know about you

I love zombies. I'm a horror movie junkie. I love zombie movies. That's the only thing that I'll watch. Anything zombie-related, I'll watch it. If there's a zombie apocalypse — I'm just saying — we're ready.



MIKE HESSLING

39

Chief client officer
Gallagher Bassett Services Inc.
Rolling Meadows, Illinois

Mike Hessling's work ethic and commitment to customer service began at a young age as a newspaper carrier for the Washington Post. These values have transcended his academic and professional career including qualifying as a CPA and gaining an MBA, then working as a consultant, first at Bridge Strategy Group and then at Bain & Co., where he served as a manager and later principal. In 2012, he joined Gallagher Bassett Services Inc. as chief client officer.

Best advice you've been given

The best advice is to constantly seek and be open to feedback. The whole concept

of you can always get better and regardless of whatever level you are at in an organization, the best news you can get is the news that people are willing to share with you.

Top industry concern

From my vantage point, it would be complexity. Risk managers are being tasked more and more to deliver results with fewer resources. That puts a lot of pressure on them and requires them to really work well with brokers, carriers and TPAs, but what it also means is you've got to filter through increasing amounts of information and white noise with respect to different services, solutions, etc. and try to really discern what's real vs. what's marketing.

How do you unwind?

My wife and I have five children, so I come home and they do a pretty good job of getting me grounded very quickly. In terms of a more selfish and guilty pleasure, I'm a big "Seinfeld" fan, so I have to catch at least a couple reruns of "Seinfeld" every day in order to unwind. Twenty years later it's still a really relevant show.

Hobbies and interests

I'm a big fan of retro video games and pinball machines. And I'm an avid music fan, so if you're ever doing music trivia or name that tune and the genre is 1965 to 1995, I'm your guy.

DIVERSE

WORKFORCES WORK BETTER.

JOIN THE BUSINESS INSURANCE DIVERSITY & INCLUSION INSTITUTE TODAY
TO ACCESS THESE BENEFITS AND MORE THROUGHOUT THE YEAR:

COMMUNITY / ROUNDTABLES / RESEARCH / NEWSLETTER / LIVE CONFERENCE

SAVE THE DATE:

SEPTEMBER 18-19, 2017 / Westin Michigan Avenue / Chicago
2ND Annual Diversity & Inclusion Institute Live Conference

“MAXIMIZE YOUR BOTTOM LINE: HOW INCLUSIVE CULTURES PAY OFF”

KEYNOTE SPEAKERS:



Lenny Comma
CEO and Chairman
Jack in the Box Inc.



Steve Pemberton
Senior Executive
Walgreens Boots Alliance

CHANGE BROUGHT TO YOU BY:

MEMBERS



ADVOCATES



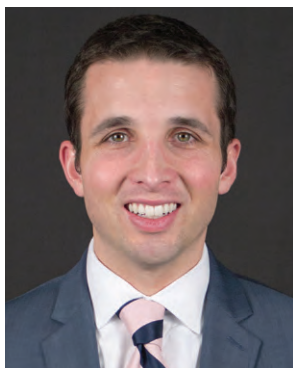
BE PART OF THE CHANGE.

BUSINESS INSURANCE. DIVERSITY + INCLUSION INSTITUTE

MEMBERSHIP & ADVERTISING OPPORTUNITIES: Jeremy Campbell / jcampbell@businessinsurance.com / 513.737.4963

SPEAKING OPPORTUNITIES: Joanne Wojcik / jwojcik@businessinsurance.com / 312.967.1606

VISIT: www.diversityinclusioninstitute.com



TYLER LAMANTIA

Area executive vice president
Arthur J. Gallagher & Co.
Rolling Meadows, Illinois

31

on you positively and negatively. My decisions were consistently made with the thought of reflecting positively on Gallagher and myself. That's important, because in this industry you're only as good as your reputation.

Best-kept secret about insurance

The ability to dictate your own success. Many jobs out there seem more glamorous and seem like they would be better off financially for an individual, but the ability to dictate your lifestyle, earnings, your level and success through hard work from a career and financial standpoint is the best-kept secret.

Next big thing in insurance

I think we are starting to see a lot of carriers raise concern on concussions, degenerative nerve-type issues for any type of physical activity, whether it's a school with sports or a city with park district camps. We are seeing a lot of carriers wanting to exclude concussions and degenerative nerve issues.

Hobbies and interests

I've always been an avid sports fan. The competition is something that I think translates into my work and so I relate to that. I also enjoy active and outdoor activities.

Tyler LaMantia began early at Arthur J. Gallagher & Co. He was 19 years old when he worked as a file clerk for the company. He interned at Gallagher for two years and eventually joined the company in 2008 as an account executive. He specializes in public entity, business and risk pooling. In 2017, he became area executive vice president.

Best advice you've been given

Remember that you are a company within a company in terms of your brand, image, work ethic and follow-through, meaning the way you position yourself within the industry. Every action reflects



CHRIS RAFFERTY

Managing director
Aon Risk Solutions
Chicago

37

Best-kept secret about insurance

What I really like about insurance is that it allows me to utilize a lot of the same skills and requirements that I used in my investment banking days. It allows me to do so while also having a much higher quality of life and a much better work/life balance. It allows me to tackle complex financial and client service challenges while also being home in time for dinner and bedtime with kids.

What inspires you?

The people in the industry inspire me. The work ethic, the intellect, creativity and generosity of a lot of the people in our industry is impressive.

How do you unwind?

My wife and I have three young children, so I wouldn't call it unwinding. But definitely getting home and spending quality time with them and hearing about the day in the life of a first-grader or preschooler is my favorite way to end the day.

Something people don't know about you

I was the fifth-string quarterback on the University of Evansville in my freshman year of college. After that year, the university dropped the football programs, which I'm convinced was a product of them looking at my recruiting class and saying, "If this is the best we can do, we might as well throw in the towel."

Chris Rafferty got his start as an intern for Aon Risk Solutions. He didn't immediately return to the industry, however, working first in investment banking and then attending business school. Even while working in investment banking, the insurance industry intrigued him, specifically directors and officers liability insurance. In the mid-2000s, he transitioned to Aon Risk Solutions' financial service group, and last year he was appointed managing director.

Best advice you've been given

In this business, your reputation is everything. Don't do anything to compromise it.

75 years of...

BEING THE EXPERT

Managing high-exposure workers' compensation claims for 75 years has given us unique expertise that is second to none in the industry. A claims adjuster's worst catastrophic claim is something that we handle on a daily basis.

Our claims team provides proactive oversight to handle complex claims based on best practices, consults on medical and legal issues, and provides recommendations to ensure the best possible medical outcomes for catastrophically injured workers.



Learn more about our claims expertise & services at SafetyNational.com.





MICHELLE BENNETT 39
Director, risk management
Cable One Inc.
Phoenix

Michelle Bennett has been director of risk management at Cable One Inc. since 2015. Her previous positions include global risk manager at the Las Vegas Sands Corp. and manager of risk management at Orbital Sciences Corp.

Best advice you've been given
Servant leadership, and basically being of service to others. Finding a way to add value to whatever problem anybody else is going through.

Top industry concern
It would definitely be cyber exposures, breaches, and then your standard envi-

ronmental weather-related disasters.

Best-kept secret about insurance
The best-kept secret about it is, it's not viewed as helpful, necessarily. I like working in this field because you can help other people, and that's how I started out in my career. Being able to problem solve and educate at the same time seems like it is the best-kept secret.

What inspires you?
My mother's definitely an inspiration to me. She was a lieutenant colonel in the Air Force and was a fantastic example of a leader from my first step.

Next big thing in insurance
Probably the further development and advance of enterprise risk management as a strategic tool for organizations.

How do you unwind?
Just spending time with my family and my very close friends and trying not to think about insurance when I get home.

Hobbies and interests
I really enjoy movies and reading, and travel. Really looking forward to exploring some more travel with my husband, and live music, definitely one of our favorite pastimes.



GARDNER JONES 38
Vice president
ABD Insurance & Financial Services Inc.
San Francisco

Gardner Jones joined the insurance industry in 2012 after beginning his career at Thompson Financial, which later became a division of Thomson Reuters Corp. through acquisition in 2008. The insurance industry appealed to him because his skills from the financial services industry were transferable. He began as a producer at Marsh L.L.C. and was named senior vice president of ABD Insurance & Financial Services this year.

Best advice you've been given
Maintain a healthy and consistent balance in life. ABD's core values are centered around "work, love, play," which I

think sums it up perfectly.

Top industry concern
I spend a lot of time in the shared economy space, and an issue we are seeing evolve is how independent contractors are going to be treated and defined going forward. I think what you're seeing — whether it's the on-demand space when it comes to shared vehicles or delivery goods and services or rental spaces, anything that is community-driven — is there is a great willingness of the population to participate in that economy ... We are seeing the insurance market start to develop the data and develop their models based on loss history, rate structure, etc. Ultimately that's going to help companies save money and treat risk more effectively in this area.

Next big thing in insurance
Without a doubt technology and insurtech. You are starting to see capital and more investment being put toward different algorithms and different ways to interpret risks and quantify risks.

How do you unwind?
Here in San Francisco we are surrounded by water and hills and great views. I try to be outside as often as I can, whether that's through golf, hiking or a walk around town.

