

DATA PRIVACY: New European law creates global cyber liabilities - PAGE 6

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JUNE 2018

PROPERTY MARKET TURNS

BI's biennial property insurance survey sees more policyholders paying higher rates

PAGE 16

SPECIAL
REPORT

PUBLIC RISK
MANAGEMENT

PAGE 36

**BREAK
OUT** AWARDS

Meet the next
generation of insurance
sector leaders

PAGE 18

PROMISES KEPT & RECORDS BROKEN



Webb Simpson said, "My dad always told me to never give up." Now we know, he never did. Congratulations to Webb Simpson for his history-making win at the 2018 PLAYERS Championship.

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COVER STORY

Business Insurance's updated commercial property insurance survey of risk managers highlights the latest trends and insights over the past two years. A major takeaway is the hardening of the market, with increasing numbers of insurance buyers reporting renewal rate increases. **PAGE 16**

INSIDE

BUSINESS INSURANCE BREAK OUT AWARDS



PERSPECTIVES

The impact of a high-profile microcaptive case may not be as far-reaching as some feared, say John Dies and Jason Plotkin of Alliantgroup L.P. **PAGE 41**

LEGAL BRIEFS

Recent court opinions **PAGE 13**

OPINIONS

Arbitration ruling has ramifications in "#MeToo" era. **PAGE 40**

MARKET PULSE

Products, deals and more **PAGE 42**

PEOPLE

Insurance industry moves **PAGE 43**

CORRECTION

Following recent discussions with Aon Captive & Insurance Management, in which definitions in Business Insurance's captive survey were clarified, Aon resubmitted its captive count. A corrected version of the 2018 Top 10 Captive Managers ranking can be viewed at BusinessInsurance.com under the "Research & Reports" tab.

2018 BREAK OUT AWARDS

Business Insurance profiles the winners of its 2018 Break Out Awards, which honor potential future leaders in the U.S. risk management and insurance sector. **PAGE 18**

SPECIAL REPORT: PUBLIC RISK MANAGEMENT

Police departments hope body cameras will improve behaviors and reduce exposures; public-private partnerships rely on solid risk management skills. **PAGE 36**

NEWS ANALYSIS

FOR BREAKING NEWS
COVERAGE, VISIT

businessinsurance.com

RISK MANAGEMENT

The hurricane season is underway, and primary rate hikes have been modest despite a devastating 2017. **PAGE 4**

WORKERS COMP

Medical marijuana could be an attractive alternative to opioids, yet addiction potential is worrisome. **PAGE 10**

INTERNATIONAL

Brazil is the largest Latin American insurance market, but political fallout has restricted its growth. **PAGE 12**



VIEW FROM THE TOP

HOPE ALDRICH

Hope Aldrich has been president and CEO of Eastern Insurance Group L.L.C. in Natick, Massachusetts, and its predecessor agency, Allied American, for the past 20 years. The only female CEO among Business Insurance's top 50 brokerages of U.S. business, Ms. Aldrich took the time to discuss changes in the insurance industry, Eastern Insurance's growth and how gender-neutral policies can benefit companies. **PAGE 14**



OFF BEAT

When it comes to insured hazards, spilled food makes up for losses with free publicity. **PAGE 44**



Capacity cushions buyers from rate hikes

BY ROB LENIHAN

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Hurricane season officially begins in June, and industry experts are expecting only a modest change in primary insurance pricing despite the devastating events of 2017.

While loss-hit accounts and properties in exposed areas have seen increases since last fall, future increases will likely be limited because of an abundance of capacity and the shifting of substantial catastrophe risk to the insurance-linked securities markets as well as more accurate modeling of risk aggregations by insurers, experts say.

In April, a Swiss Re Institute sigma report found that global insured losses from disaster events last year totaled \$144 billion — the highest ever recorded in a single year, according to Swiss Re Ltd.

The highest losses came from hurricanes Harvey, Irma and Maria, which struck the U.S. and the Caribbean in quick succession and resulted in combined insured losses of \$92 billion, equal to 0.5% of U.S. gross domestic product, according to the Swiss Re report. The hurricanes made 2017 the second-costliest North Atlantic hurricane season since 2005.

“There was an awful lot of speculation going on, but I think it was, in our opinion, if not the worst year for insured cat losses, it was very close to it,” said Mike Van Slooten, head of market analysis for Aon Benfield International. “And it was heavily driven by the three hurricanes obviously, and also by the California wildfires and some other lower-level activity around the world as well.”

However, in spite of last year’s disasters, experts do not expect a steep increase in pricing for this hurricane season.

“Insurance has done a really good job of mapping the high-risk areas that they have to deal with,” said Ed Chanda, Columbus, Ohio-based national section leader for KPMG L.L.P. “They’ve taken action to sometimes exit geography where they’re

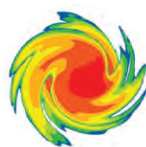


REUTERS

Hurricane Harvey caused widespread damage in August 2017, including to this house in Rockport, Texas. Hurricanes Harvey, Irma and Maria triggered \$92 billion in insured losses.

HURRICANE FORECAST

Colorado State University predicts that the 2018 Atlantic basin hurricane season will see “slightly above-average activity.”



| | 2018 FORECAST | 1981-2010 MEDIAN |
|------------------|---------------|------------------|
| Named storms | 14 | 12 |
| Hurricanes | 7 | 6.5 |
| Major hurricanes | 3 | 2 |

not comfortable or to make sure the pricing in those exposure areas are correct for those locations.”

Mr. Chanda said that “where you do see noise in the system is where they get surprised,” as was the case for last year’s California wildfires, which happened “where they weren’t supposed to happen.”

“They had detailed mapping of where fires have occurred on the West Coast in the past and have a pretty good feel for where those places are to try to manage themselves out of those areas or price themselves correctly in those areas,” he

said. “The difference in 2017 was the high winds that blew those fires into areas where they historically have not been.”

Joseph Peiser, Willis Tower Watson P.L.C.’s New York-based head of North America broking, said based on the Jan. 1 and April 1 renewals, clients that have no natural catastrophe exposure will see renewal rates flat to up 5%.

“For those who have catastrophe exposures but haven’t had losses, we’re expecting up to 10% rate increases,” he said. “And those who have catastrophe exposures and have had losses will see 10% to 20%.”

Mr. Peiser said some clients who have experienced severe losses will see increases “north of 20%.”

“We’ve seen the events of 2017 put pressure on rates in terms of conditions, but it’s inconsistent at best in terms of the marketplace,” said Jill Knecht, Chicago-based vice president and regional head of property for North America with Allianz Global Corporate & Specialty S.E. “This stems from a couple of things: first, an abundance of capacity in the marketplace, and secondly, our clients advocating that their accounts

be underwritten on their own merits, versus being lumped into a market swing resulting from the events of last year.”

Ms. Knecht said that “until some meaningful capacity exits the sector, we do not envision widespread rate increases that fail to take an individual account view.”

“(Policyholders) do not want to be put in a bucket with the insureds who may have had losses when they didn’t experience losses or when they had certain controls in place to minimize losses, whether it’s a (catastrophe) or otherwise,” she said.

Duncan Ellis, New York-based U.S. property practice leader for Marsh L.L.C., said that “2017 is probably going to be the worst year on record.”

“Many of those claims are still being worked through, especially the monster claims — those north of \$100-200-300 million, of which we have quite a few,” he said. “U.S. property prices across our entire book increased 3.6% in the fourth quarter 2017 and 2.9% in first quarter of 2018, largely driven by natural disasters in the second half of 2017.”

One of the reasons traditional insurers were resilient to last year’s losses was because they were successful in laying off quite a lot of risk into the capital markets, allowing the losses to be spread further, Mr. Van Slooten said.

“And what we saw in the last few months of 2017 and also in the first two months of 2018 have been a significant reload of alternative capital,” he said. “There’s still an awful lot of capital in the market — that’s what’s underpinning everything.”

If the recent level of loss had occurred 20 years ago, Mr. Van Slooten said, “you’d see a very different environment.”

“There was some fear that once (ILS investors) have losses they would abandon the reinsurance market, but they didn’t,” Mr. Peiser said. “In fact, they arguably double down, because more came in than existed before. Now they’re actually a bigger part of our market, and that is what has changed the game for our industry.”

HURRICANE FORECASTERS PREDICT AVERAGE 2018 STORM SEASON

Predictions for the 2018 hurricane season range from close to normal to slightly above average, according to weather experts.

In April, Colorado State University predicted that the 2018 Atlantic basin hurricane season would experience “slightly above-average activity.” The forecast called for 14 named tropical storms, seven hurricanes and three major hurricanes of Category 3 strength or greater during the 2018 Atlantic tropical weather season. The

university pegged the probability of at least one major hurricane in the category 3 to 5 range making landfall along the entire continental U.S. coastline at 63% compared with a 52% average for the last century.

In May, the National Oceanic and Atmospheric Administration forecast a 35% chance of an above-normal hurricane season, a 40% chance of a near-normal season and a 25% chance of a below-normal season. The center predicted a 70% likelihood of 10 to 16 named storms,

of which five to nine could become hurricanes, including one to four major hurricanes.

In May, Earth Networks Inc., a Germantown, Maryland-based company operating weather and climate sensor networks, predicted a “closer to normal” hurricane season: 10 to 15 tropical storms, five to eight hurricanes, with two to four major hurricanes. In 2017, there were 10 hurricanes and six major hurricanes, three of which hit the United States.

“There’s a range of forecasts out there about how active the hurricane season might be, and as usual there’s a range of opinion,” said Mike Van Slooten, head of market analysis for Aon Benfield International in London. “In total, if you look at the average across all of the forecasts, this seems to be a fairly average season. I don’t think there’s an expectation that it’s going to be unusually above average this year.”

Rob Lenihan

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Business Insurance's **Innovation Awards**, now in their ninth year, recognize innovation in new products and services that insurers, brokers, technology companies and other service providers create for professional risk managers.

The awards for innovations in individual products and services will be presented to the companies that created the products. Up to five products/services submissions will be accepted per company.

The 2018 Innovation Award winners will be profiled in the November 2018 issue of *Business Insurance* and will be recognized at the **2019 U.S. Insurance Awards** (date and location TBD).

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 9 at 11:59 p.m. EDT.

BUSINESS INSURANCE

**INNOVATION
AWARDS**



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US firms brace for data law fallout

BY JUDY GREENWALD

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The ability of European Union regulators to levy sizable fines under the EU's new General Data Protection Regulation and uncertainty surrounding the insurability of the fines are particularly worrisome parts of the new regulation.

While some experts believe well-intentioned companies have little, if anything, to worry about, others warn regulators will be eager, particularly initially, to make examples of firms that stray from complying with its provisions.

Other concerns about the 100-page regulation, which took effect May 25, include a provision that calls for data breach notification within 72 hours of when companies learn of the incident.

Meanwhile, many expect the regulation to create a boom in demand for cyber insurance.

The GDPR affects any U.S. company that conducts business with or has employees in European Union countries. One critical difference between the GDPR regulation and U.S. regulations, say observers, is that underlying the EU regulation is a fundamental focus on the right to privacy, while U.S. regulations tend to be oriented toward data breaches.

While awareness of the regulation increased as its enactment date neared, at least some corporations remained unprepared, experts say.

"I would say a relatively small subset (of firms) are prepared," and some who believe they are prepared are not, said John F. Mullen, a partner with cyber-focused law firm Mullen Coughlin L.L.C. in Wayne, Pennsylvania.

Matt Prevost, senior vice president with Chubb Ltd. in Philadelphia, said: "It clearly runs the gamut. I'd say the companies that do have the budgetary ability and also kind of the focus, historically, on cyber security, data security and privacy security — some of this they've been doing for years." But, "we've seen some companies decide to shutter specific business segments based on this, or technological issues based on the complexity of GDPR."

Attention has focused in particular on fines of up to €20 million (\$23.9 million) or 4%



of the prior financial year's worldwide annual revenue, whichever is higher, that can be levied against companies for violating the regulation. It has "without question" caught clients' "high-level attention as to the severity, or potential severity, of enforcement," he said.

"That gives the regulators a very big stick," said Max Perkins, London-based senior vice president with Lockton Cos L.L.C.

The question is how strongly this will be enforced, according to some experts.

"I personally think they're going to make examples of companies immediately after we reach the deadline" and will be strict in their interpretation of the GDPR, said Shannon Groeber, Philadelphia-based senior vice president with JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C.

But Philip L. Gordon, a shareholder at Littler Mendelson P.C. in Denver, said: "I tend to be in the camp that the maximum penalties will be reserved for the highest-profile companies with the largest impact on EU consumers as a means for EU data protection regulators to exercise leverage to impact their behavior."

Matthew McCabe, New York-based senior vice president with Marsh L.L.C.'s cyber practice, said: "My understanding is, they'll be used judiciously, and they'll really be targeting bad actors."

Insurance policies provide coverage for fines, but "one major thing we don't know is, are they going to be insurable by law or are they going to be looked at as more punitive in nature," with insurers forbidden to indemnify them, said Meredith Schnur, Summit, New Jersey-based senior vice president with USI Insurance Services L.L.C.

A guide issued by Aon P.L.C. and law firm DLA Piper last month said GDPR fines were insurable only in Finland and Norway of the 30 jurisdictions reviewed, while in others they are either uninsurable or their insurability is unclear. Coverage is also generally triggered by data breaches, not the data collection issues that may be violations under the GDPR, according to experts.

However, Ann O'Leary, Chicago-based senior broker with Aon's financial services group, said some insurers "have started dipping their toes into providing more expansive coverage and broadening policy triggers," particularly regarding wrongful data collection.

Another issue is customers must be informed of data breaches within 72 hours, which will be a challenge, say observers. In the U.S., firms typically have 30 days to notify consumers of data breaches, and rushing this information out so fast could lead to errors, they say.

In addition, the GDPR imposes equal liability on the data owners and their data processors, said Tom Finan, Arlington, Virginia-based client engagement and strategy leader for North America for Willis Towers Watson P.L.C.'s cyber solutions team. If a company's third-party vendor is not in compliance, then "you're not in compliance either," he said.

Observers say the GDPR will lead to increased interest in cyber insurance. A report by American International Group Inc.'s European unit issued May 24 said a further surge in data breach and other security failure insurance claims is expected with the GDPR's enactment. The GDPR will undoubtedly "incentivize more purchasing of cyber insurance" in the EU and U.S., said Mr. McCabe.

EU DATA RULES HAVE BROAD REACH

The purpose of the European Union's General Data Protection Regulation, which took effect May 25, is to protect its citizens from privacy and data breaches.

U.S. companies that operate in the European Union or provide goods and services there must comply with the regulation. It applies to EU-based employees regardless of whether they are EU citizens. Suppliers and service providers must also be compliant with the regulation.

Experts say key provisions in the 100-page document include:

- The GDPR broadens the scope of what is considered personal data to include IP addresses, for instance, and places restrictions on a wide range of personal data, including genetics data and political opinions — essentially any information that could identify a person.

- Companies can be fined up to 4% of annual revenue or €20 million (\$23.9 million), whichever is greater, for the more serious breaches. Under a lower tier of fines, companies can be fined up to €10 million or 2% of global revenue for not having their records in order, not notifying the supervising authority and data subject about a breach, or not conducting an impact assessment.

- Breach notifications must be made within 72 hours of a company first becoming aware of the breach. The GDPR considers an accidental or unlawful destruction of data to be a breach.

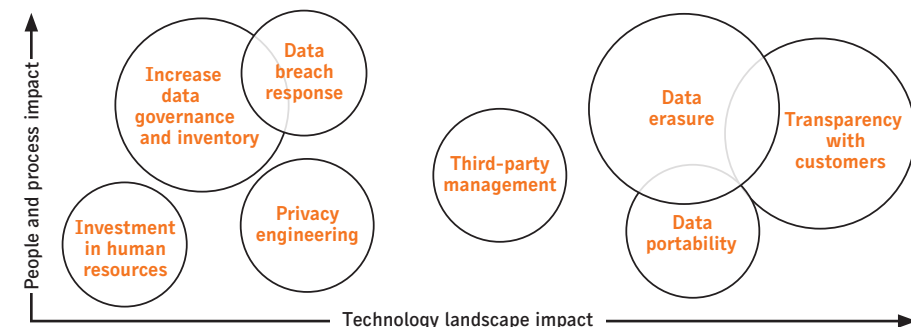
- Individuals can obtain confirmation as to whether their personal data is being processed, where and for what purpose. They must also consent to the processing of their personal information, including how it will be used and transferred to other entities.

- Individuals have the "right to be forgotten" and have their personal data erased.

- Companies involved in processing personal data must appoint "data protection officers."

GDPR AFFECTS PEOPLE, PROCESS AND TECHNOLOGY

The size and placement of the circles indicate the estimated magnitude of the impact on an organization due to GDPR regulations, based on Accenture experience.



Source: Accenture

Judy Greenwald

Stand-alone terrorism insurance evolving, attracting more attention

BY MATTHEW LERNER

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The stand-alone terrorism insurance market has split into coverage for large cities, where prices are low, and suburban and rural areas in which brokers and insurers are seeing more interest, according to industry sources.

At the same time, expiration of the government's terrorism insurance backstop in 2020 is becoming a more pressing concern.

An April report from A.M. Best Co. Inc. said that rate decreases for stand-alone terrorism insurance had begun to flatten. But the market is not homogeneous, making it difficult to generalize, other sources say.

"We generally feel rates are very challenging" for tier 1 business, said Ben Tucker, head of U.S. terrorism and political violence insurance in New York for XL Group Ltd., which does business as XL Catlin. Rates have gone so low that "they can't really go any lower," especially when putting out larger limits.

Downtown areas in major U.S. cities, such as New York and San Francisco, are generally viewed as tier 1 risks.

XL Catlin is typically quoting limits in the U.S. of between \$50 million and \$200 million, with the average limit bound at about \$100 million, Mr. Tucker said.

"Tier 1 rates have sort of bottomed out," said Tarique Nageer, terrorism placement and advisory practice leader for Marsh USA Inc. in New York. "For the last five to six years, every year the market has given back high single digits to low double digits, and eventually you get to a point where the cost of capacity can't go any lower."

Meanwhile, tier 2 and tier 3 business — the suburban and rural geographies that host mainly middle-market business — remains competitive and is drawing more interest from insurance buyers.

"We have seen more middle-market business than we had in the past" when considering the broker's portfolio of new business since Jan. 1, said Wendy Peters, executive vice president of financial solutions-terrorism and political violence for Willis Towers Watson P.L.C. in New York.

"I would say that is definitely true," said Jennifer Rubin, vice president for war, terrorism and political violence for Hiscox Ltd. in New York. "The suburban and rural areas still remain competitive. In tier 1 cities, while we're not able to get price increases, we're able to hold the line on expirations."

"Non-tier 1, I think, is where the growth opportunity remains," Mr. Nageer said.

Many of these tier 2 and tier 3 policyholders are reacting to changes in the nature of attacks, which often focus on inflicting mass casualties as opposed to substantial



REUTERS

Major cities such as New York, above, are rated as being at highest risk for terrorist attacks. Terrorism insurance is evolving to cover mass casualty and business interruption risks.

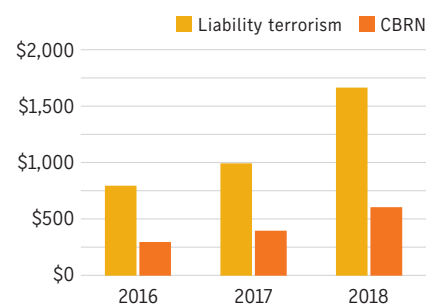
property damage, something noted by the Best report and many other sources.

"Clients' appetites are shifting," said Scott Bolton, Aon P.L.C.'s London-based director of crisis management. "The driver for that is people are beginning to see their exposure shift," with changes in tactics and attacks, he said.

"Those clients which present the opportunity for mass casualty attack, those are the ones expressing more interest — retail, restaurants, transportation, hospitality, entertainment," Mr. Bolton said.

TERRORISM CAPACITY

In billions of U.S. dollars



Source: Willis Towers Watson P.L.C.

"It can be schools, restaurant chains, sporting facilities, hospitals, educational systems and commercial real estate," Mr. Nageer said. "We are seeing more interest coming from those entities."

"The hospitality and gaming industries continue to grow, looking for additional capacity and coverage scope," Ms. Peters said.

The shift in emphasis away from maximum property damage has created new priorities for buyers of terrorism coverage, sources said.

"They're looking at mass casualty impact and thus looking for some nondamage

trigger," Mr. Bolton said. "There is a greater need on the business interruption side to understand how a client's revenue may be exposed."

"Nonphysical damage business interruption and loss of attraction cover is something we've also seeing a lot more interest in," Ms. Peters said.

Terrorism cover has become a broader conversation for many policyholders.

"Five years ago, the terrorism conversation followed on the property conversation. It was a property loss issue," Mr. Bolton said. "The impacts of terrorism are broader now. It's not just a property conversation. There's a casualty conversation out there reviewing how the casualty program will respond to the unanticipated impacts from terror attacks."

As the market and its players shift and adapt to the changing terrorism landscape, another variable in the mix is the upcoming expiration of the Terrorism Risk Insurance Program Reauthorization Act of 2015, or TRIPRA, approved Jan. 7, 2015, and scheduled to expire on Dec. 31, 2020.

Even though the expiration is more than a year away, it is already beginning to affect the market. "We're seeing more requests to get out to 2020 if they want to lock in the capacity now," Ms. Ruben said.

The Best report noted that the government backstop, which was introduced after the Sept. 11, 2001, terrorist attacks in New York and Washington and has been renewed several times, sees a decline in protection with each renewal.

"I think the appreciation is growing of how more relevant stand-alone terrorism coverage is compared to TRIA for a lot of these organizations like schools, municipalities, and movies theaters," Mr. Tucker said.

CURRENT EVENTS PIQUE INTEREST IN WIDER COVER

Nuclear, chemical, biological and radiological terrorism insurance, though least often bought and most expensive of the terrorism coverages, is generating increased interest, according to industry sources.

NCBR, as it is known, has even more recently been re-dubbed CBRN — chemical, biological, radiological and nuclear — with nuclear being demoted to last because it is seen as the least likely type of attack to occur, one source said.

The March nerve agent attack in Salisbury, England, on a former Russian military official and British spy, though not viewed as a terrorist attack, was the first offensive use of a nerve agent in Europe since World War II, according to an April 30 terrorism report from Pool Reinsurance Co. Ltd., which also noted loss-of-attraction issues and potential insurance coverage gaps associated with the incident. The U.K. government has accused the Russian government of being behind the attack.

News reports of chemical attacks in some regional conflicts, notably in Syria, have also heightened awareness, sources said.

"We've seen a pickup in demand for NCBR" amid concerns that chemical weapons could migrate from the battleground into the developed world, said Ben Tucker, head of U.S. terrorism and political violence insurance for XL Group Ltd. in New York.

Although capacity has expanded, pricing remains the highest among terrorism products and factors prominently in buying decisions, sources said.

NCBR "is still the most expensive terrorism product out there," said Tarique Nageer, terrorism placement and advisory practice leader for Marsh USA Inc. in New York. Chemical industry firms, some retailers and hospitals are "quite interested" in the product, "but the cost remains a barrier to buying the product. It remains very expensive," he said.

Of the various terrorism coverages offered, NCBR/CBRN has traditionally sold the least for Hiscox Ltd., said Jennifer Rubin, the insurer's vice president for war, terrorism and political violence in New York. "I think people are thinking about it because they're hearing about it in the news, but when they see the limit and cost, they take a step back."

The most frequent buyers of the product are municipalities with water treatment facilities concerned about what it would take to clean them up, she said.

Wendy Peters, executive vice president of financial solutions-terrorism and political violence for Willis Towers Watson P.L.C. in New York, said she has seen more interest in CBRN coverage, and adds that capacity has grown to some \$600 million per risk.

Matthew Lerner

Volcano eruption highlights coverage gaps

BY ROB LENIHAN

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The recent activity of the Kilauea volcano on Hawaii's Big Island has highlighted the serious threat that volcanoes present worldwide.

While the Hawaii eruption itself is not expected to result in a major event for the insurance industry, eruptions in more populated areas could lead to catastrophic losses, industry experts say.

Therefore, companies should be aware of potential pitfalls that could thwart their efforts to receive coverage for business losses caused by volcanic activity under their insurance policies, they add.

The May 3 eruption led to the evacuation of more than 2,000 people on Hawaii's Big Island and the destruction of roughly 27 houses in Leilani Estates. Lava from the volcano reached the Pacific Ocean, and one man was reported injured when spattering molten rock hit him in the leg.

So far, the insurance implications of the eruption have not been major, experts say.

Gary Marchitello, head of property broking for Willis Towers Watson P.L.C. in New York, said that "in the relative scheme of things, certainly over last 40 to 50 years, volcanoes have not been a big contributor to insured losses."

"Hawaii, and especially the Big Island, is no stranger to volcanic eruptions," said Balz Grollimund, Swiss Re Ltd.'s Toronto-based senior vice president for North



REUTERS

Lava flowed near a house on the outskirts of Pahoa during ongoing eruptions of the Kilauea Volcano in Hawaii in May.