Something people don't know about you
That my first name is actually Christopher.



ERIC K. BROWN 35
Senior vice president, unit manager
Lockton Cos. L.L.C.
Irvine, California

Eric K. Brown joined Lockton Cos. L.L.C. straight out of college after hearing about the brokerage's account manager trainee program through a family friend. In his 12 years at the firm, he has worked mainly on residential home building accounts, although he also works on some professional liability accounts. He has strong contacts in the London market, where much of his business is placed, and travels to the United Kingdom, often with clients, several times a year.

Top industry concern
One of the things is the emphasis on technological capabilities and the impact

it will have on customer-facing jobs. You hear about analytics and programs that people are using to come up with quotes, and while I think that is good as a reference point, if you rely on it too much, it takes away some of the human element.

Best-kept secret about insurance
It's far from boring. Lots of people think it's boring, but you can learn something new every day. Also, it's a very financially rewarding business.

Next big thing in insurance
Analytics and data and how it's modeled, which will be very important in spotting measurable customer expectations and creating a clearer picture of what their peers are doing.

How do you unwind?
The easiest way to take my mind off work is talking to friends and family about their day. I find when I listen to them intently it helps me remove myself from my day.

Hobbies and interests
I'm a foodie. I love to try new restaurants. Also, I have a passion for fashion. Since I travel to Europe often, I'm always finding new trends that don't come to the U.S. until years later.



JOSEPH A. LASKOWSKI 37
Area senior vice president
Arthur J. Gallagher & Co.
Glendale, California

Joseph A. Laskowski, area senior vice president for Arthur J. Gallagher & Co., who handles large account property/casualty business, joined the brokerage in 2005 after spending a little under two years at another broker. He has a bachelor's in business administration, risk management and insurance, economics real estate from the University of Wisconsin-Madison School of Business.

Top industry concern
Being able to recruit and retain top talent. The insurance business seems to have an increasingly difficult time attracting the most talented people to come work for us.

Best-kept secret about insurance
It's the opposite of what most people perceive it to be: It's personality driven, it's emotional, it's interesting, it's exciting, it's creative. It's the best-kept secret in business.

What inspires you?
I've always been very business oriented, and I've always enjoyed working in business. I'm inspired by working with really sophisticated business people. I like meeting people in general who are sophisticated business people. I find them interesting and I find the problems they confront to be interesting.

Next big thing in insurance
I think it's going to be automation. I think there'll be greater automation and commoditization of certain insurance lines, and I think brokers who focus on creativity and being business advisers will have more opportunity, and those focusing on commodity brokerage will have a tougher time in the future.

How do you unwind?
I'm very social. I spend a lot of time with my friends. I've also been a yoga instructor and practitioner for well over 10 years.

Something people don't know about you
I have an interest in textiles and pottery. Most people don't know that.



ANDY LEWIS

38

First vice president
Alliant Insurance Services Inc.
Portland, Oregon

Marine insurance expert Andy Lewis joined Alliant Insurance Services Inc. in 2015 after working almost 11 years with Portland, Oregon-based insurance agency Durham & Bates. He received a bachelor's degree in economics from the University of Washington.

Top industry concern

We've been in such a soft market for so many years that I think if and when the market does change, you're going to see the purchasers of insurance not used to the hard market. It's upon us to make sure we're positioned properly when the market does change, that we've got solu-

tions to make sure our clients have got the best product with the best premium out there.

What inspires you?

I'm an athlete, so my background is I've always been inspired by athletics, from guys like Walter Payton to teams that have excelled. There's a big correlation being in a sales position and being an athlete.

Next big thing in insurance

The marine insurance field doesn't seem to change that much. It's the historic portion of the insurance business, so you don't see a ton of ebbs and flows. You're probably going to see a bigger shift in how the (protection and indemnity) clubs are involved in the marketplace, and I think you're going to probably see some change in how they do business, but I think that's probably pretty far down the line.

Hobbies and interests

I like to play golf and I like to travel. I'm a Pacific Northwest guy, so I'm passionate about my Pinot Noir.

Something people don't know about you

I'm a bit of an historian and love to read books, especially about World War II and past presidents.



MICHAEL PARME

34

Partner, co-chair of construction law practice group
Haight Brown & Bonesteel L.L.P.
San Diego

Michael Parme was inspired to look at insurance claims as a possible career after seeing how interesting his mother's job as a claims administrator was and working in claims before going to law school. He started at Haight Brown & Bonesteel L.L.P. in 2009 and specializes in insurance law for general contractors, developers, subcontractors and insurers.

Best advice you've been given

Treat everybody with respect and the way that you would want to be treated ... Over the long-haul you are likely to bump into those people again and they

will remember whether their interaction with you was positive or negative.

Top industry concern

My biggest concern is that there's a significant challenge for insurers to attract young talent. There needs to be an industry push to attract young, talented people to infuse new ideas and innovation in the business. Over the past two decades that has not been a huge priority for insurers, and they are playing catch-up.

What inspires you?

My 2-year-old daughter Willa inspires me. When I became a father, I felt a greater responsibility to someone other than myself, and that created a drive to do a good job and to try and do better for myself and my clients.

Next big thing in insurance

There's a lot of potential for artificial intelligence to play a huge role in claims management. That would affect every level of what I do. Artificial intelligence has the potential to aggregate tremendous amounts of data and, based on those large data sets, predict outcomes.

Something people don't know about you

I'm absolutely infatuated with the space program of the 1960s and 1970s. We were launching glorified toasters into space and landing on the moon with them.



MATT NICHOLAS

36

Client advocate
Willis Towers Watson P.L.C.
La Jolla, California

Matt Nicholas got his industry start with a summer job in personal lines while in college, but he moved to commercial insurance when he decided to make it a career. He worked at Bennett & Porter Insurance in Scottsdale, Arizona for eight years before moving to Willis Towers Watson P.L.C. in 2011 to co-lead a property/casualty real estate and construction team.

Top industry concern

The possibility of technology replacing personal relationships. We are seeing a lot of that in personal insurance right now, and I'm hoping it doesn't transition

into commercial insurance because commercial insurance is a lot more complex and I don't think that clients can get a full understanding of their potential risk and the coverages they need to protect themselves by following along and answering questions on a computer screen.

Best-kept secret about insurance

The hours are flexible and the pay is performance-based. I've always kind of liked getting paid on the results of my efforts, not just the time I spend at a desk. In a way it's like owning your own business and working for yourself, but without all the stresses of the overhead.

How do you unwind?

I hit the gym most of the time, and in the summer months I play beach volleyball and surf at the end of the work day. That's why I moved here to San Diego and it's a nice contrast to the primarily brain activity that we do all day in our industry.

Hobbies and interests.

Travel, beach volleyball, golf surfing, live music, friends, good food and sailing.

Something people don't know about you

I've been known to carry an inflatable chicken costume in the trunk of my car for impromptu use at parties.



SARAH SHERMAN

36

Executive vice president
JLT Specialty USA
San Francisco

Sarah Sherman had no idea how to even read a homeowner's or auto insurance policy when she applied for and received a Walter C. Wattles Fellowship at Lloyd's of London, which is only available to women graduating from Vanderbilt University to give them a year of experience working in the insurance industry. She eventually landed at JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C. in November 2015 and is now the broker's property practice leader.

to not react immediately. To take a deep breath and sit on it for a little bit before reacting. Generally, you're going to make a better decision if you do that. It's difficult in this business because, especially on the deal side, a lot of decisions have to be made fast.

Top industry concern

I think the biggest issue that clients face today is the unknown of something they haven't really imagined and haven't been able to quantify. That's when things can go really wrong, when there's a surprise and you're not prepared for it. Once you understand a risk and you're able to quantify it, clients are able to make a choice either to do a traditional risk transfer or self-insure it.

Best-kept secret about insurance

I think it's the opportunity to get to work with so many different clients. You're not pigeonholed into one sector. You're really exposed to so many different types of companies.

How do you unwind?

For me, my life is my family, my husband and my two little (twin) boys, Henry and Colt. They turned 2 in March and they are the busiest little boys you've ever met and they have certainly learned that they are smarter together.

Best advice you've been given

When you're put in a difficult position,



JENNIFER SMITH

Senior vice president, FINPRO
Marsh L.L.C.
Los Angeles

35

Jennifer Smith joined Marsh L.L.C. in July 2006. After a little over a year in the strategic sales group, working in a variety of industry practices and risk practices, she gravitated toward the financial and professional liability practice, FINPRO. She began as a client representative and over the years worked her way up to her current position as senior vice president, FINPRO.

Best advice you've been given

It was given to me early in my career by Lou Ann Layton, who was running FINPRO at the time. She told me to always have a voice. She said if you are invited to

a meeting you are invited for a reason and you should actively participate.

Best-kept secret about insurance

It's that while you're in the process of negotiating renewals and doing deals, you end up forming lifelong friendships. I think this is a relationship business, and those relationships you have are of the utmost importance for success from a professional perspective. A lot of times those same connections you've made become some of your close personal friends. I've been the maid of honor in the wedding of a girl I started with at Marsh and some have been in my wedding.

What inspires you?

My dad, and I know that's the classic answer ... seeing his strength, his positive attitude, and seeing him face cancer while maintaining focus is just incredibly inspiring. It put a lot in perspective in life.