America. "The type of eruption you're seeing at the moment is not out of the ordinary. Of course, there's an impact to those communities, but if we think about the insurance industry and certainly when it comes to the point of reinsurance, these are not exposures to be worried about."

However, Kilauea "really brought us back to the question of what other volcanoes we would be concerned about," he said.

In 2017, Swiss Re said seven of the world's largest urban areas, representing over 1 billion people, are located within a 150 kilometer-radius of an active volcano

and some of the largest cities are at risk of total economic losses of as much as \$30 billion. The top 10 exposed cities include Tokyo, Naples, Manila and Jakarta.

"Kilauea is not a very explosive volcano, but there are many hundreds of volcanoes around Earth that are very explosive when they erupt," said Greg Valentine, professor of earth sciences at the State University of New York at Buffalo. "Many millions of people are living in urban areas that are vulnerable to explosive volcanic eruptions."

In May 1980, Mount St. Helens in Washington erupted, killing nearly 60 people, sparking a massive landslide and spreading volcanic ash across a dozen states. A report in May published by Munich Reinsurance Co. said that, adjusted for inflation, the insured losses from the eruption were \$92 million.

Business owners seeking volcano coverage should be aware that earth shaking, which often accompanies volcanic activity, would be considered an earthquake, Mr. Marchitello said. They would have to buy an earthquake policy to be covered for the

shake damage if the shake is caused by volcanic eruption, he said.

"You can buy an earthquake policy for additional premium that also covers earth movement associated with a volcano," said Arthur Flitner, senior director of knowledge resources at the American Institute For Chartered Property Casualty Underwriters in Malvern, Pennsylvania. "So, there's a way to cover it, it's just that you have to buy a separate policy."

Mr. Flitner added that "some people may see the exclusion of volcanic eruption and not look at the rest of the policy and assume 'I don't have any coverage for volcanic eruption,' but that's not true."

"You do have coverage for the volcanic action perils — the lava, the air blast, the particulate matter," he said. "What you don't have is the earth movement part of it."

Barry Buchman, a partner in the insurance recovery practice group for Haynes and Boone L.L.P. in Washington, said in the case of volcanoes, business owners are typically looking at first-party property damage and business interruption coverage.

"The typical business owner who might not be steeped in insurance may think that 'unless my property itself was damaged, then I'm not going to have a claim,'" Mr. Buchman said. "But what they don't realize when you have significant evacuation orders, the disruption, the business loss from that may be covered under what we call the civil authority permissions of typical property damage policies."

But Mr. Buchman warned business owners to "watch out for procedural booby traps."

"A lot of first-party policies have very quick deadlines for things like documentation of loss," he said. "There are these things embedded in property policies that could catch an unwary business owner off guard. Generally speaking, you want to be giving prompt notice of circumstance if you know you're going to have a loss. You can always document it later, but you want to give quick notice."

VOLCANIC ACTIVITY

5 of the costliest events by overall losses — 1980-2017

| YEAR | EVENT | COUNTRY | OVERALL LOSSES | INSURED LOSSES |
|-----------|----------------------------|---------------|----------------|----------------|
| 1993 | Unzen eruption | Japan | \$1.5 billion | \$130 million |
| 2006-2011 | Lusi eruption | Indonesia | \$1.4 billion | \$180 million |
| 1980 | Mount St. Helens explosion | United States | \$860 million | \$31 million |
| 1991 | Pinatubo eruption | Philippines | \$750 million | \$70 million |
| 2010 | Merapi eruption | Indonesia | \$380 million | (no estimate) |

Source: Munich Reinsurance Co., NatCatSERVICE

VOLCANIC ASH CAN THREATEN TRAVEL, COMMUNICATION NETWORKS

Volcanic eruptions can be incredibly disruptive, causing flight cancellations, communication issues and more.

The 2010 eruptions of the Eyjafjallajökull volcano in Iceland created ash clouds that severely disrupted air travel across western and northern Europe for six days, with more than 100,000 flights canceled.

"When we talk about volcanic ash, it's not the same as ash that you produce in a campfire," said Greg Valentine, professor of earth sciences at the State University of New York at Buffalo. "It's actually small

particles of rock that get thrown up into the air — sometimes 20 miles into the air — and they get distributed downwind. We think a lot about aviation, but there is also our electrical and telecommunications structure. Ash falling on power lines can mess up their ability to transmit electrical current."

Many of today's communication devices have not been exposed to volcanic ash, said Balz Grollimund, Swiss Re Ltd.'s Toronto-based senior vice president for North America. "One thing we haven't seen yet is the impact on utilities, electronics," Mr.

Grollimund said. "The ash tends to short-circuit electronics ... and there's some potential we could see some issues from heavy ashfall on that front. We don't know how cellphone networks respond, cellphone towers, how resistant they are to ashfall."

In situations where a volcano is well-monitored, "we can make pretty good forecasts on timescales that allow for disaster mitigation, such as evacuating populations," Mr. Valentine said. "The problem is most volcanoes on Earth are not monitored."

There has not been much modeling of volcanic eruptions because volcanoes vary in the way they erupt and often pose more than one hazard, said Stephen Sparks, professor at the University of Bristol's School of Earth Sciences.

"It's quite a complicated risk," he said. Roughly every two years a volcano with no historical record of eruption will erupt, Mr. Sparks said, adding that two-thirds of the Earth's volcanoes are in a dormant state and it is very likely they will erupt again.

Rob Lenihan

REACH THE BEST BROKERS IN THE WORLD

Each year, *Business Insurance* publishes two highly anticipated broker issues: The **Broker Trends & Profiles Issue** (July 2018 issue) and the **Broker Supplement** (included with October 2018 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.

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Medical pot use raises concerns

BY LOUISE ESOLA

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Medical marijuana is gaining traction as a pain-management alternative to opioids, but some experts are sounding the alarm about the lack of studies on marijuana addiction and the correct dosages to relieve the pain of injured workers.

What was once true about opioids when doctors, urged by pharmaceutical firms in the 1990s, began prescribing them essentially as miracle drugs for pain is now considered true about medical marijuana.

“When the doctors were told that opioids were not addictive and (that) there was no ceiling to the doses or whatever else doctors were told ... things got way out of control,” said Dr. David C. Randolph, a Milford, Ohio-based occupational physician.

“This is a bad idea,” he said of marijuana’s rise to the top of the pain management alternative list.

Dr. Randolph participated in a study, *On Opioids: The Doctors’ Perspective*, conducted by the Boca Raton, Florida-based National Council on Compensation Insurance providing a retrospective look at the opioid crisis that, according to the National Institute of Drug Abuse, kills 115 people a day.

The study, released in April, revealed four top reasons opioid prescriptions became so prevalent in U.S. health care: opioids were assumed to be nonaddictive; the drugs were the preferred option in curing pain; there was a lack of knowledge about opioids in addiction science; and a lack of clarity on dosing.

“(Opioids were) so promoted and they said it was so positive to receive these drugs, they worked so well and so on,” said Dr. Steven Feinberg, a pain expert and founder of the Palo Alto, California-based Feinberg Medical Group, which helps injured workers manage pain. “I see lots of problems on the horizon” with medical marijuana.

Political push overshadows proof

A 2017 survey found that 83% of Americans said doctors should be able to prescribe marijuana to patients, while 14% opposed legalizing medical marijuana and 4% had no opinion, according to the survey conducted by Yahoo News and The Marist Poll.

Now legal for medical uses in 30 states and the District of Columbia, marijuana as of May 25 remained illegal at the federal level — a Schedule I drug classification that placed its leaves and derivatives that come in the form of oils, liquids, candies and pills, in the same category as street drugs.

The laws vary state to state. In some states, it can only be used in certain forms and for certain ailments, such as cancer or epilepsy. Pain management isn’t on the list in a few states,



OPIOID SCRIPTS DOWN IN MEDICAL MARIJUANA STATES

- States that allow various forms of medical marijuana saw a **10% reduction** in opioid prescriptions, according to Medicare’s prescription database between 2010 and 2015.
- States that permit medical marijuana distribution via dispensaries — versus states that only permit the private cultivation of marijuana for medicinal purposes — saw a **14% decline** in pain medications prescribed under Medicare Part D.
- Medicaid data showed an **11% reduction** in pain prescriptions between 2010 and 2015 in states that permit medical marijuana.

Source: Department of Public Administration and Policy at the University of Georgia, 2018

although use for “severe pain” is approved.

“We don’t really know enough about marijuana to know about pharmaceutical reactions,” said Dr. Suzanne Novak, a physician in Austin, Texas, who wrote the pain management section for the Official Disability Guidelines and who was among the physicians interviewed for the NCCI study.

“We really know shockingly little,” Dr. David Deitz, a managed care consultant and founder of David Deitz & Associates L.L.C. in Westport, Massachusetts, said at the NCCI’s Annual Issues Symposium in May, speaking about the future of medical marijuana.

Evidence lacking

With medical marijuana illegal at the federal level, studies that could prove its efficacy are limited. As of May 25, the U.S. Drug Enforcement Agency has approved one site for marijuana cultivation for research: a 12-acre farm on the University of Mississippi campus. That specific chemical makeup of marijuana provided for research is different from strains countrywide, Dr. Deitz said.

The National Academies of Sciences, Engi-

neering, and Medicine concluded in 2000 that cannabinoids, a part of marijuana’s makeup, have “shown significant promise in basic experiments on pain.”

Several experts question whether such an endorsement is enough.

“I recommend an open-minded and cautiously optimistic approach regarding medical marijuana,” said Silvia Sacalis, a Tampa, Florida-based licensed pharmacist and vice president of clinical services for Healthsystems L.L.C. “There are some potential benefits, such as clinical evidence for pain management in certain scenarios, and some additional recent studies that opioid usage has been reduced in states that allow medical marijuana. However, there are concerns that need to be addressed, such as workplace safety.”

Experts doubt the current administration would reschedule the drug to promote testing.

The federal government has not earmarked any funding in 2018 toward fighting state availability of marijuana, but U.S. Attorney General Jeff Sessions has made many public statements about marijuana having no medical use.

Meanwhile, doctors that manage pain are perplexed as to how to handle medical pot.

“If an injured worker comes in here and says I am using X amount a day (of medical marijuana), I don’t know what that means ... I don’t know what kind. Is it tainted with anything?” said Dr. Feinberg.

And medical marijuana could complicate return to work, experts say.

“Drug treatment of chronic pain in the long term is not effective,” said Dr. Deitz, drawing a parallel between opioids — which can cause intoxication — and many forms of marijuana. “It’s a passive treatment. Nobody is going to get off the couch and go back to work on cannabis.”

Yet it could be safer, experts say. Nobody stops breathing as the result of marijuana, Dr. Deitz said. That’s how opioids kill — the drug slows breathing, he said.

PHYSICIAN SEES ABUSE POTENTIAL

The addiction potential of marijuana is unknown, but abuse of the drug could be inevitable, according to one medical professional.

Dr. Mara Bilibajkich practices family medicine in Windsor, Ontario, and has been prescribing marijuana for chronic pain patients for nearly two years. A latecomer to its use, as Canada legalized medical marijuana in 2001, Dr. Bilibajkich said most patients come to her because they want to wean off of opioids.

“There is a growing trend to get away from pharmaceuticals and go for something natural,” she said.

But the proper dosage at which marijuana can alleviate pain remains uncertain, she said.

“My goal as a physician is to get the lowest dose to provide systematic relief,” she said.

Many of her patients get relief from nonpsychedelic cannabinoid — a derivative of cannabis that does not cause one to feel the euphoric high of marijuana.

“The increase in quality of life and function is the goal,” she said.

But people may get hooked on marijuana — a major problem already experienced with opioids, she said.

“You are always going to get those people who do that with opioids,” she said. “That it doesn’t matter what medication you give them. There will always be people abusing it and there is nothing you can do to stop it.”

Louise Esola



Review may pare back OSHA's powers

BY GLORIA GONZALEZ

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Employers and their representatives often accused the U.S. Occupational Safety and Health Administration of being overly aggressive in taking enforcement actions against employers under the Obama administration — but an independent agency that reviews federal workplace safety citations and proposed fines may be ready to restrain OSHA in at least one key area.

Several legal experts reading the tea leaves say the Occupational Safety and Health Review Commission could issue an employer-friendly ruling and curb OSHA's perceived overuse of the Occupational Safety and Health Act's general duty clause. But one former commissioner is expecting a more limited ruling in a case related to OSHA's reliance on the clause to cite an employer for a heat stress-related fatality.