How do you unwind?

By not reading anything. I joke that I spend all day analyzing insurance policies and concentrating on coverage and language and parsing words that after spending all day doing that I either want to be outside being active, going for a run or on my couch watching mindless TV.



AMY VITARELLI

Senior vice president
Heffernan Insurance Brokers
San Francisco

44

Amy Vitarelli is responsible for property/casualty business development at Heffernan Insurance Brokers' San Francisco office. She helps structure commercial insurance programs, including workers compensation, employment practices and cyber liability. She also heads the hospitality and restaurant practice. Prior to joining Heffernan, she worked in technology consulting.

Best advice you've been given

Always focus on the needs of the clients and the rest will fall into place. Everything that I do, whether I am with my team or just me, it's always about what is

going to best serve the client. Our job is to be their de facto risk manager.

Top industry concern

Historically, insurance has been an antiquated system. When I first started in 2002, I had worked in the tech industry for seven years. I was shocked to find that people used paper files. We've come a long way, and there have been immense improvements. But there is a lot more than can be done.

Best-kept secret about insurance

How much fun it is. Whenever I meet younger people in college who are looking for an industry, I always suggest insurance ... if you enjoy interacting with a variety of people and you enjoy constantly learning. There is nothing stagnant in the insurance industry.

How do you unwind?

Usually it's a bike ride or a walk with my husband and my daughters. Something outdoors. And a glass of wine at the end of the day also helps.

Something people don't know about you

My friends and my colleagues know this about me, but most of my clients don't: I was a pastry chef in college. I was trained in classic French baking. I still really enjoy that. I make things for holidays and birthdays.



Marsh salutes the industry's next generation of leaders on a job well done. As we celebrate their current achievements, we look forward to their future accomplishments.





CLAIMS MANAGEMENT

Payers start early to curb opioid abuse

BY LOUISE ESOLA

lesola@businessinsurance.com

INSIDE

▶ PREDICTIVE MODELS IN COMP

Insurers look at new ways to find variables that can predict problem claims. **PAGE 33**

▶ FIGHTING FRAUD WITH DATA

Data analysis is becoming more prevalent in the fight to unearth claims issues more efficiently. **PAGE 34**

▶ CYBER RESERVE GUESSING GAME

Shallow loss histories make it hard to forecast loss reserves for cyber insurance claims. **PAGE 35**

Early intervention is the latest trend in opioid prescription management for injured workers' claims, according to experts.

Getting in front of the opioid issue is the best way to curb the abuse and dependence, and other issues, they say.

"The industry knows the longer you wait ... the future is very bleak," said Silvia Sacalis, Tampa, Florida-based vice president of clinical services for Healthsystems L.L.C. "That's why early intervention is crucial."

Nearly every workers comp insurer, third-party administrator and pharmacy benefits manager has a claims management program in place to avoid problems like Atlanta-based Delta Airlines Inc. found when it began combing through older claims two years ago in an effort to rein in the problem.

For them, the tally of older opioid-related claims was 60, according to Susan

Emerson, general manager of claims management, disability leave and workers compensation for Delta.

Delta's older claims were mired in some form of opioid dependence, essentially stalling claim closure or return to work — for years, in some cases, Ms. Emerson said during a May 10 Marsh L.L.C. Workers Compensation Center of Excellence webcast on prescription trends and costs.

Today, 40 claims have been resolved with weaning programs or other interventions that put people back to work or closed the claim, she said.

Diving into the older claims and looking for solutions as Delta did isn't easy — injured workers on opioids tend to suffer a host of side effects from the medication, comorbidities are a typical issue, and psychosocial problems such as depression and anxiety complicate matters, experts say.

And then there's drug dependency: Someone who has been taking medica-

"We work ... to identify medications that need to be reviewed and discussed with the treating physician prior to dispensing to the injured worker ... The prescriptions are stopped at the point of sale and routed to nurses who look at all the medical notes."

Dr. Teresa Bartlett,
Sedgwick CMS

tion such as Vicodin or OxyContin cannot stop cold turkey without experiencing painful withdrawal symptoms. That in itself leads to more complications and sometimes litigation, experts say.

Ms. Emerson's advice to workers comp claim handlers? "Focus on the front end of the claim," she told those listening in.

Myriad approaches

For stakeholders that means everything from flagging a claim early — as Delta now does working with Sedgwick Claims Management Services Inc., an example of just one of several companies now looking at opioid prescribing from the first fill; to nurses who do nothing but look at prescribing behavior and initiate contact with doctors — as Coventry Health Care Inc. does for its clients; to using predictive modeling and risk-score modeling to examine whether a claim has the potential to be problematic — as Travelers Cos. Inc. and third-party administrator ESIS Inc., a subsidiary of Chubb Ltd., now do (see related story).

The common denominator is that none of these claims managers is ignoring opioids, and no industry stakeholder is waiting on regulation and legislation to introduce prescribing limits and formularies, Ms. Sacalis said.

"Laws are behind the curb," she said. "States are moving toward making better

decisions (on access to opioids) but they are really slow in getting there."

"We have lots of eyes on this," said Dr. Craig Ross, Bala Cynwyd, Pennsylvania-based regional medical director for Liberty Mutual Insurance Co. "We are identifying cases that are going off the rails and intervening."

The process starts the first time a prescription is written, most experts say.

Picking up where doctors fail

The first person to decide whether an injured worker needs an opioid prescription is the doctor, most experts agree.

"We are not against opioids," said Rich Ives, Hartford, Connecticut-based vice president of claims for workers compensation at Travelers. "There are good, effective reasons to use opioids when the injured worker is in the acute pain phase."

The issue becomes complicated when the second or third prescription is filled, he said, adding that more prescriptions lead to a secondary issue.

"The issue at hand is rising frequency of chronic pain," he said.

It's usually the doctor's job to weigh whether an injured worker is on path to becoming drug-dependent and isn't getting better, said Dr. Teresa Bartlett, Troy, Michigan-based vice president of medical quality at Sedgwick.

"We only see that 30% of physicians

OPIOIDS IN WORKERS COMP



50.9% of injured workers had an opioid prescription claim in 2016.

In 2016, 13 of the top 25 drugs for injured workers were opioids.

Source: Express Scripts Holding Co.
2016 Drug Trend Report

do that screening," she said. "Most doctors will just say, 'We know our patients.' They have a trust and belief that they know their patients. Don't forget that doctors are in a business as well, and if they alienate their patients then they don't have a business."

At Delta, one of the first steps in early intervention was finding "top-tier providers," said Ms. Emerson. "We find those (who) tend to treat conservatively," she added.

Claims handlers are the next intervenors in the process, said Dr. Bartlett.

"These programs target opioids when they are first used," she said. "We work ... to identify medications that need to be reviewed and discussed with the treating physician prior to dispensing to the injured worker ... The prescriptions are stopped at the point of sale and routed to nurses who look at all the medical notes and reach out to the doctor to determine if the medication is appropriate."

Predictive models flag problem claims

Some workers compensation insurers are doing what the property insurance industry does when it examines a building's potential to survive catastrophe: examining the person and the injury and predicting whether there is a likelihood of problems later on.

One model is Travelers Cos. Inc.'s Early Severity Predictor program, which helps payers identify individuals whose injuries and prescriptions might prove problematic later on, said Rich Ives, Hartford, Connecticut-based vice president of claims for workers compensation with the insurer.

It's just one approach to tackling opioid prescribing that's gaining steam.

"The flagging model is not our approach," he said of a common practice among insurers of flagging opioid claims at the onset. "We've gone further to say there are certain variables that have a predictive quality (for opioid abuse or dependency)."

For Travelers, the process is personal and involves a battery of questions for the patient. For example: Do you have a chronic condition? What other medications do you take? Have you dealt with pain in the past? What is the type of injury? Where are we three weeks out

from the injury? Are you complying with the medical guidance?

"From there, we reassess them," said Mr. Ives. "We gain a little bit of that human element, how they're coping. If

we truly believe they are not making progress, (managing the prescription) would be a collaborative effort."

Patients are constantly reassessed, he said. "The model always runs in the



background," he said of the oversight that has been applied to 36,000 claims in the past 18 months, with 50% of them seeing improved outcomes.

ESIS Inc. uses a similar approach, with its risk-scoring program examining the facets of a claim that might predict problems later on, according to Deb Gleason, the company's Philadelphia-based clinical resources manager.

"There are algorithms that manage and monitor an injured worker's score," she said. "(For example), if you had an injured worker who at 120 days was on both short- and long-acting narcotics, they would have a high score (and) our team would come back and make a clinical recommendation."

Recommendations can include weaning or other therapies, she said.

What goes into the score includes everything from medical history and type of injury to the state the worker lives in and other demographics — as some locales have a higher probability for opioid abuse, she said.

"With this we can identify early on whether a claim has the potential to go south," he said. "That's really a key driver in early intervention."

Louise Esola

Claims experts use data analytics to combat workers comp fraud

JOYCE FAMAKINWA

jfamakinwa@businessinsurance.com

Claims fraud continues to drive workers compensation costs up, driving payers to look for new ways to combat it.

Much like on the underwriting side of the insurance business, data and the use of technology to analyze it is seen by experts as a major development in improving efficiency and detecting problems.

The use of technology to sift through massive amounts of data to spot trends and anomalies will help claims professionals spot fraud more quickly, experts say.

Given the state-based workers comp system, it's hard to get firm estimates on workers comp fraud nationally, but a figure often quoted for the whole property/casualty sector is the National Insurance Crime Bureau's estimate that it's a \$30 billion annual problem in the U.S. The NICB does not provide an estimate for the workers comp sector alone.

Widely reported examples of workers comp claims fraud include false claims, working while collecting benefits, payroll and employee misclassification, malingering injuries and medical fraud.

Part of the difficulty in assessing the level of workers comp claims fraud is the limited verifiable fraud data.

"In my personal practice I see exaggerations, I see malingering, I see a lot of suspicious activity. The amount of time when that rises to the level of actionable fraud is fairly limited," said Chicago-based Rich Lenkov, attorney at Bryce Downey & Lenkov L.L.C.

However, the emergence of new tech-



nology is creating new ways to detect claims fraud. "There has always been fraud, but it's becoming more easily detectable," said Timothy Hopper, Stevens Point, Wisconsin-based special investigations unit major case manager at Sentry Insurance.

In 2016, close to 76% of insurers had integrated technology in their anti-fraud systems, with claims fraud detection leading, according to a 2016 study conducted by the Washington-based Coalition Against Insurance Fraud.

"When it comes to detecting fraud, technology is absolutely critical to the success of our program ... from a technology standpoint, data is the key — billing data, prior claim history data — so we can look at a situation where we may have a suspect claim involving a questionable medical provider. Our technology allows us to go out and look at other claims that match that same pattern. We can go out and look at other claims where that particular provider was involved, and we can compare billing patterns," said Mr. Hopper.

And technological applications can detect fraud that might not be spotted by claims professionals.

"We use various tools like predictive

models and analytic rules to try to find claims that might not have come to us from a reactive level but have certain elements that make it seem like there is a potential for fraud or have similar elements we have seen on prior fraud cases," said Charlotte, North Carolina-based Eric Bushman, director of the commercial insurance special investigations unit at Liberty Mutual Insurance Co.

As a result, investigators can jump on cases based on the models rather than wait to be notified of suspicious claims, he said.

While technology has led to new ways to tackle the issue of detecting workers comp claims fraud, there are common red flags that can help identify fraud. Some of these red flags include the employee having a history of claims, no witnesses to the incident, the employee not reporting the injury or illness in a timely manner and the injury coinciding with a change in employment status, a Broadspire Services Inc. spokesman said in an emailed statement.

"Questionable or excessive medical treatment is a big red flag, a claimant that is hard to reach is suspicious, Monday morning reports of injury are always ones to scrutinize, and someone with a long history of claims inherently will be

"Questionable or excessive medical treatment is a big red flag, a claimant that is hard to reach is suspicious, Monday morning reports of injury are always ones to scrutinize, and someone with a long history of claims inherently will be one that I look closely for suspicions of fraud."

Rick Lenkov,
Bryce Downey & Lenkov L.L.C.

one that I look closely for suspicions of fraud," said Mr. Lenkov.

Conflicting accident histories can also signal fraud, he said.

"It shouldn't be complicated to tell your employer or medical providers how you got hurt if you legitimately got hurt," Mr. Lenkov said.

CLASSIFIED

Folsam International Insurance Company (UK) Limited (In Administration) ("Folsam") (Company number: 01287764)
Notice of termination of Folsam's Scheme of Arrangement pursuant to section 895 of the Companies Act 2006 (the "Scheme")
NOTICE IS HEREBY GIVEN that the Scheme terminated on 10 May 2017 when the Scheme Administrators (Dan Schwarzmann and Nigel Rackham of PricewaterhouseCoopers LLP) gave notice to Folsam under clause 74.1.1 of the Scheme that there was no further property or other assets of Folsam that could be cost effectively collected and distributed in accordance with the provisions of the Scheme.
Under Folsam's Scheme the Scheme Administrators declared and paid dividends totalling 42% to Scheme Creditors in respect of their Agreed Claims. In addition, a further dividend of 4% was declared and paid to Scheme Creditors in respect of their Agreed ILU (Institute of London Underwriters) Claims.
Dated this 10th day of May 2017.

Short history of cyber coverage creates loss reserve challenges

BY JUDY GREENWALD

judygreenwald@businessinsurance.com

The rapid growth of cyber insurance coverages of the past several years is creating challenges for claims professionals as they seek to set loss reserves and forecast claims for a product with little loss history.

Eventually, experts say, more standardized measures of determining loss reserves will develop, but at this point there is no consistency in the process.

“The bottom line is it’s very hard to put numbers against these incidents,” said Paul Handy, London-based head of global technical services for Europe, the Middle East and Africa at claims management firm Crawford & Co.

“It takes quite a bit of effort to understand what is going on when these attacks occur. That’s the complication from the client’s perspective, so you can imagine what we’re seeing from our perspective,” said Doug Backes, Johnston, Rhode Island-based manager of staff claims for FM Global.

“The key challenges are the limited historical precedents,” said Tom Harvey, London-based model product manager for Risk Management Solutions Inc.

Other lines have a “very long history” and have “well-established models,” he said. But because of its limited history, forecasting cyber loss reserves is “trickier” than other lines of business where trends can be used to forecast losses going forward.

New entrants in particular “don’t have an historical view. It’s very difficult to project forward based on what an individual claim can look like,” how large a potential claim can be, how many claims can be expected within any given year and what percentage of companies will report these claims, Mr. Harvey said.

Fact patterns are not analogous, said Jackie Waters, Chicago-based managing director and practice leader of Aon Risk Solutions’ financial services group legal and claims practice, focusing on data breach losses.

For example, when talking about a U.S. Securities and Exchange Commission-related claim in the directors and officers liability market, the same rules apply “regardless of the business you’re in,” so they can be used to establish guidelines and predict values, she said.

But with data breach losses, there are differences in the size of the businesses, the kinds of records kept, how they are kept, the kind of incident that occurred, the type of breach, and what was or was not taken. “It changes the equation a lot,” Ms. Waters said.

Another factor is that the coverage being offered is fundamentally changing, said Mr. Harvey. Just 18 months ago, little business interruption was being provided as part of



cyber coverage, but now business interruption and contingent business interruption is increasingly being offered as part of a standard cyber policy, “which is different than the breach and privacy type of coverage that has been provided for a number of years,” he said.

RESERVE CHALLENGES

The challenges involved in setting cyber loss reserves include:

- Many insurers are new to the business
- Evolving coverage
- Changing risks
- Wide variability in the types of losses reported and the associated costs
- Cyber losses may be intangible
- Risk aggregation across lines of insurance, different businesses and geographically
- Little historical data available
- Limited publicly available data
- Comparable industrywide data that exists, for instance for workers compensation, is unavailable
- Liability-related losses particularly difficult to predict

“You may find yourself in a situation where the claims that are starting to arise” are for issues “you did not have any kind of expectation of,” said Eric Cernak, Hartford, Connecticut-based cyber risk and privacy practice leader at Munich Reinsurance America Inc.

Ransomware, for instance, is “really prevalent now,” but that was not the case four or five years ago, when a policy form merely “might have provided some form of cyber extortion coverage.”

Observers note the recent WannaCry mal-

ware, for instance, affected some 300,000 computers worldwide.

Risk aggregation can be a factor in several respects, said Kurt Suhs, Atlanta-based senior vice president and chief cyber underwriting officer for Ironshore Inc. Cyber losses potentially affect lines including D&O, property and professional liability in addition to cyber.

Furthermore, a firewall’s security flaw, for instance, could affect 100 companies, Mr. Suhs said. Geographic risk aggregation can also be an issue if, for instance, a cyber problem causes a 100-story building’s air conditioning unit to fail.

Kenneth K. Dort, a partner with Drinker Biddle & Reath L.L.P. in Chicago, said he does not anticipate risk aggregation will become an issue for insurers in response to WannaCry despite its wide distribution.

“I’m not sure this is really a question of risk aggregation as it is of risk control,” he said. He said he anticipates the malware will lead the various players involved, including insurers, to “really bear down” and make sure policyholders’ systems are “truly secure in the context of risk minimalization.”

Mr. Harvey said at this point some insurers are using scenario-based modeling, while others are using “crude probabilistic” models. “There’s really a whole range of approaches that companies are taking” in their risk modeling. “I suspect in time more consistent approaches will be used,” he said.

People like to draw analogies between cyber and employment practices liability insurance, which took perhaps 40 years to develop consistent standards, said Mr. Suhs.

“We are only at the 20-year mark with cyber,” he said. “We still have another 15 to 25 years.”

LIABILITY LOSSES TOUGH TO CALCULATE

Setting loss reserves for the liability side of cyber claims is its most challenging aspect, say experts.

“When you talk reserves for cyber, you almost have to look at it in two categories,” said Eric Cernak, Hartford, Connecticut-based cyber risk and privacy practice leader at Munich Reinsurance America Inc.

The first is how you would reserve for first-party exposures, including notification and data restoration. The “more challenging is the liability side,” he said.

“You may not know the full nature and extent of the breach. That’s the issue, I think, that gets refined over time, but from the outset you may not have the full understanding of how bad it may or may not be.”