The OSH Act's general duty clause requires employers to "furnish to each of his employees employment and a place of employment which are free from recognized hazards that are causing or are likely to cause death or serious physical harm to his employees." To use the clause, OSHA must prove the existence of a hazard, that the hazard is recognized and causing or likely to cause death or serious physical harm, and that a feasible abatement method exists.

OSHA's use of the clause to cite employers for heat-related hazards prompted the review commission to issue an atypical invitation for outside parties to file friend of the court briefs that were due May 14. Then the review commission scheduled rare oral arguments in two cases involving the use of the general duty clause for June 7 — a heat stress case and one involving the use of the clause to issue citations against a health care facility for a fatal work-



place violence incident.

OSHA under the Obama administration was "definitely one of the more aggressive users" of the general duty clause for citations for workplace violence, ergonomics and heat stress hazards, said Raymond Perez, of counsel in the Atlanta office of Jackson Lewis P.C. Given that a new head of OSHA has not been confirmed, OSHA staffers are essentially continuing the policies from the prior administration, including "reinvigorated use of the general duty clause," he said.

In *Secretary of Labor v. A.H. Sturgill Roofing Inc.*, the review commission will consider arguments over an administrative law judge's affirmation of a serious citation issued against the company for not adequately implementing a heat illness prevention program in violation of the general duty clause. OSHA inspected the workplace in August 2012 following the death of a temporary employee, according to commission documents.

"I think (OSHA has) got a real problem winning that" because of the specific reference in the OSH

Act to a company's own employees, said Jim Stanley, president of safety consulting firm FDRsafety L.L.C. in Franklin, Tennessee, and a former deputy assistant secretary of labor for OSHA. "The language is clear."

"It appears obvious to me that it's an overreach," said Robert Dunleavy, Dayton, Ohio-based senior counsel at Taft Stettinius & Hollister L.L.P. and the lawyer for Sturgill. "And that's not an unusual situation when you have a (general) duty clause violation, because OSHA is basically hoping to create de facto regulations with stringent requirements for employers. It's what they'd like to see without promulgating a standard."

"It has broader implications for the general duty clause, especially at this moment in the history of the review commission and this moment in the Trump administration," he added.

But Gary Visscher, of counsel with Law Office of Adele L. Abrams P.C. based in Beltsville, Maryland, and a former review commissioner, is not expecting a broad finding about OSHA's use of the clause to cite employers, although he noted

that it was an "unusual case" in that it directly pertains to a host employer's obligation to protect temporary employees.

"I think it will be more specific to the use of the general duty clause and how it will apply in the context of heat stress injuries," he said.

In *Secretary of Labor v. Integra Health Management Inc.*, the review commission will examine OSHA's reliance on the clause in citing the health care facility following a fatality-related safety and health inspection for a workplace violence incident. In December 2012, a mentally ill client fatally stabbed an Integra service coordinator.

"I believe that the agency is right" in using the general duty clause in relation to violence against health care workers, Mr. Stanley said. "I think the employer has an obligation to provide some type of protection for their workers."

The commission's current makeup may play into its current attention to and examination of OSHA's use of the clause, experts say. Two out of the three current commissioners — Chair Heather MacDougall and Commissioner James Sullivan — had lengthy careers representing employers in labor, employment and occupational safety and health law. The third commissioner, Cynthia Attwood, previously served in multiple positions at the U.S. Department of Labor.

"There's a little more employer-friendly commissioner now on the commission," Mr. Perez said, referring to Mr. Sullivan. "It could be possible that they're going to use this as a test case for a broader statement — not just on heat stress cases, but on the application of the general duty clause to employers and what the secretary's burden is to establish that it is a recognized hazard and whether or not there are feasible means of abatement to correct a specific hazard that's been identified."

WALKING THE SAFETY TALK

The degree to which management is helping to foster a safety culture in the workplace can be measured by certain indicators, as demonstrated by a comprehensive survey of the construction sector.

72%

of respondents reported having a formal process for safety-related corrective action, which demonstrates to workers across companies that management takes safety concerns seriously.

69%

of respondents reported making safety and health a key part of strategic planning, which demonstrates a proactive rather than a reactive approach to safety concerns.

48%

of respondents said their companies have a joint worker/management safety and health committee.

Source: Dodge Data & Analytics, 2016

MONEY TALKS: INSURERS CAN WIELD PREMIUM HIKE TO PROMOTE SAFETY GOALS

Workers compensation insurers have a lot of sway — even more so than government regulators — in ensuring that management commits to strengthening their workplace safety culture.

The U.S. Occupational Safety and Health Administration and state workplace safety regulators enforce technical standards and provide guidance and resources, experts say. For example, OSHA can use tools at its disposal, such as the Occupational Safety and Health Act's general duty clause, to try to force companies to have "very minimal

safety programs ... but you're not going to have that true culture," said Coleman Brown, Baltimore-based vice president of loss control with CBIZ Insurance Services Inc.

Regulators "help set the standard of what we're holding people to," said Bill Spiers, vice president of risk control services, Lockton Cos. L.L.C. in Charlotte, North Carolina. "But when it comes to creating culture ... I don't know that that's something a governmental organization can do."

Regulators will usually only visit a

worksite if a company has a significant injury or fatality, if they are in an industry prone to high-frequency, high-severity incidents or if an employee reports unsafe conditions, said Rodney Grieve, founder of consultancy Branta Worldwide.

Insurers have a stronger influence because they interact more frequently with their policyholders than regulators do, sending their experts into their clients' workplaces to conduct risk assessments, and they can incentivize positive behaviors, experts say.

"Insurance companies are paying for losses," Mr. Brown said.

"The insurance companies don't want to have those losses because they affect their bottom line. They want to make sure that the companies are being safe, and they get rewarded through the reduction in premiums," he added.

A potential workers comp premium increase is "certainly going to get somebody's attention more than an OSHA inspection," Mr. Grieve said.

Gloria Gonzalez

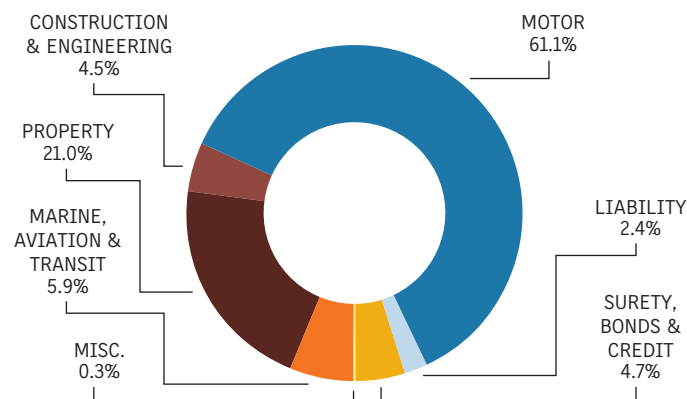
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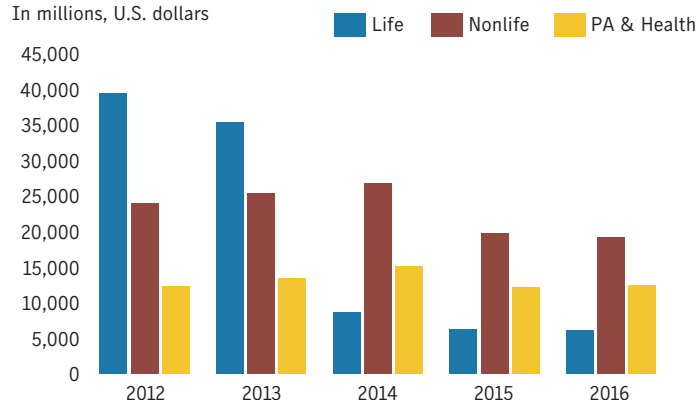
Brazil is the largest insurance market in Latin America despite a relatively low penetration rate. The country has the largest population in South America and is the world's seventh-largest economy. Political unrest has taken its toll, however, and has had a negative influence on the insurance sector; in August 2016, following her impeachment, President Dilma Rousseff was permanently removed from office, leaving Vice President Michel Temer to serve out the balance of her second term until October 2018. Rates appear to have bottomed out in most property/casualty classes but there is little prospect of significant hardening. The market remains very competitive, with ample insurance and reinsurance capacity, but there are some indications of increased focus on underwriting profits to counter a likely reduction in financial returns.

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Personal accident cover protecting anybody involved in a motor vehicle accident
- Personal accident cover protecting anybody involved in an accident involving a marine vessel and/or its cargo
- Professional indemnity for reinsurance brokers
- Shipowners' liability against oil pollution
- Civil liability for owners of aircraft (including drones weighing more than 250 grams).

NONADMITTED

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

INTERMEDIARIES

Intermediaries must be authorized to do insurance business. Intermediaries are not allowed to place business with nonadmitted insurers unless regulatory authority has been granted. Brokers involved in nonadmitted placements do not have to warn buyers that their insurer is not subject to local supervision.

MARKET PRACTICE

The strict control exercised over the market by SUSEP, and the potential penalties for non-compliance, mean that insurers take care to ensure that coverage is placed in accordance with local regulations.



AREA

3,287,613

square miles

POPULATION

210.7

million

MARKET CONCENTRATION

42.6%

market share of top five insurers

2018 GDP CHANGE (PROJECTED)

1.8%

MARKET DEVELOPMENTS

Updated December 2017

- Insurance sales were affected by the recession Brazil entered in 2015, with premium growth in the property/casualty market at 1.3% for 2016, negative in real terms with inflation of 8.7% in that year. While the market continued to be soft during 2017, most observers felt that the bottom had been reached in terms of rate reductions, and there were signs of increases in some lines, notably surety.
- In August 2017, the government was reportedly in discussions with the federal audit court about relinquishing its special class shares, or golden share, in the one-time monopoly reinsurer IRB Brasil Re, which held a partial IPO in July 2017. The rationale was to reduce government's role in the economy. That same month, there were rumors that the state's privatization plans might extend to Caixa Seguradora, the insurance arm of Caixa Economica Federal bank.
- In January 2017, the federal tax authority issued Solucao de Consulta No. 062 requiring admitted reinsurers to be treated as local reinsurers for taxation purposes. Due to strong objections from the reinsurance community, specifically the admitted reinsurers, a consultation was instigated to reverse or amend the ruling. As discussions continued in August 2017, reinsurers apparently had an assurance from the tax authorities that they did not yet need to make any changes in procedures to implement the ruling.

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

Court sides with transgender student in bathroom case

■ A federal court in Virginia refused to dismiss litigation involving a transgender student's bathroom use and held he is protected by Title IX of the Education Amendments Act of 1972, in a case that was remanded from the U.S. Supreme Court.

Gavin Grimm, a transgender male student, filed suit against the Gloucester, Virginia-based school board in July 2015 over its refusal to let him use the boys bathroom in *Gavin Grimm v. Gloucester County School Board*.

In September 2015, the U.S. District Court in Norfolk, Virginia, dismissed Mr. Grimm's claim under Title IX for failure to state a claim. On appeal, the 4th U.S. Circuit Court of Appeals in Richmond, Virginia, ruled in Mr. Grimm's favor, and the U.S. Supreme Court agreed to review the case, with oral arguments scheduled for March 28, 2017.

But on Feb. 22, 2017, the U.S. Education and Justice departments issued a joint memorandum that revoked the Obama administration's federal guidelines on transgender students' use of bathrooms. The Supreme Court then remanded the case.

The case was reassigned to U.S. District Judge Arenda L. Wright to consider the Title IX claim. After concluding she was not bound by the previous dismissal of the Title IX claim, Judge Wright ruled Mr. Grimm could proceed with his case.

"Allegations of gender stereotyping are cognizable Title VII sex discrimination claims and, by extension, cognizable Title IX sex discrimination claims ... Mr. Grimm has properly brought a Title IX claim of discrimination 'on the basis of sex' — that is, based on his transgender status," said the ruling, which ordered a settlement conference.

Supreme Court backs employers in arbitration ruling

■ The U.S. Supreme Court delivered a blow to the rights of workers by allowing companies to require them to sign away their ability to bring class action claims against management, agreements already in place for about 25 million employees.

The justices, in a 5-4 ruling with the court's conservatives in the majority, endorsed the legality of the growing practice by companies to compel workers to sign arbitration agreements waiving their right to bring class action claims on issues such as overtime wages or gender-based pay disparities, either in court or before

private arbitrators.

President Donald Trump's administration last year reversed the government's stance in the case, siding with the companies after former President Barack Obama's administration had supported a U.S. National Labor Relations Board decision invalidating such employment agreements.

Justice Neil Gorsuch, President Trump's appointee to the court, wrote the ruling, saying federal arbitration law trumps the National Labor Relations Act.

Writing on behalf of the four liberal justices in dissent, Justice Ruth Bader Ginsburg said that the ruling was "egregiously wrong" and called for Congress to take action to protect workers' rights.



The NLRB argued that the waivers violate federal labor law and let companies evade their responsibilities under workplace statutes.

The three consolidated cases that came before the court involved professional services firm Ernst & Young L.L.P., gas station operator Murphy Oil USA Inc. and health care software company Epic Systems Corp.

Reuters

Widow's black lung, survivor benefits upheld by court

■ The 6th U.S. Circuit Court of Appeals in Cincinnati denied an appeal by Zurich American Insurance Group to review a benefit award given to the widow of a deceased coal miner.

Raymond Duncan, a resident of Middlesboro, Kentucky, who was a nonsmoker, worked in the coal mining industry for over 20 years and developed severe respiratory issues, according to the ruling in *Zurich American Insurance Group v. Joanna Duncan; Director, Office of Workers' Compensation Programs, U.S. Department of Labor*.

His last industry job was as a heavy-equipment operator and electrician for Straight Creek Coal Resources at a coal preparation plant from 1998 to 1999. Mr. Duncan filed a claim for benefits under the Black Lung Benefits Act but died while his claim was still pending.

His claim was consolidated with a claim for survivor's benefits submitted by his widow, Joanna Duncan.

The administrative law judge awarded benefits to Ms. Duncan, both on Mr. Duncan's behalf and as his surviving spouse.

The Benefits Review Board affirmed the award and Zurich, the insurer of Straight Creek Coal Resources, petitioned the appellate court to review the award, a petition denied by the court.

"The ALJ's decision to award benefits to Raymond (Duncan) is supported by substantial evidence," the court said in its ruling. "Raymond (Duncan) timely filed his claim within three years of learning that he was totally disabled due to pneumoconiosis. He then established his entitlement to benefits by invoking the fifteen-year presumption (in the applicable statute). Zurich American failed to rebut this presumption."

CVS defamation verdict overturned on appeal

■ A federal appeals court reversed a \$1.025 million jury verdict against CVS Pharmacy Inc., whose employees were accused of defaming a physician with statements including that he was about to be arrested.

Dr. Anthony Mimms, a physician who started his own pain management practice, Indianapolis-based Mimms Functional Rehabilitation, filed suit against Woonsocket, Rhode Island-based CVS, alleging pharmacy employees made defamatory statements when refusing to fill his prescriptions, according to the ruling by the 7th U.S. Circuit Court of Appeals in *Chicago in Anthony Mimms v. CVS Pharmacy Inc.*

A U.S. District Court jury in Indianapolis found CVS liable for \$1.025 million on four of the alleged defamatory statements. They were: "CVS doesn't fill Dr. Mimms' prescriptions or prescriptions of any other pill mills"; "Dr. Mimms went to jail"; "Dr. Mimms has been ... or will be arrested"; and "Dr. Mimms is under (Drug Enforcement Administration) investigation."

A three-judge appeals court panel unanimously overturned the verdict on the first three statements. "Dr. Mimms needed to demonstrate that CVS employees knew in fact that their statements were false or had serious doubts as to the veracity of their statements.

The panel held CVS was entitled to a new trial on the fourth statement, on the DEA. The District Court "should have allowed CVS to present evidence" that the statement was true, "that Mimms was in fact the subject of a DEA investigation," said the ruling.

DOCKET



EEOC SUES GROCER OVER LANGUAGE POLICY

The U.S. Equal Employment Opportunity Commission sued Albertsons Inc., charging it violated Title VII of the Civil Rights Act of 1964 when it allegedly prohibited its San Diego Hispanic employees from speaking Spanish around non-Spanish speakers, including at breaks. Those employees were subjected to harassment and a hostile work environment, EEOC said in a statement. "Targeting a particular language for censorship is often synonymous with targeting a particular national origin," said Anna Park, regional attorney for EEOC's Los Angeles office.

SMOKE BREAK INJURY NOT COMPENSABLE

A Winston-Salem, North Carolina, worker who fell out of a city truck in a coughing fit after smoking his first e-cigarette was not injured within the scope of his employment, the North Carolina Court of Appeals in Raleigh ruled in *Brooks v. City of Winston-Salem*. Larry Brooks "stepped out of the truck while continuing to cough ... then passed out and fell to the ground. He landed on the cement curb, causing injury to his right hip, back, and head," records state. The city denied his workers compensation application. Mr. Brooks appealed. However, his fall "resulted from his own idiopathic condition and was not caused by a hazard of his employment," the court ruled.

ROOFER SETTLES RETALIATION SUIT

The U.S. Occupational Safety and Health Administration and a Georgia roofing contractor have settled a lawsuit over the company's alleged violation of the anti-retaliation provisions of the Occupational Safety and Health Act. Kennesaw, Georgia-based Jasper Contractors Inc., which was performing roofing work in Florida, agreed to pay its former safety director \$48,000 in back wages and compensatory damages after allegedly firing him for cooperating with an OSHA investigation, the agency said in a statement.



Hope Aldrich has been president and CEO of Eastern Insurance Group L.L.C. in Natick, Massachusetts, and its predecessor agency, Allied American, for the past 20 years. In that time, the bank-owned brokerage has grown from a \$5 million-revenue firm to a more than \$80 million firm ranking as the 49th largest brokerage of U.S. business in *Business Insurance's* latest ranking. Starting on the insurer side of the business with Liberty Mutual Insurance Co. before moving over to the brokerage side with Aon P.L.C., Ms. Aldrich is the only female brokerage CEO in the Top 50. She recently spoke with *BI* Editor Gavin Souter about changes in the industry, Eastern's growth and how gender-neutral policies benefit companies. Edited excerpts follow.

Hope Aldrich EASTERN INSURANCE GROUP

Q How has Eastern managed to grow over the past 20 years?

A We're very fortunate in that we are a wholly owned subsidiary of Eastern Bank and we are able to take a longer view in terms of investing in people and also investing in acquisitions. When many banks have stepped back from investment in their insurance operations and even divesting their insurance operations, we have continued to grow and march forward.

Q What enables you to succeed when some other bank-owned brokers have not?

A I can't speak to their challenges, but I know what has been successful for us. I had actually started a selling arrangement with Eastern Bank prior to (Allied American) being acquired by them. After our acquisition, we immediately worked on getting our commercial lenders and others in the bank licensed to sell insurance. They don't sell it without one of our licensed reps, but they have become integral to our team.

We are very material to Eastern Bank — we account for 15% to 20% of their profit. We've had great success through many methods in making the cross-sell work, which a few notable bank-owned agencies have done, and we are one of them. It's all about how you tackle it.

Q How has organic growth been for Eastern?

A We are seeing tremendous organic growth. Our organic growth last year was bigger than all but two acquisitions that we've done, and we do that every year. We have a very active sales culture. Everybody sells here.

Q How about acquisitions?

A There's been a lot of activity in acquisitions. And we don't see that abating at all — I'm working on three right now ... We're looking at one that's out of state that would have continuing management.

We offer the buyer a different value proposition for them and their employees.

If they are looking to stay, we have a place for talented sellers and we have wonderful benefits for their employees, which means a lot to our sellers. Many of them care about how their employees are positioned after a sale.

Q What's your experience of the insurance market in the Northeast?

A We are seeing rates in some of the areas go down; for instance, in workers comp the rates are going down almost 13% in July in Massachusetts. We're seeing a real variation in appetite of insurers for certain lines. Particularly in new business, we're seeing rates going down slightly, other than in property.



What we're finding in the Northeast, particularly in our area, the economy is terrific and we see that exposures are up. I've seen times that were a lot worse than right now. We have the wind at our sails with the economy, certainly.

Q What proportion of your staff are female?

A Of the senior managers, it's 62%, and it's 65% female (overall).

Q That seems to be unusual in the insurance brokerage world. How have you achieved that?

A We have always looked to hire the best people, and oftentimes the best people are women. We are gender-neutral in terms of how we approach hiring and

advancing careers, and that is unusual in the brokerage business.

The women do as well as men, and I believe it's proven out in the facts that companies that have women on their boards, in senior management, throughout the management and the companies in general, do better. And we believe that.

Q It was also unusual when you originally came in to run the agency to have a woman in the top position. How did you land the job?

A I was known in the New England area for my years of selling and being active in the business, and I was approached by the predecessor company, Allied American, which was owned by an insurance company. The insurance agency at the time was challenged, and it was not doing great. I had a wonderful position at that time at Aon, but I was very attracted by the opportunity and also the fact that the leader of that insurance company was quite a forward-thinking individual. I took a chance, and I've been able to bring to Eastern Insurance very talented people from the industry, some of whom I hired into the business years and years ago. We have many from the big brokers, we have many from Liberty Mutual, we have a lot of talent. I know it's one of the biggest challenges to get the people, but because of our reputation and the bank's and the benefits that we offer our employees and the opportunities for advancing, both men and women, we have become what I consider an employer of choice. We have people calling us.

Q Looking forward, what do you see happening for Eastern?

A For Eastern, I have great optimism that we will continue to grow and make use even more of technology — in terms of data analytics and other technologies — to grow our business. We're working with some of the best carriers to grow our business efficiently. We are investing in great things for our customers, and our expectation is that the business will continue to flourish. Our customers need our help, and I'm optimistic about the business in general, that things will continue well into the future.

"What we're finding in the Northeast, particularly in our area, the economy is terrific and we see that exposures are up. I've seen times that were a lot worse than right now. We have the wind at our sails with the economy, certainly."

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Property insurance revisited



BY ANDY TOH

atoh@businessinsurance.com

The soft commercial property insurance market has turned a corner, with 22% of risk managers surveyed this year by *Business Insurance* — double the 11% in 2016 — reporting renewal rate increases. Consequently, those reporting rate decreases has gone down to 33% in the most recent survey from 53% two years ago.

In March 2018, *Business Insurance* repeated a 2016 survey of risk managers to get the latest trends and better insights in the commercial property insurance sector, specifically from the buyer's perspective. The result of this survey is based on responses from 144 risk managers and/or insurance buyers who are involved with insurance purchase decisions for their organizations and whose organizations currently have an insurance program that covers property or property-related damages. The base used is the total answering each question.

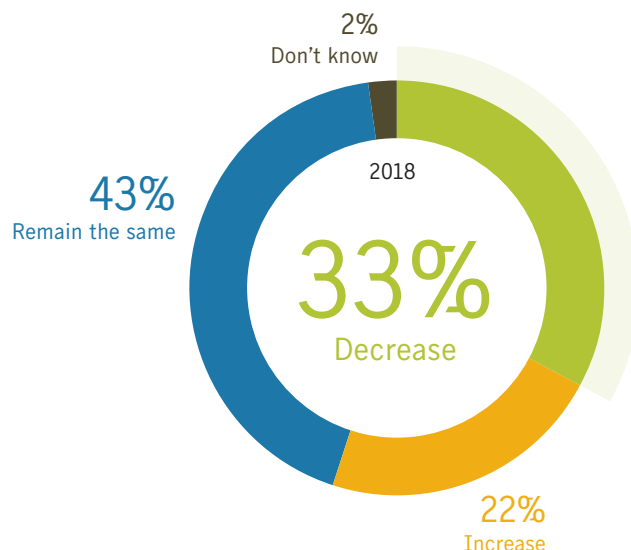
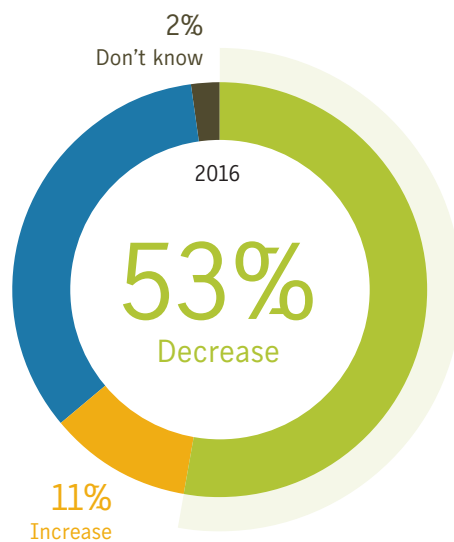
Compared with 2016, insurers and reinsurers are now better able to increase prices or discount less. Rates decreased by an average of 5.7% in 2018 versus 7.8% that saw rates decrease two years ago. From the survey, even those who saw rates increase saw larger increases on average than two years ago. However, this should be taken with a grain of salt because of the low base of respondents who saw rates increase in both 2016 and 2018.

| | 2016 | 2018 |
|-------------------------|-------|-------|
| Average rates decrease | -7.8% | -5.7% |
| Average rates increase* | +4.7% | +6.3% |

*LOW BASE ANSWERING QUESTION.