Paul Handy, London-based head of global technical services for Europe, the Middle East and Africa for claims management firm Crawford & Co., said potential liability exposures are “obviously much harder to put a number against.”

“We would tend not to reserve for that at the early stage,” and this is not something Crawford would tend to put in writing at that point, although it would be aware of the risk and discuss this with its expert partners, Mr. Handy said.

Jason Trahan, Dallas-based senior vice president in Marsh L.L.C.’s forensic accounting and claim services group, suggested policyholders have professional fees endorsements included in their cyber policies.

These endorsements, which are standard in property insurance, allow policyholders to hire a claims specialist to help present their claims to their insurer, he said.

“This is going to benefit the policyholder in helping them to clear their claims,” as well as enable the underwriter to “quickly being able to get their arms around what the total exposure is after a loss event has occurred so they can properly set reserves,” said Mr. Trahan.

Judy Greenwald



THIRD-PARTY ADMINISTRATORS

LARGEST THIRD-PARTY ADMINISTRATORS*

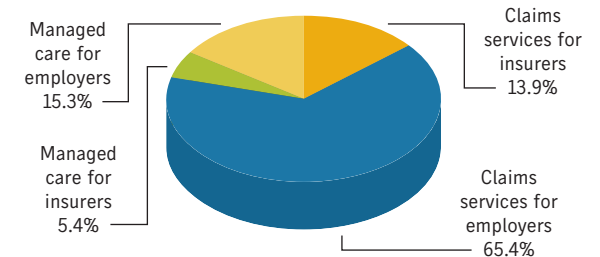
Ranked by 2016 gross revenue

Rank	Company	Headquarters	TPA services provided	Gross revenue 2016	Percent increase (decrease)	Total number of claims-handling staff members	Officers
1	Sedgwick Claims Management Services Inc.	Memphis, Tennessee	Multiline ¹	\$1,755,449,012	10.5%	12,293	David A. North, president/CEO
2	Crawford & Co./Broadspire	Atlanta	Multiline ¹	\$1,177,588,000	(4.6%)	7,349	Harsha Agadi, president/CEO
3	York Risk Services Group Inc.	Parsippany, New Jersey	Multiline ¹	\$750,000,000	3.3%	N/A	Richard Taketa, president/CEO
4	UMR Inc.	Wausau, Wisconsin	Employee benefits only	\$724,212,000	9.3%	N/A	Jay M. Anliker, CEO
5	Gallagher Bassett Services Inc.	Rolling Meadows, Illinois	Multiline ¹	\$718,100,000	(1.2%)	4,386	Scott Hudson, president/CEO
6	CorVel Corp.	Irvine, California	Multiline ¹	\$513,000,000	3.2%	800	Gordon Clemons, chairman/CEO
7	Meritain Health	Buffalo, New York	Employee benefits only	\$384,600,000	12.3%	N/A	Mark Schmidt, CEO
8	ESIS Inc.	Philadelphia	Multiline ¹	\$359,900,000	0.5%	1,231	Joe Vasquez, president
9	Helmsman Management Services L.L.C.	Boston	Multiline ¹	\$206,358,000	5.3%	1,170	David Dwartz, president
10	HealthSmart Holdings Inc.	Irving, Texas	Multiline ¹	\$194,208,300	(12.6%)	351	Phil Christianson, CEO

*Companies listed in *BI* directory. ¹Includes employee benefits and/or property/casualty and/or workers compensation. Source: *BI* survey

TPA REVENUE*

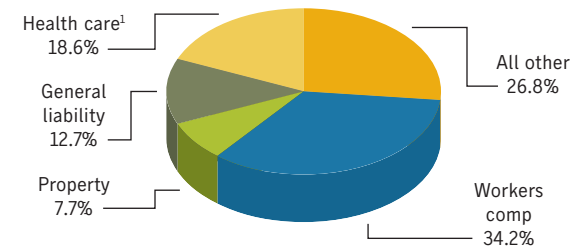
Percentage of 2016 revenue from all services provided



*Companies listed in *BI* directory

TYPES OF CLAIMS MANAGED*

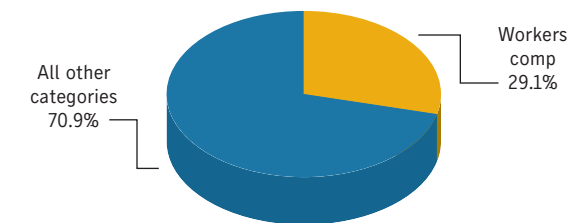
Percentage of claims by category



*Companies listed in *BI* directory. ¹Includes medical, vision, dental and prescription drugs

VALUE OF CLAIMS PAID*

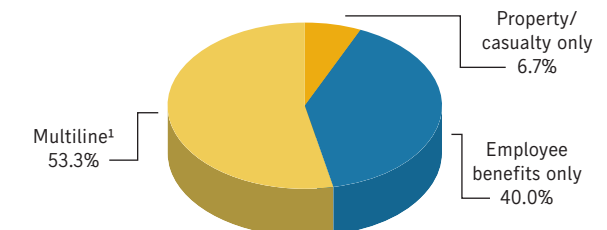
Based on dollar amount of claims paid in 2016



*Companies listed in *BI* directory

TYPES OF SERVICES PROVIDED*

Percentage of TPAs handling multiline¹, employee benefits-only and property/casualty-only in 2016



*Companies listed in *BI* directory. ¹Includes employee benefits and/or property/casualty and/or workers compensation

LARGEST CLAIMS-HANDLING TPAs*

Ranked by 2016 gross revenue from claims handled for employers

Rank	Company	2016 revenue from employers ¹
1	Sedgwick Claims Management Services Inc.	\$1,159,798,135
2	UMR Inc.	\$724,212,000
3	Gallagher Bassett Services Inc.	\$501,600,000
4	Crawford & Co./Broadspire	\$490,800,000
5	Meritain Health	\$356,600,000

*Companies listed in *BI* directory. ¹Excludes managed care and medical billing services. Source: *BI* survey

LARGEST MULTILINE¹ TPAs*

Ranked by 2016 gross revenue from claims handled for employers

Rank	Company	2016 revenue ²
1	Sedgwick Claims Management Services Inc.	\$1,159,798,135
2	Gallagher Bassett Services Inc.	\$501,600,000
3	Crawford & Co./Broadspire	\$490,800,000
4	ESIS Inc.	\$222,000,000
5	CorVel Corp.	\$198,000,000

*Companies listed in *BI* directory. ¹Includes employee benefits and/or property/casualty and/or workers compensation. ²Excludes managed care and medical billing services.

LARGEST BENEFITS-ONLY TPAs*

Ranked by 2016 gross revenue from claims handled for employers

Rank	Company	2016 claims revenue ¹
1	UMR Inc.	\$724,212,000
2	Meritain Health	\$356,600,000
3	CoreSource Inc.	\$164,111,153
4	HealthScope Benefits	\$138,274,732
5	Total Administrative Services Corp.	\$103,000,000

*Companies listed in *BI* directory. ¹Excludes managed care and medical billing services.

Taking care of people is at the heart of everything we do. Caring counts.SM

With Sedgwick's global reach and expert resources, we have set the industry standard for customized, technology-enabled risk and benefits solutions. Our approach to quality service goes beyond just managing claims – Sedgwick's diverse, engaged workforce enables us to take care of customers the way they want to be treated. We strive to help people and organizations navigate complexity and advocate on their behalf.

At Sedgwick, **caring counts.**SM



sedgwick
caring counts

www.sedgwick.com

800.625.6588 |   

COMMENTARY

Digital revolution gets into full swing

The turbulent journey that American International Group Inc. has been on over the past couple of years may not be over yet, but most observers seem to agree that, with Brian Duperreault returning to run the insurer where he learned the trade, calmer waters lie ahead.

His long experience at a succession of industry companies during key moments in their development is seen as something AIG will benefit from as it seeks to move forward. While it's unclear exactly where Mr. Duperreault will lead the company, it's apparent that he sees increased use of technology as a driver of growth for the insurer.



Gavin Souter
EDITOR

And he's not alone in seeing technology as the next big thing in insurance. Reading through the interviews with our Break Out Award winners in this issue, you'll see that the No. 1 concern of the up-and-coming executives in the sector is technology. Whether it be the industry's slow uptake of data analytics, the prospect of artificial intelligence playing a much bigger role in underwriting and claims, or the sweeping changes that technological developments are making possible in the world at large, the insurance and risk management sector is going to feel the impact of the changes — and in many instances it already has.

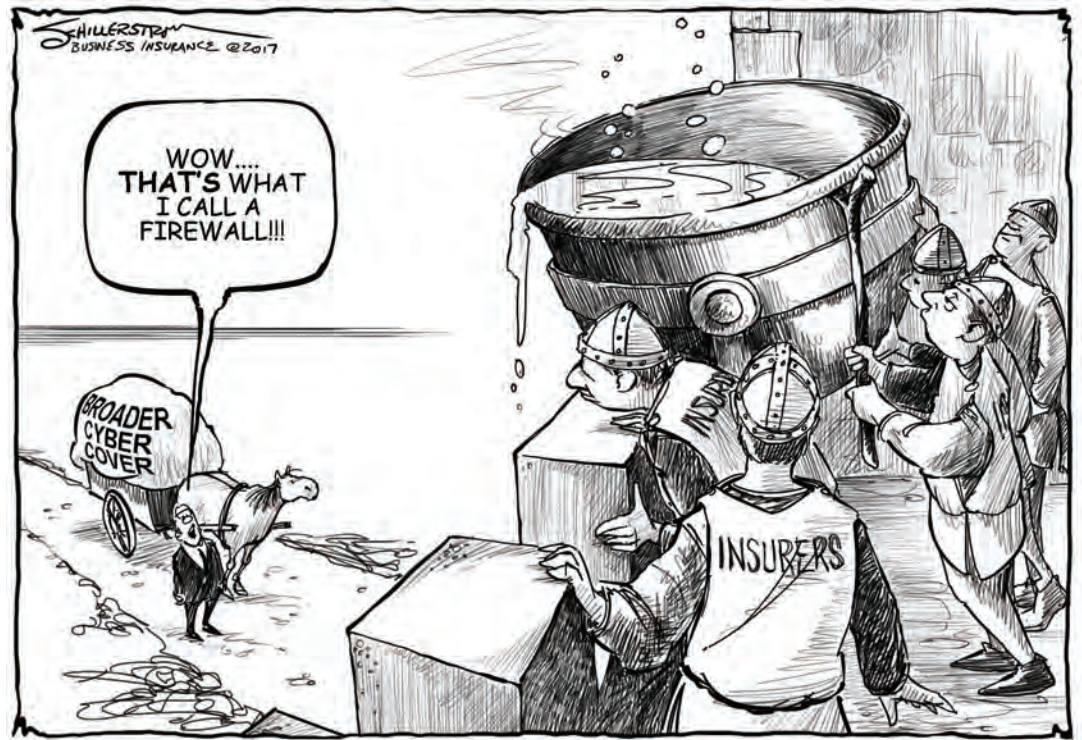
Some in the industry may feel like the handloom weavers of the 18th and 19th centuries who saw their world turned upside down by machines during the Industrial Revolution. And they may be right to feel like that.

Computers have already revolutionized the personal lines insurance industry, the small commercial space is seeing increased use of automation in quoting and binding policies, and the middle market is next. But it's not just the basic underwriting and claims functions that are being automated. We've barely scratched the surface in terms of what artificial intelligence and qualitative and quantitative analysis might do in terms of reshaping areas of the sector that currently rely on highly trained staff.

While the automation of traditional office work may threaten jobs, it will also lead to new possibilities in terms of providing enhanced products, wider coverage and the capability of underwriting emerging risks comprehensively now rather than waiting for years of claims data.

Embracing those possibilities must be the only route forward if the insurance sector is to remain one of the cornerstones of commerce.

SCHILLERSTROM



VIEW FROM WASHINGTON

Budget item worth saving

President Donald Trump's first full budget is dead on arrival on Capitol Hill — and that's probably for the best.

The budget has been rejected by legislators on both sides of the aisle, albeit for very different reasons. Sen. John McCain, R-Ariz., rejected the budget because he deemed its \$603 billion defense request inadequate. Democrats decried its plan to lower nondiscretionary spending by \$54 billion, namely by reducing funding for agencies such as the National Institutes for Health and eliminating funds for others such as the Low-Income Home Energy Assistance Program.

The accompanying commentary proudly proclaims that the president will balance the budget without making cuts to either Medicare or Social Security, but the bipartisan Committee for a Responsible Federal Budget argued that these policies will not be enough to address the nation's massive debt, partly because it relies on "phony" growth projections and unachievable program cuts.

Federal agencies such as the U.S. Department of Labor would have to contend with drastic cuts if the president's budget, or something like it, ever passed. The department's Occupational Safety and Health Administration appears to have been largely spared by the Trump budget, but its Susan Harwood Training Grant Program, which provided \$10.5 million in federal safety and health training grants last September, would lose its funding.

But there are some positive elements in the president's budget that Congress should not dismiss out of hand. Thanks to a major push by his daughter and adviser, Ivanka Trump, the budget proposes requiring states to provide six weeks of paid family leave for new parents — a proposal that aims to fulfill a key campaign pledge of the president.

Only 13% of private-sector workers have access to paid family leave, according to a 2016 report by the U.S. Bureau of Labor Statistics. But states such as California and New York, along with the District of Columbia, have or will soon implement paid family leave programs, and the Trump budget would give the laggards latitude in designing their own programs.

The Trump proposal is far from perfect. Its cost would be offset by a still-unclear set of reforms to the



Gloria Gonzalez
DEPUTY EDITOR

unemployment insurance system to reduce improper payments and get unemployed workers jobs more quickly. As someone who has been laid off three times in her career, I know it would not be helpful to employees, especially those in particularly challenged industries, if paying for the program resulted in a reduction

in the number of weeks they would otherwise be eligible for benefits. And employers could face sharp increases in unemployment insurance tax rates to pay for the proposal.

Still, it's a decent start. Legislators such as House Speaker Paul Ryan have loudly opposed family leave proposals in the past, but considering and adopting such a program would go a long way toward remaking the image of a GOP often tagged as mean-spirited for proposed cuts to health and social welfare programs. And in a deeply divided Washington, it may be one of the few areas where Republicans and Democrats can work together to get something done.

Finding the right insurance coverage helps mitigate ransomware exposures

Ransomware has become frighteningly pervasive and increasingly serious — a reality punctuated by the massive global WannaCry cyber attack that recently affected tens of thousands of organizations across a wide range of industry sectors.

Organizations can proactively manage ransomware risk through the adoption and implementation of robust cyber security and business continuity practices, and by training employees how to spot and avoid social engineering exploits, such as phishing emails. But there is no such thing as perfect cyber security, limits exist around what is feasible in terms of security and business continuity planning, and mistakes happen. Organizations must accept that they may face a ransomware attack.

Insurance can play a vital role in a company's overall strategy to address, mitigate and maximize protection against the losses and exposures relating to a ransomware attack. Importantly, virtually all stand-alone cyber insurance policies offer specific coverage for ransomware and other forms of cyber extortion, in addition to other standard coverages.

Although cyber insurance can be extremely valuable, obtaining the right cyber insurance product presents significant challenges. There is no standardization among cyber insurance policies, notwithstanding that the associated marketing materials frequently make it seem as though the majority of policies available today are capable of an apples-to-apples comparison. This could hardly be further from reality. Cyber insurance policies vary dramatically. Although this creates challenges, it also creates opportunities. Owing in part of the lack of standardization, organizations can achieve significant negotiated enhancements to off-the-shelf cyber insurance forms that dramatically broaden the coverage. Many, if not the majority, of these enhancements involve no increase in premium.

Organizations initially purchasing or renewing this type of coverage are well advised to engage the assistance of knowledgeable outside counsel at the outset to ensure that the appropriate insurance is in place when an attack occurs, and that coverage is maximized in the wake of an attack.

Here are 10 tips for maximizing coverage for ransomware and other forms of cyber extortion.

- Obtain a broad scope of coverage. Cyber extortion coverage should be written to cover as broad a range of potential threats as possible. The coverage should not be limited to ransomware, but should also cover the various other forms of cyber extortion potentially faced by the organization, including threats to obtain or

release protected information — such as personally identifiable customer data, protected health information and confidential corporate information — or to discharge denial-of-service attacks that disrupt an organization's networks, causing business interruption. By way of example, one recent off-the-shelf cyber policy extortion coverage grant promises to “reimburse Extortion Expenses incurred by an Insured in response to ... an actual Network Extortion Threat,” which is defined to list specific types of attacks: “[A]ny credible threat or series of related threats directed at an Insured to: release, divulge, disseminate, destroy or use Protected Information or confidential corporate information of an Insured taken from an Insured as a result

Organizations must accept that they may face a ransomware attack. Insurance can play a vital role in a company's overall strategy to address, mitigate and maximize protection against the losses and exposures relating to a ransomware attack. Importantly, virtually all stand-alone cyber insurance policies offer specific coverage for ransomware and other forms of cyber extortion.

of the unauthorized access to or unauthorized use of an Insured's Computer System or Shared Computer System; cause a Network Security Failure; alter, corrupt, damage, manipulate, misappropriate, delete or destroy Digital Data; or restrict or inhibit access to an Insured's Computer System or Shared Computer System.” It is important to understand and negotiate the key definitions that define the scope of coverage to ensure that they are sufficiently broad to match the reality of risk faced by the insured organization.

- Obtain a broad definition of covered loss. Covered loss should include reasonable and necessary expenses incurred as a result of a covered threat, including the costs of investigating and assessing a threat, even if no ransom is paid; payment of cryptocurrencies, including bitcoin; any other consideration or action that may be demanded by the extortionists; and reasonable expenses incurred to mitigate or reduce other covered expenses.

- Pay attention to conditions. Organizations are advised to pay close attention to policy conditions, including notice and consent provisions, proof of loss provisions, allocation provisions, alternative dispute resolution provisions and any requirements that the organization notify law enforcement of the incident at issue.