Compared with the last survey, it does not look like there is a trend for risk managers shifting their risk to captive insurers in 2018. In fact, only 15% of our respondents, compared with 16% in 2016, use a captive to insure some or all of their property risks.

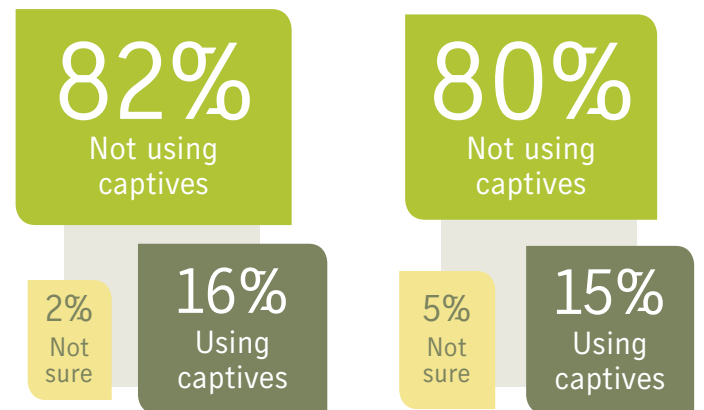
AT THE LAST RENEWAL, DID INSURANCE RATES ...?



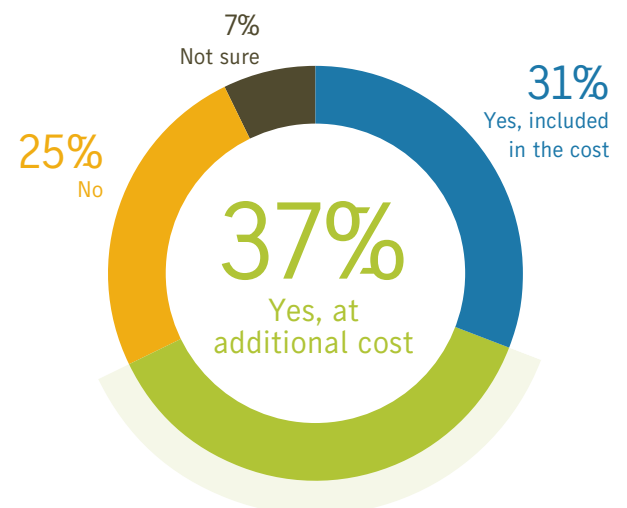
Twenty-two percent of risk managers surveyed — double the 11% in 2016 — reported renewal rate increases. Consequently, those reporting rate decreases has gone down to 33% in the most recent survey from 53% two years ago.

2016

2018



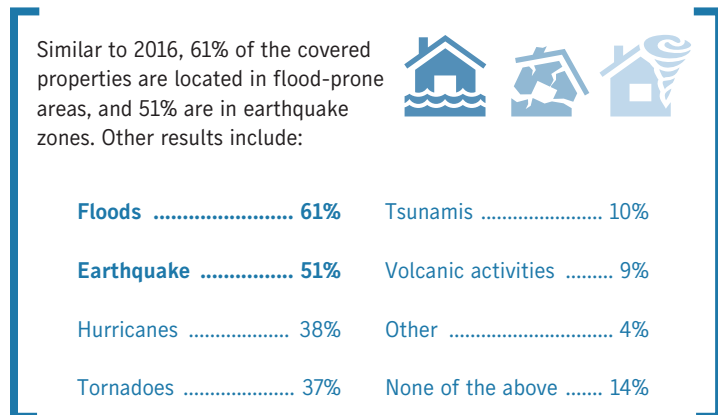
Sixty-eight percent of the risk managers surveyed said their organizations have terrorism coverage, either included in the property insurance coverage or added to coverage at additional cost. Organizations pay on average 3.5%, compared with 3.1% in 2016, in additional premium to add terrorism coverage.



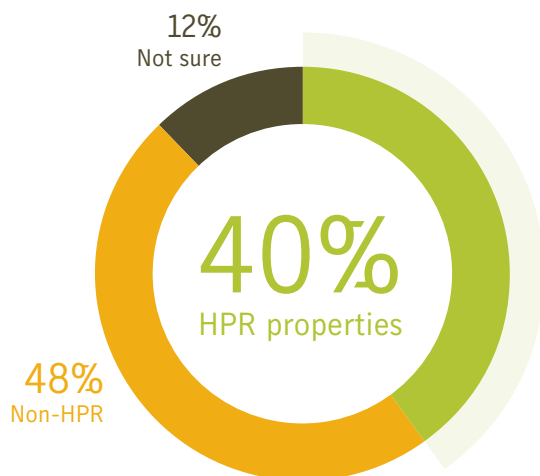
For the 2018 survey, an average of 3.6 insurers participated in an organization's property insurance program, covering an average of \$2.2 billion in total asset value with an average total annual premium of \$2.3 million. This compares with 3.6 participating insurers covering \$3 billion in total asset value at \$2.1 million average total annual premium in 2016.

Fifty-eight percent of respondents used only one insurer to cover all their properties. There was an average of 181 properties or facilities covered per property insurance programs, with 81% of the covered properties located in the U.S. and 19% outside of the U.S.

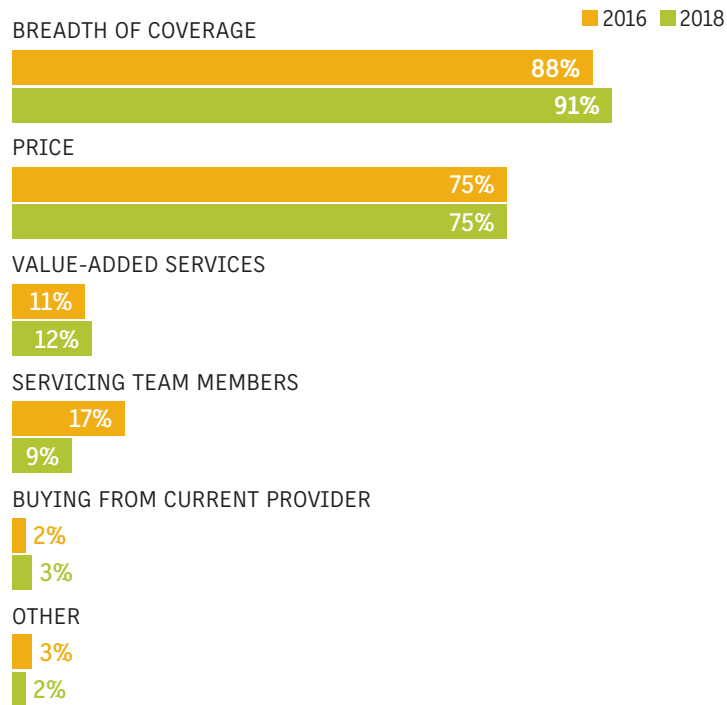
| | PERCENT |
|---|---------|
| We use one insurer to cover all of our U.S. properties and we do not have non-U.S. properties | 42% |
| We use multiple insurers to cover all of our U.S. properties and we do not have non-U.S. properties | 19% |
| We use one insurer to cover all of our U.S. and non-U.S. properties | 16% |
| We use one insurer to cover all of our U.S. properties and a different insurer or insurers to cover our non-U.S. properties | 5% |
| We use multiple insurers to cover our U.S. properties and one insurer to cover all of our non-U.S. properties | 3% |
| We use multiple insurers to cover our U.S. properties and multiple insurers to cover all of our non-U.S. properties | 13% |
| Not sure | 2% |



Forty percent of the properties under coverage qualify as a highly protected risk or its equivalent. HPRs are property risks that meet the standards required for lower rates, usually properties protected by sprinklers, and have better-than-average construction and occupancy.



The last time respondents switched their property insurers was about 8.7 years ago on average, the same as in 2016. The top two factors when deciding which property insurance to use were breadth of coverage and price, at 91% and 75% respectively. Value-added services moved up to the third spot, taking over servicing team members as the third-most important factor when deciding on insurers. Seventy-three percent, compared with 69% in 2016, of the risk managers surveyed this year said their organization's policy providers offered some value-added services, such as engineering reviews, risk analysis of properties and loss-control or loss-prevention reviews.



Ninety-three percent of the risk managers surveyed this year and in 2016 said they were satisfied with their current property insurance policies.

Ninety-three percent of the risk managers surveyed this year and in 2016 said they were satisfied with their current property insurance policies. But this year, only 3%, down from 7% in 2016, said they will be looking to change their principal property insurance in the coming year. In the past 12 months, 49% of respondents said they have filed a claim, only 7% of which were disputed by their insurers.

FM Global and American International Group Inc. remained the top two insurers serving as the main property insurance policy providers based on this year's survey.

| | |
|--|-----|
| FM Global | 23% |
| American International Group Inc. | 14% |
| Travelers Cos. Inc. | 6% |
| Chubb Ltd. | 6% |
| Zurich Insurance Group Ltd. | 5% |
| Lloyd's of London | 5% |
| XL Group Ltd. | 4% |
| CNA Financial Corp. | 4% |
| Liberty Mutual Insurance Co. | 2% |
| Hartford Financial Services Group Inc. | 2% |
| Hanover Insurance Group Inc. | 1% |
| Swiss Re Ltd. | 1% |
| Munich Reinsurance Co. | 1% |
| QBE Insurance Group Ltd. | 1% |
| Other | 23% |
| Don't know | 2% |

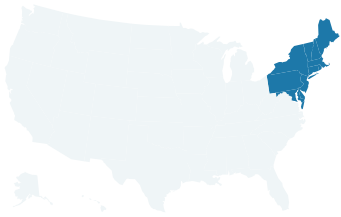


BUSINESS INSURANCE

BREAK OUT AWARDS

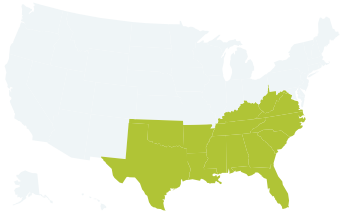
NORTHEAST

PAGE 19



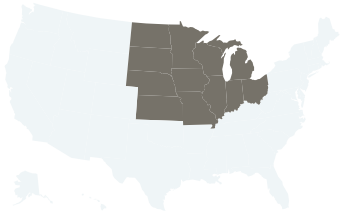
SOUTH

PAGE 24



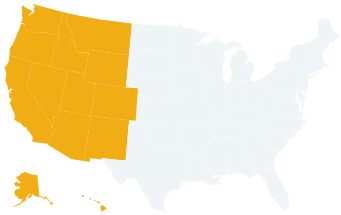
MIDWEST

PAGE 28



WEST

PAGE 32



The 2018 *Business Insurance* Break Out Awards highlight the potential future leaders of the insurance and risk management sector from across the United States.

The awards, which were established last year to succeed our 40 Under 40 program, celebrate the achievements of up-and-coming professionals working in the insurance field as the sector, like other areas of business, grapples with demographic change.

To be eligible, nominees can work in any role in the commercial insurance and risk management field — underwriters, brokers, risk managers, lawyers, third-party administrators and other service providers — but cannot have worked in the industry for more than 15 years.

To maintain diversity in geography and type of company, honorees are divided into four regions of the United States, and no single company has more than one winner per region.

All the nominations — which highlighted the nominees' client-service skills, expertise and leadership qualities — were reviewed by *Business Insurance* editors. After drawing up a list of finalists, we contacted references for the nominees, which

included managers, colleagues and clients, before selecting the winners.

Many of our award winners moved straight from college into management trainee programs, others applied for specific jobs in the sector, and others moved into the insurance field after starting out on a different career path. All have already made their mark in the sector and are headed toward more success.

In the following pages, you can read edited excerpts of interviews with the winners and gain insights into their personalities and professional achievements.

The awards will be presented at regional events this month in New York, Chicago and Los Angeles.