- Beware of exclusions. Like any other insurance policy, a cyber policy may contain exclusions that may significantly curtail and undermine the purpose of the coverage. For example, some insurers insert exclusions based on purported shortcomings in the insured's cyber security. Following one health care-related data breach, for example, CNA Financial Corp. filed coverage litigation against its insured, Cottage Health, seeking to avoid coverage based on an exclusion in the NetProtect360 policy at issue, entitled “Failure to Follow Minimum Required Practices.” Citing the exclusion, CNA alleged that coverage was barred because its insured failed to “continuously implement the procedures and risk controls identified in its application,” to “regularly check and maintain security patches on its systems” and to “enhance risk controls,” among a host of “other things.” These types of exclusions, which are sometimes included in other insurers' policies, too, should be rejected.

- Be aware of sublimits. Cyber extortion coverage may be written subject to a relatively low sublimit, such that, for example, a \$10 million limit primary policy may provide only \$250,000 or \$500,000 for cyber extortion losses. As with the case of other cyber insurance terms and conditions, sublimits usually are negotiable, and should be sufficiently high to cover reasonably projected exposure.

- Obtain a “discovery” trigger. Cyber extortion coverage should specify that the coverage is triggered by the insured's “discovery” of a threat, rather than by the occurrence of an incident after a certain “retroactive date.”

- WannaCry? Notify! Insurance policies typically contain notification provisions stating that the insured must provide notice “as soon as practicable” after it becomes aware of an incident. It is important to reasonably comply with notice provisions in order to not jeopardize coverage. It is important, moreover, for organizations to recognize that what begins as a relatively low cyber extortion demand may evolve into an incident, or series of related events, that triggers other coverage sections of the policy. Indeed, a ransom demand may be deployed as a purposeful diversion from a different, principal goal, such as stealing sensitive records.



Roberta D. Anderson is director at Cohen & Grigsby P.C. in Pittsburgh. She can be reached at 412-297-4794 or randerson@cohenlaw.com.

- Obtain “consent.” Cyber extortion coverage invariably will contain a “consent” provision, which will require the insured organization first obtain the insurer's approval to pay or incur costs, including the payment of ransom. Toward the goal of obtaining coverage, it is important that the insured reasonably comply with these types of provisions. Policies may be negotiated to state that the insurer's consent may “not be unreasonably withheld.”

- Maximize coverage across the entire insurance program. Organizations are advised to consider all potentially applicable insurance coverages. A cyber extortion incident may trigger, for example, computer crime policies, kidnap and ransom policies and traditional property policies. The various policies that may be triggered by a cyber attack likely carry different limits, deductibles, retentions and other self-insurance features, together with various potentially conflicting provisions addressing other insurance, erosion of self-insurance and stacking of limits. It is important to carefully consider the best strategy for pursuing coverage in a manner that will most effectively and efficiently maximize the potentially available coverage across the insured's entire insurance portfolio.

- Don't take “no” for an answer. Unfortunately, even where there is a legitimate claim for coverage under the policy language and applicable law, an insurer may deny an insured's claim. Organizations that refuse to take “no” for an answer may be able to secure valuable coverage if they effectively pursue their claim.

Liberty Mutual acquisition brings new offerings

■ Liberty Mutual Holding Co. Inc.'s National Insurance operation has partnered with the insurer's recently acquired Ironshore subsidiary to introduce new health care and energy offerings.

The health care offering allows brokers to write a single submission to obtain joint National Insurance and Ironshore quotes for their general liability, property, auto, workers compensation and professional lines, including patient evacuation/expense coverages for senior care facilities.

The energy offering allows brokers to quote general liability, auto, workers comp, lead umbrella and pollution coverages for midsize oil and gas lease operators in a single submission, Liberty Mutual said in a statement.

"Brokers can now offer holistic account solutions that blend National Insurance's strengths in general liability, property, auto and workers compensation with Ironshore's expertise in professional lines, cyber, environmental and other specialty lines," Boston-based Mike Fallon, president of Liberty Mutual's National Insurance business, said in the statement.

Berkshire Hathaway adds European liability lines

■ Berkshire Hathaway Specialty Insurance Co. introduced public and products liability insurance in the United Kingdom, Ireland and Southern Europe, and employer's liability insurance in the United Kingdom and Ireland.

Along with local casualty coverage in the U.K. and Southern Europe, BHSI will provide multinational programs and underwrite certain targeted trades via co-reholders, according to the statement.

The specialty insurance unit of Berkshire Hathaway Inc. also named Martin Leeks to the new position of senior vice president of casualty for the U.K. and Southern Europe. Based in London, he has 26 years of casualty underwriting experience, most recently at Mitsui Sumitomo at Lloyd's of London, Boston-based BHSI said in a statement.

"We look forward to building out our casualty team in the region and bringing to market creative solutions with the financial strength and long-term underwriting focus of BHSI," Tom Bolt, president of BHSI for the U.K. and southern Europe, said in the statement.

Ryan subsidiary forms marine claims firm

■ RSG Underwriting Managers, a unit of Chicago-based Ryan Specialty Group L.L.C., has formed Smooth Waters



Hartford releases new RMIS

■ Hartford Financial Services Group Inc. has released a new risk management information system to help meet the evolving data needs of its largest commercial customers, the insurer said.

Track Risk Explore Opportunities, or TREO, was designed to simplify claims management by providing more data and analysis with fewer clicks to help risk managers better understand the exposures that affect their business and identify cost drivers, Hartford said in a statement.

Available to Hartford policyholders, TREO replaces a prior RMIS platform.

Among other features, Hartford said the enhanced platform offers easier access to billing, claims and program data; customizable reports, dashboards and email alerts; service requests; and accessibility on a laptop or a tablet

L.L.C., a marine insurance consultancy and claims adjusting firm.

Smooth Waters will provide claims and consultancy services to RSGUM and its affiliates, according to a statement.

It will offer loss control services for clients, ranging from yachts, marine terminals, shipyards, manufacturers and logistics operations through large infrastructure projects operations, the statement said.

"The formation of Smooth Waters allows us to go beyond traditional risk assessments by working alongside clients and brokers to develop custom-made solutions to address business and asset protection needs," said Jorge Pecci, head of RSGUM's marine practice and president and CEO of affiliate SafeWaters.

Schinnerer unveils property program

■ The Schinnerer Group is introducing an insurance program through Marsh L.L.C. that will cover up to 10% of an insured's entire property insurance program with up to \$200 million in limits per program.

Chevy Chase, Maryland-based Schinnerer said in a statement through Victor O. Schinnerer & Co. Inc., its underwriting manager of specialty insurance programs, that Alternus offers a dedicated commercial insurance solution for retail clients that includes alternative capital.

Protection includes natural and man-made perils, Schinnerer said.

The program is underwritten and managed by Schinnerer and backed by a combination of Allianz Global Corporate & Specialty S.E., a unit of the Munich-based Allianz S.E., and alternative capital through asset manager Hamilton, Bermuda-based Nephila Capital Ltd., the statement said.

Employment practices cover offered in Canada

■ Berkshire Hathaway Specialty Insurance Co. is introducing an employment practices liability policy in Canada with up to \$25 million in limits.

The policy, which expands its Executive First policy suite, is designed to protect companies from the full range of employment practices claims, including wrongful termination, harassment, discrimination, retaliation and failure to employ or promote, the Boston-based unit of Berkshire Hathaway Inc. said in a statement.

The Executive First suite also includes directors and officers liability, Side A difference in conditions liability and fiduciary liability insurance.

Hanover Insurance offers life sciences product

■ The Hanover Insurance Group Inc. has launched Hanover Fusion, a life sciences product that offers the ability to combine four coverages under one policy.

Hanover Fusion allows independent insurance agents to provide insurance programs for life sciences businesses, Hanover said in a statement.

Up to \$10 million in limit capacity is available, a Hanover spokeswoman said in an email.

The coverages include, products-completed operations liability, errors and omissions, information security, privacy, personal injury, and media and content, including protection for infringement, according to the statement.

DEALS & MOVES

Express Scripts buys myMatrixx

Pharmacy benefit manager Express Scripts Holding Co. is buying workers compensation PBM Matrix Healthcare Services Inc., which does business as myMatrixx, for an undisclosed sum.

St. Louis-based Express Scripts said in a statement that its workers compensation team will combine with that of Tampa, Florida-based myMatrixx and be led by myMatrixx CEO Artemis Emslie.

MyMatrixx reported revenue of \$123.2 million in 2016.

Zurich merges specialty, commercial units

Zurich North America is merging its special products business with its North America commercial business insurance unit as it continues to "simplify and strengthen" its organization.

Zurich North America said Paul Horgan, New York-based head of North America commercial insurance will lead the expanded unit.

In addition, Brian Winters has been named head of specialty products for Zurich North America, effective immediately. Mr. Winters was most recently responsible for managing relationships with its largest customers and brokers.

Bryan J. Salvatore, who had headed special products for Zurich North America, has been appointed executive vice president and president of specialty at Hanover Insurance Group Inc.

AssuredPartners buys E&O specialist

AssuredPartners Inc. has acquired Dallas broker Preferred Guardian Insurance.

Terms of the deal were not disclosed. Preferred Guardian has approximately \$1.3 million in annual revenue, according to an AssuredPartners statement.

Preferred Guardian specializes in errors and omissions liability insurance for real estate firms.

Alliant adds Idaho broker to middle-market division

Alliant Insurance Services Inc. has acquired Summit Insurance Resource Group. Terms of the deal were not disclosed.

Summit's offerings include auto, business, recreational and umbrella/excess liability insurance, according to Alliant. Owner Angela Oakes and staff will continue to work from Sandpoint, Idaho, as part of Alliant's midmarket division.



I see a continuation of what we've experienced the last couple of years, a continued merger of insurance companies, the aggregation of insurance companies.

UP CLOSE

Angelo Galioto

NEW JOB TITLE: Senior vice president, Minneapolis office, Lockton Cos L.L.C.

PREVIOUS POSITION: St. Louis Park, Minnesota-based senior vice president at Wells Fargo Insurance Services USA Inc.

GOALS FOR NEW POSITION: The biggest goal's introducing my clients to the Lockton advantage, and this is the relentless focus on customer service, expertise and bringing solutions to whatever a customer's risk management and insurance needs are.

ON LEADERSHIP: There is patience and directness, and I think they play hand in hand.

CHALLENGES FACING INDUSTRY: A couple that come to mind are cyber risks, which we read about every day, and political risks.

CRYSTAL BALL: I see almost a continuation of what we've experienced the last couple of years, and that's going to be a continued merger of insurance companies, the aggregation of insurance companies; and in addition I see a client customer focus on looking for brokers and agents with expertise.

FIRST INDUSTRY JOB: Field representative at The Hartford (Financial Services Group Inc.)

ADVICE: Become an expert, read the insurance policies, and understand how insurance policies work for our clients.

OUTSIDE THE INDUSTRY, A DREAM JOB: If such a thing existed — I'm a basketball junkie — I would love to play basketball for an old man's professional basketball league.

HOBBIES: Reading, playing basketball and spending time with my family.

PETS: Dog, Tucker the Schnoodle.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I like almost any type of music if there is a banjo in it.

PET PEEVES: When ideas are dismissed just because it's not the way we have always done it.

FAVORITE BOOK: "Catch-22" by Joseph Heller, a satire of War World II, and it is one of the most humorous, darkest and satiric books that I have ever read in my life. It is really well-written.

CAN'T-MISS TELEVISION SHOW: "Last Man Standing"

ON THE MOVE



Aon Hewitt CEO **Kristi Savacool** will leave the benefits consultant at the end of 2017, following Aon P.L.C.'s decision earlier this year to sell its benefits outsourcing unit to Blackstone Group L.P. for \$4.8 billion.



South Carolina Insurance Director **Raymond Farmer** has been elected secretary-treasurer of the National Association of Insurance Commissioners.

He replaces former Texas Insurance Commissioner David Mattax, who died April 13, the NAIC said in a statement.



Allianz Global Corporate & Specialty S.E. said **Mike Hansen** has been named global head of aviation, effective immediately. He replaces Henning Haagen, who was

appointed Northeast zone executive for North America earlier this year for the specialist corporate unit of Allianz S.E. Mr. Hansen, who oversees the North American aviation business of AGCS, will relocate from Canada to London later this year



XL Group Ltd., which does business as XL Catlin, named **Steven Bauman** head of global programs and captive practice in North America. In this newly created

role, Mr. Bauman will oversee the growth and development of XL Catlin's global insurance programs and captive insurance business in North America, XL Catlin said in a statement. Previously, Mr. Bauman was head of captive services at Zurich Insurance Group Ltd.



TrueNorth Cos. L.L.C., in Cedar Rapids, Iowa, named **Jason Smith** as president. Previously, Mr. Smith was executive vice president of TrueNorth's transportation division.

He takes over the president function from Duane Smith, who was previously president and CEO of the brokerage and remains as CEO. In addition, Trent Tillman was named executive vice president of the transportation division to replace Jason Smith. Previously, Mr. Tillman was practice leader of TrueNorth's AssetLight Risk Solutions practice.

SEE MORE ONLINE

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



LinkedIn reveals profile of a fraud

A nurse in Columbus, Ohio, did what anyone looking for employment would do: She showcased her experience on LinkedIn.

Too bad Kandice M. Klink Jones was receiving workers compensation benefits as she was logging in to reveal that she was performing the same kind of duties that got her injured at four other companies.

According to the Ohio Bureau of Workers' Compensation, Ms. Jones' profile tipped off her employer, American Nursing Care Inc., which then asked state regulators to investigate. Following her guilty plea, Ms. Jones, 46, has a felony record and a bill for \$12,938 owed to her former employer. In addition to ordering restitution, a Franklin County judge sentenced her to a year in jail, which the judge then suspended in lieu of five years of community control, according to a statement.

Headphones may track musical taste

Bose Corp. knows what you are listening to, says a lawsuit filed in Chicago that accuses the popular wireless headphones brand of sharing what you listen to with someone else.

In the suit, music listener Kyle Zak alleges that the Bose QuietComfort headphones he bought for about \$350 collected information about what he listened to when used with Bose Connect, a smartphone app the firm recommends to get the most out of its product, according to NBC's Chicago affiliate.

"Our client found out that Bose was secretly tracking everything he listened to — from songs to audiobooks to podcasts," attorney Jay Edelson told a reporter. According to the news report, the lawsuit says Bose never got Mr. Zak's permission to share his listening habits, despite the company's privacy policy saying it collects information and shares it with third parties.



Smile your way through insurance applications



Move over bathroom scales, bloodwork and questionnaires: Make room for selfies!

Several life insurers are testing technology that uses facial analytics and other data from online photos to estimate life expectancy, the Associated Press reported.

"Your face is something you wear all your life, and it tells a very unique story about you," said Karl Ricanek Jr., co-founder and chief data scientist at Wilmington, North Carolina-based Lapetus Solutions Inc., which provides facial analytics technology. While Lapetus would not disclose the names of companies testing its product, the firm told the Associated Press that its product, "Chronos," would enable a customer to buy life insurance online in as little as 10 minutes without taking a life insurance medical exam.

Time and testing will tell whether the new approach will work. In the meantime, pile on the sunscreen!

Zillow 'Zestimate' leads to lawsuit

A homeowner has filed a lawsuit against online realty website Zillow Inc., arguing its "Zestimate" function undervalued her house by as much \$64,000, creating a "tremendous road block" to its sale, according to the Washington Post. The lawsuit was

filed in Cook County Circuit Court by Glenview, Illinois, real estate lawyer Barbara Andersen and alleges that despite Zillow's denial that Zestimates constitute "appraisals," the fact that they offer market-value estimates and "are promoted as a tool for potential buyers to use in assessing (the) market value of a given property" shows that they meet the definition of an appraisal under state law, according to the article published in May.

Ms. Andersen's automated "Zestimate" home price of \$562,000 — she has her home priced at \$626,000 — used sales of newly constructed houses from a cheaper part of town in valuing her townhouse, she told the Post.



Hotel California in name only

You can check into the Hotel California, but you can't infer that the actual establishment in Todos Santos, Mexico, has anything to do with the Eagles' popular "Hotel California" song.

The Eagles claim in a lawsuit that the Baja California hotel has been using the name to suggest a connection with them for financial gain, aiming to draw visitors who are fans of the American rock band, according to the Washington Post. The hotel allegedly plays the hit song in its lobby and hallways, along with selling related merchandise, the newspaper reported.

The band filed its lawsuit against the owners in U.S. District Court in Los Angeles seeking a variety of damages and a halt to any infringement, according to reports.

50 YEARS BUSINESS INSURANCE

BUSINESS INSURANCE IS TURNING 50!

To celebrate, we're adding a special anniversary issue in October that will take a look back at all the pivotal insurance industry headlines, stories and influential people that BI has covered throughout the years. This commemorative issue is a bonus edition to subscribers, don't miss out on your chance to reach our premium audience in this special edition.

Business Insurance has proudly served the commercial insurance industry for the past 50 years. We are extremely grateful to our loyal readership and commercial partners. We look forward to continually improving our offering and engaging with our readers and partners for years to come.

SPECIAL EDITION: 50TH ANNIVERSARY ISSUE

FEATURES INCLUDE:

- 50 Key Personality Profiles from the last 50 years in insurance
- Review of BI coverage over the past 50 years, tracking key events and people that have shaped the insurance and risk management sector, including:
 - Emergence of captive insurers
 - New coverages like D&O
 - Employment practices liability and cyber liability
 - Repeated waves of consolidation
 - Havoc wreaked by asbestos and pollution liabilities
 - Rise of the Bermuda market
 - Increase in catastrophe losses
 - Spitzer investigations
 - Financial crisis

Space Close - 9/22
Material Close - 9/29
Issue Date - 10/23

SUBSCRIBE | businessinsurance.com/membership
ADVERTISE | adviserting@businessinsurance.com
ATTEND | businessinsurance.com/events



WORKERS COMPENSATION COSTS CAN BE A PAIN IN YOUR BOTTOM LINE.

Our 350 in-house nurses help ease that pain. Their involvement in the right cases means those claims close 12% faster and at a 15% lower cost.* Their expertise and communication skills improve outcomes, helping injured employees get back to work sooner and nursing your bottom line back to health.

Visit helmsmantpa.com to learn more.

*Internal study based on claims results as of February 2014 on claims reported Jan. 1, 2011 through Dec. 31, 2012, which compared similar claims with and without a nurse assigned.

© 2017 Helmsman Management Services LLC.



Helmsman
Management Services LLC™