Gavin Souter, editor

2018 BREAK OUT AWARDS WINNERS

NORTHEAST

Kyle Burnett
XL Group Ltd.
Page 19

Issy Bustamante
Willis Towers Watson P.L.C.
Page 19

Jessica Cullen
Arthur J. Gallagher & Co.
Page 19

Carrie DiCanio
Anderson Kill P.C.
Page 19

Anneloes Heslen
Marsh L.L.C.
Page 20

Christina Leo
Goldman Sachs Group Inc.
Page 20

Robert O'Connell
Odyssey Re Holdings Corp.
Page 20

David Shluger
Zurich North America, a unit of Zurich Insurance Group Ltd.
Page 20

Chidubem Ude
Aon P.L.C.
Page 21

Laura Zoltan
Arch Insurance Co., a unit of Arch Capital Group Ltd.
Page 21

SOUTH

Deepak Adappa
Marsh L.L.C.
Page 24

Earne Bentley
Origami Risk L.L.C.
Page 24

Glenn Godfrey
Wortham Insurance & Risk Management
Page 25

Chris Knight
Beecher Carlson Holdings Inc.
Page 25

La'Vonda McLean
Willis Towers Watson P.L.C.
Page 26

Daniela Mills
Lockton Cos. L.L.C.
Page 26

Alex Rinehart
Breckenridge Insurance Group Inc.
Page 26

Heather Sanderson
Franco Signor L.L.C.
Page 26

Sterling Tramonte
JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C.
Page 27

Normandy Yaeger
Alliant Insurance Services Inc.
Page 27

MIDWEST

Elisabeth Aleman
CNA Financial Corp.
Page 28

Teddy Felker
GCG Financial L.L.C., a unit of Alera Group
Page 28

Luke Figora
Northwestern University
Page 29

Justin Gress
XL Group Ltd.
Page 29

Shawn Hall
Breckenridge Insurance Group Inc.
Page 30

Nick Hejna
AssuredPartners Inc.
Page 30

Logan Payne
Lockton Cos. L.L.C.
Page 30

Joe Powell
Gallagher Bassett Services Inc.
Page 30

Kate Simons
Aon P.L.C.
Page 31

Ryan Strouth
Travelers Cos. Inc.
Page 31

WEST

Brandon Cole
Arthur J. Gallagher & Co.
Page 32

Derek Crumpler
Burns & Wilcox, a unit of H.W. Kaufman Group Inc.
Page 32

Timothy Edwards
JLT Specialty USA, a unit of Jardine Lloyd Thompson P.L.C.
Page 33

Krissy Kyjovsky
Tangram Insurance Services Inc.
Page 33

Connie Liu
Aon P.L.C.
Page 34

Matt McManus
Alliant Insurance Services Inc.
Page 34

Pierce Perotti
Marsh L.L.C.
Page 34

Corey Rider
CNA Financial Corp.
Page 34

Veronica Romano
Zurich North America, a unit of Zurich Insurance Group Ltd.
Page 35

Heather Wilkinson
Willis Towers Watson P.L.C.
Page 35



KYLE BURNETT

Regional vice president of property,
head of excess and surplus property

XL Group Ltd.

New York

Kyle Burnett was recruited to join the excess and surplus property unit of XL Group Ltd., which does business as XL Catlin, in 2016 from Everest National Insurance Co., where he was executive underwriting director. Earlier in his career, he was a senior underwriter with PartnerRe Ltd. Once at XL Catlin, Mr. Burnett was responsible for \$7 million in new business in less than six months.

Emerging risks in your specialty

We're starting to see a lot of cannabis and medical marijuana coming into the market, and I think they are hard-to-place risks. People try to find homes for the

business, but not every carrier is comfortable with them.

Best-kept secret about insurance

I think the best-kept secret is the autonomy, the ability to set your schedule. If you're doing your job right, there's a lot of travel involved. There's a lot of fun you can have with the job. I think people think it's a boring career, but it's all what you make of it, and I can tell you my career thus far has been fun and exciting.

29

Something people don't know about you

Prior to starting in insurance, I was a chef, and I cooked for the princess of Qatar's wedding. They flew me over there for two weeks to cook for the princess's wedding. I believe it was the king's third daughter.

Hobbies and interests

I'm a big fan of travel with my fiancée. We like to see the world as much as we can, and I take that opportunity every chance I get.

Dream vacation

Dubai. I like seeing a lot of different places. Every time I see a picture of Dubai, it makes me want to go there even more.



JESSICA CULLEN

Managing director, casualty practice

Arthur J. Gallagher & Co.

New York

Jessica Cullen joined Arthur J. Gallagher & Co. in 2005 and has remained with the firm except for a brief tenure at Marsh L.L.C. from 2012 to 2014. It was in 2015 that she became managing director of the casualty practice at Gallagher, having been senior vice president prior to that. She is also head of strategy and thought leadership for the broker's casualty practice.

Emerging risks in your specialty

Right now, what we're looking at and focusing on is third-party liability as it relates to terrorism. More and more frequently, rented vehicles are being utilized to carry out small targeted attacks across

the globe. Further, with the growth of automation and autonomy in vehicles, there is a potential to increase the frequency and remote attack capabilities to use vehicles in acts of terror against civilians. How liability policies will respond to these attacks in the next decades will be interesting to watch.

Advice to someone starting in the business

We are in a people business. People want to do business with people they like and respect. People like and respect people who are trustworthy, thoughtful, hard-working, understanding and reliable. My advice in a nutshell: Build trust every day. Be reliable by following through on what you say you will do.

Best-kept secret about insurance

I think the best-kept secret is that it can be a lot of fun, not just the going out and networking components. You can really dig deep into different industries and get a picture of the world economy. You're seeing only a small slice of it, but it's kind of cool to see how all the pieces fit together.

Hobbies and interests

I love going to distilleries, whether it be stateside or overseas.

Favorite meal

Grandma's meatballs



ISSY BUSTAMANTE

Vice president, construction claims team leader

Willis Towers Watson P.L.C.

New York

Issy Bustamante is the construction claims team leader for Willis Towers Watson P.L.C. and a member of the construction practice's leadership team. She came to Willis Towers Watson in 2012 as a senior consultant and was promoted to team leader in 2015. Prior to this, she had been with Axa Insurance Co. and Wright Risk Management Co. L.L.C. after beginning her career in 2003 with Liberty Mutual Insurance Co.

Emerging risks in your specialty

The construction industry is experiencing a revolution at the moment. Companies using new technologies, such as building information modeling, the use

of drones and automated vehicles and heavy machinery, and 3-D printing, can lead to risks that we may not have considered previously.

Job change over the next 10 years

Claims management for the construction industry in the next 10 years will become more challenging. As all of these new risks evolve, the associated coverages will be new. There will be new coverage terms, and with each new claim that comes through the coverage will be tested to see how it responds. Navigating the coverage, which may not have established case law, may make for some interesting discussions and negotiations.

Advice to someone starting in the business

In an industry dominated by electronic interactions, the only thing I can say is pick up the phone. Calling clients and colleagues and setting up time to meet and collaborate is so important.

Best-kept secret about insurance

Insurance is not boring. I actually would say that it is fun. I know that handling claims is like being Sherlock Holmes with a medical degree who also dabbles in litigation.

Favorite meal

I don't have a favorite food, but my favorite meal is dinner. It's the most important meal of the day for me.

36



CARRIE DICANIO

Shareholder

Anderson Kill P.C.

New York

Carrie DiCanio became a shareholder at Anderson Kill P.C. in 2017 after serving with the firm as an associate since 2008. She represents policyholders in insurance coverage disputes concerning environmental, asbestos, product liability, property, and directors and officers claims. Ms. DiCanio also co-founded Women's Network at Anderson Kill and is co-chair of Cordozo Women, an alumni group for women graduates of her alma mater, the Benjamin N. Cardozo School of Law.

Emerging risks in your specialty

My specialty is directors and officers, and there are two main emerging risks I see. One is corporate fiduciary liabil-

ity for workplace discrimination and harassment, primarily in the wake of the MeToo movement and the revelations about workplace discrimination that have come to light. The other main area of risk I see pertains to securities litigation over data breaches.

Job change over the next 10 years

There has been a lot of talk about technological development in the insurance industry with respect to artificial intelligence and blockchain, but I don't think that's going to impact the need for coverage lawyers who specialize in lines of coverage like directors and officers and other types of coverage which include large claims.

Advice to someone starting in the business

I would tell them to work hard and learn as much as you can about the problems with which they are assisting clients. I would tell them to take the challenges that are presented to them and to always say "yes."

Something people don't know about you

Most people do not know that I have run three marathons, including the New York City Marathon, which I ran in under four hours. My best race was the Mohawk-Hudson marathon, which I did in 3 hours and 29 minutes.

Favorite meal

Lasagna, because it's the ultimate comfort food for me.



ANNELOES HESEN

39

Managing director, product lead for consumer and commercial

Marsh L.L.C.

New York

As the managing director in Marsh L.L.C.'s digital, data and analytics group, Anneloes Hesen is responsible for driving the development of innovative products powered by digital technology as well as for spearheading Marsh's insurtech strategy. She joined Marsh in 2009 in its insurer consulting group and became responsible for product development and operations of MarketConnect, its technology platform for insurers and reinsurers.

Job change over the next 10 years

I am proud to work in the insurance industry at such an exciting time. Digital disruption is coming from various direc-

tions, including changes in consumer behavior, increased readiness to purchase insurance online, the explosive growth in data, abundance of Insurtech startups and the availability of more sophisticated analytical tools. The need for a workforce skilled in technology and data, along with an ability to drive change will continue to increase. This will allow brokers such as Marsh to better understand clients and serve as true risk advisors.

Advice to someone starting in the business

Be curious, ask questions and enjoy getting to know the industry. Learn all you can from the insurance experts.

Best-kept secret about insurance

Insurance is going through an exciting time, making this a great industry to own and in which to drive change. I would also highlight the vast amount and variety of data that will continue to become available, with endless possibilities to develop unique insights and new products.

Something people don't know about you

One of my more memorable (and risky) experiences as a teenager was skydiving in Cuba.

Favorite meal

Gratin dauphinoise, ratatouille, madeleine and tarte tatin made by my French family-in-law. Fresh white asparagus.



CHRISTINA LEO

36

Vice president-corporate insurance, operational risk management and analysis

Goldman Sachs Group Inc.

New York

Christina Leo joined Goldman Sachs Group Inc. in April 2015 as a vice president in the company's corporate insurance group, where she managed placement of the firm's management liability and professional liability coverage. She was promoted in May 2017, adding responsibilities with the operational risk management and analysis team, covering the firm's investment management division. Prior to joining Goldman, she had been a broker with Aon P.L.C. and an underwriter with Zurich Insurance Group Ltd.

Job change over the next 10 years

As the risk management practice

becomes more sophisticated and data driven, it's easier to look at the risks on a wholistic and enterprise basis rather than an insurable-risk basis.

Advice to someone starting in the business

I'd say to develop relationships with clients, with brokers and with underwriters. It's a very small industry, and strong relationships can really help you along the way.

Best-kept secret about insurance

In the management liability practice, it's definitely the access you get to the firms you are working with. I'm still amazed that as a junior underwriter I was able to sit down with the chief financial officer of a company and ask them questions about their business. You don't really get that type of exposure in other industries.

Hobbies and interests

I do triathlons, and I did an Iron Man last summer. I've been doing this for about five years and at this point have probably done about a dozen triathlons.

Dream vacation

Thailand and Vietnam. I like the beach but I also like to do things and explore. It's a happy medium

Favorite meal

My mom's spaghetti and meatballs. It's an old family recipe.



ROBERT O'CONNELL

28

Odyssey Reinsurance Co.

Lead cyber underwriter

New York

Robert O'Connell serves as lead cyber underwriter for Odyssey Reinsurance Co. Before joining OdysseyRe, Mr. O'Connell held a number of successive underwriting roles with Chubb Ltd. and its predecessor company, Ace Ltd., across North America.

Emerging risks in your specialty

My area of specialty — cyber and technology risk — is continuously being redefined by a revolving door of emerging threats and risk factors. While innumerable and constantly shifting, they currently include the explosion in consumer/industrial ("internet of things") adoption, autonomous vehicles, systemic infrastructure

vulnerabilities, increased nation-state aggression, the low-cost "democratization" of sophisticated malware, and the emerging labyrinth of global breach laws and regulations.

Job change over the next 10 years

In general, I'm bullish on the role technology will play in the development of our industry over the next 10 years. Data and analytics are rapidly becoming more sophisticated, and I believe the insurance industry is finally turning the corner in distilling relevant insights from the vast yet jumbled caches of "big data."

Advice to someone starting in the business

Be patient, stay humble and focus on learning as much as possible about both your product line and the rest of the insurance industry.

Best-kept secret about insurance

The fact that the insurance (and reinsurance) career track remains a virtual secret on most U.S. college campuses is astonishing. I largely attribute this to the widespread, yet highly inaccurate perception that the industry is slow-adapting, technophobic and innovation-resistant.

Favorite meal

The lobster roll at Boston's B&G Oyster.



DAVID SHLUGER

31

Senior multiline underwriter

Zurich North America

Boston

David Shluger came to the insurance industry through Zurich Insurance Group Ltd.'s Associate Training program in 2009 without knowing much about the business. Over the course of nine years, he has developed his skills, and now he develops multiline, multiyear risk transfer programs and focuses on property and cyber for Zurich North America. His customers are primarily large global organizations, and he works in tandem with them and their brokers to craft customized solutions to complex risks.

Emerging risks in your specialty

I would say cyber is the fastest-evolving threat to companies that we see. It really

demands constant vigilance from those companies as well as insurance coverage that can reduce gaps and overlap across many of the different lines. I'm also seeing companies pursuing alternative risk financing to try to make the best use of their balance sheet but still secure protection for the unforeseen event.

Job change over the next 10 years

I think we'll see a convergence of risk, where customers want broad integrated coverages that are seamless and complete. And so, for me, as part of an insurance carrier, I'll support customers on the journey toward enterprise risk management by being innovative and focusing on the customers' needs.

Advice to someone starting in the business

Be ambitious, be curious and take personal risks in your career. And then, most importantly, seek mentors, act on their advice and thank them for it.

Best-kept secret about insurance

The insurance industry is not the sleepy industry that maybe it once was. It's evolving very quickly, moving from antiquated to high-tech.

Something people don't know about you

I'm an undefeated amateur boxer — but it's a little bit tongue-in-cheek. I'm 1-0. I fight for charity, so it's kind of funny to say I'm retired and undefeated.



CHIDUBEM UDE

Aon P.L.C.
Account executive – vice president
New York

Unlike many people who come to insurance by accident, Chidubem Ude chose his path to the industry. A graduate of Temple University, Mr. Ude found his sweet spot in the multinational space with Aon P.L.C., working with clients who are domiciled in the U.S. and have operations overseas. It is his job to analyze the risks his clients face overseas, and to place and implement global insurance programs that protect them.

Advice to someone starting in the business
I think the most important thing is to ask a ton of questions. I tell people all the time, geniuses ask the most questions. When you first start in the industry, you

want to be curious about everything.

Best-kept secret about insurance

It's fun. Honestly, that's the best-kept secret about insurance. A lot of people tend to think it's boring. For me in the commercial space, working with Fortune 500 companies that I grew up seeing on TV and hearing about on the radio, it's pretty exciting for me to work with these companies closely and have an impact from an insurance standpoint. We are dealing with real-life situations, real-life scenarios.

30

Something people don't know about you

I'm a chess player, an avid chess player, if I may add. In New York City, we have this area called Bryant Park, where a lot of folks sit out there and play chess. And one of my hobbies is going over there when I have some free time to play chess.

Dream vacation

I want to go to Mykonos and Santorini. And another goal is to go to Bali. I have a few friends who have been there, and they describe it as heaven on earth. I would love to see what heaven looks like — while still being present on Earth, of course.

Favorite meal

I'm Nigerian, born and raised, so my favorite meal is a local dish call jollof rice. Jollof rice is a native dish to west Africa, but you find the best jollof rice in Nigeria, so that along with plantains and stew.



LAURA ZOLTAN

Arch Insurance Co.
Regional vice president-executive assurance
New York

Laura Zoltan had her first brush with the insurance industry in her junior year of college during an internship with Hartford Financial Services Group Inc. That internship led to a job offer, and two years later she accepted a position with Arch Insurance Co., a unit of Arch Capital Group Ltd., where she underwrites professional and management liability insurance for financial institutions.

Emerging risks in your specialty

I think the increased use of and investments in cryptocurrency is definitely a hot topic right now. It's such a highly volatile and speculative asset with a limited track record and a lot of regulatory

33

uncertainty, so underwriters are especially cautious of the heightened regulatory, theft and cyber risks in the space.

Job change over the next 10 years

I think with continued advances in technology and artificial intelligence and both buyers and sellers of insurance striving for more efficiencies, I expect more of the job will be more automated over the next 10 years. But I don't think there's any true substitute like effective decision-making or negotiation, at least not yet.

Advice to someone starting in the business

Network and get your name and face out there. Attend industry events and luncheons. Always take the time to meet people in person. I think being smart and technical will definitely go a long way, but it's definitely these strong, interpersonal relationships that drive favorable business outcomes.

Best-kept secret about insurance

That it's a fun industry to work in and I don't think people think fun when they hear the word "insurance." Not every job has perks like attending sporting events or dining at New York's greatest restaurants with colleagues and training partners.

Something people don't know about you

I performed in an improv and sketch comedy troupe.

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Brandon Cole
Jessica Cullen



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PERSPECTIVES



Rising to the Challenge:

Time to Optimize Business Interruption Wording In Cyber Policies

Jill Salmon | VP, Head of Cyber, Berkshire Hathaway Specialty Insurance

Recent cyber-attacks are about disrupting the core of businesses, rather than just data, and they are shaking up organizations. Hackers are no longer just looking for credit card numbers and other personally identifiable information (“PII”) to sell on the dark web. They are deploying malware — most notoriously ransomware — to disrupt a target’s critical business operations for financial gain.

These attacks are typified by Wannacry, which infected more than 300,000 systems in 150 countries, and NotPetya, which is estimated to have cost organizations more than \$1 billion in revenue. They can shutdown logistics systems, divert emergency services and upend global manufacturing. And they have catapulted cyber business interruption coverage to the top of the risk management agenda for companies of all types.

Revisiting the Standard

While business interruption coverage has been provided as part of the cyber insurance policy for years, the coverage has historically been borrowed from property policies, which use broad language that has been largely untested in conjunction with cyber-related perils. Now there is a pipeline of early claims working their way through the system — and there will be lessons learned from their outcomes.

This situation is not without precedent. Effective, sustainable cyber policy wording to address data



breach exposure did not develop overnight. It has required refinement over time and has been shaped by an evolving regulatory environment and companies’ growing recognition of the exposure. Additionally, the insurance industry has worked through a myriad of data breach claims and the process has enabled us to address this exposure and loss more and more effectively.

The same evolution must occur for cyber-related business interruption risks. The cyber-triggered business interruption loss of any specific company is unique: It depends on that company’s business model, how that company generates revenue, and such variables as the company’s contingency plans and supply chain exposures. Even seemingly broad business interruption language may

not respond effectively to risks specific to an insured and its business, unless it has been thoughtfully crafted to do just that.

Starting New Conversations

To create sustainable business interruption coverage which responds effectively to cyber related perils, underwriters must first fully understand a company’s exposure when it comes to an outage, regardless of cause. This will require underwriters to think about the exposure differently. Underwriters will need to analyze financials and understand a company’s fixed costs as well as how it recognizes revenue. They will need to ask different questions. For instance, to what extent does the insured rely on computer systems to run its business? What would be the conse-

quences of an outage? What backup systems and business continuity and contingency plans are in place?

At the same time, companies should be asking how well their business interruption coverage aligns with their true exposures, keeping in mind that today’s coverage is likely gleaned from property policies, which take aim at different perils. Getting answers to these questions will require bringing different people to the table to discuss the company’s unique exposure — including those responsible for operations, disaster recovery and business continuity.

Awareness must expand as well. Management needs to be educated about the potential impact of a cyber business interruption event. Again, there is a parallel to the early days of cyber coverage for data breach exposure. Not too long ago, protecting data was not an organization’s priority, and many companies were unaware of the type of data they held or how it was stored. Today, companies that hold sensitive information must be well-prepared to demonstrate their commitment to data protection in order to obtain cyber insurance.

Our customers’ cyber insurance needs have evolved and this evolution will continue. The insurance market must respond in a thoughtful way, with diligent underwriting and coverage crafted to align most effectively with individual risk.

¹ <https://www.cybereason.com/blog/notpetya-costs-companies-1.2-billion-in-revenue>



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*Balance sheets as of 09/30/2017 for the Berkshire Hathaway National Indemnity group of insurance companies.



DEEPAK ADAPPA

Senior vice president and
FINPRO advisory specialist
Marsh L.L.C.
Dallas

31

Deepak Adappa was in his junior year at the University of Michigan's Stephen M. Ross School of Business working toward a degree in business finance and accounting when he came across Marsh L.L.C. officials at a career fair. He got a 10-week internship in Marsh's Chicago office and found his calling: a job that valued his love for sifting through balance sheets, examining organizations' operations and understanding their exposures.

Emerging risks in your specialty

I know cyber has been around for a little bit, so I don't know if folks would really consider it an emerging risk, but I think

it still is. It's an emerging risk because it's really going to evolve over the next five to 10 years and beyond, just the way that operations and technology are continuing to change.

Best-kept secret about insurance

It's really interesting. I'm constantly learning new and different things. Anytime you're talking with a client and trying to understand their exposures, you're learning something from them. Sometimes — before I got into the industry — you think of insurance and think of this plain, regimented, very historical industry that may not have a lot of evolution and nuance to it. But once you really get into it, you see how much there is to learn on a day-to-day basis and how interesting it can be.

Something people don't know about you

I really enjoy traveling. My parents are originally from India, and me being first-generation, we used to go there every other year. I've been to China, Australia, Costa Rica.

Dream vacation

Africa. I've always wanted to go on an African safari.

Favorite meal

My wife's family introduced me to xiao long bao. It's a dumpling, but they actually put a soup within the dumpling. It sounds boring, but I love pizza.



EARNE BENTLEY

Executive director, sales
Origami Risk L.L.C.
Atlanta

41

After receiving a Bachelor of Science degree in business administration, management information systems, from Auburn University, Earne Bentley went to work for a large commercial lighting manufacturer — a job he loved. But he really wanted to get back into using his information technology background and took a job for Marsh ClearSight after a friend suggested he interview with the brokerage. He eventually joined Origami Risk in 2012.

Best-kept secret about insurance

What seems to the public to be a pretty mundane industry is far from it. There's a tremendous amount of opportunity in this business. There's a tremendous need

for this business, so it makes it quite recession-proof. And there's also a demand for really good people who can understand how to be creative about solving problems.

Job changes over the next 10 years

What I see is an insurance industry that is a much more digital industry in which the policyholders are a lot closer to the underwriter. I think you'll see that value chain gets much tighter just because of information flow back and forth. I'm not sure I see my job being significantly different, other than you'll see exponentially better technology that enables much faster and more structured data to be used to make smarter decisions.

Something people don't know about you

Most people who know me know I have six kids. I'm fortunate to have a fantastic wife. I have six kids, and I travel a lot. I say the best decision I made was marrying very well.

Hobbies and interests

I'm an avid water-skier. I enjoy sports a lot. I love soccer and college football, but I also just love being active and being outdoors.

Favorite meal

I'm big into outdoor cooking. I have multiple grills, and we smoke a lot of meat. My favorite, most common meal is pulled pork.

ALERA GROUP



Congratulations!

Teddy Felker, a fourth-generation insurance broker from Alera Group's GCG Financial, has been awarded the 2018 Break Out Award from Business Insurance for the Midwest region. The award recognizes Teddy as a top-performing member of the next generation of insurance industry professionals who exhibit standout leadership and professional skills.

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GLENN GODFREY

35

Associate director
Wortham Insurance & Risk Management
Houston

Glenn Godfrey can thank his lucky Halloween socks for helping him get into the insurance industry. He was in private practice working on tax law after graduating from American University's Washington School of Law and helping clients such as Wortham Insurance & Risk Management navigate mergers. He was wearing the socks when he was invited to an unexpected job interview, which his Wortham colleagues have never let him forget.

Best-kept secret about insurance

From my perspective, it's the industry itself. It's a hidden gem.

Advice to someone starting in the business

Be open — don't be narrow-minded about what you think you want to do in the industry. There are a lot of different roles. You have to be honest with yourself about what your strengths are and what your weaknesses are. Certainly, try to find a role that plays to your strengths, but at the same time be flexible and don't get trapped in your preconceived notions about what a particular role is going to be like.

Hobbies and interests

I'm kind of a nerd in that I like what I do, so a lot of my time, outside of family, I spend on insurance stuff. I'm part of the Texas Surplus Lines Association (Inc.'s) legislative committee and the American Bar Association's (insurance regulation) committee. I am a terrible golfer, and I'm very proud of it. I spend a fair amount of time remaining terrible at golf.

Dream vacation

I was born in Belize and grew up on the beach. For me, it's just kind of going home. For my wife, that's an awesome vacation. I spent part of my childhood in Montana and I have not been back since I left, so a dream vacation for me would be to go back to Whitefish, Montana, spend a week skiing and catching up with old friends. Of course, there would be no cellphone service, so they can't track you down.

Something people don't know about you

I wear Halloween socks all the time.



CHRIS KNIGHT

33

Analytics Practice Leader
Beecher Carlson Holdings Inc.
Atlanta

While working toward a Master of Science degree in applied statistics at Kennesaw State University, Chris Knight heard about an interesting internship opportunity working on predictive modeling in the insurance industry. Mr. Knight is now the analytics practice leader for Beecher Carlson Holdings Inc.'s ZOOM practice, a consulting group within the Atlanta-based brokerage that helps companies better manage workers compensation programs and costs.

Emerging risks in your specialty

Within claims management and across the industry, there is still a need for improvement when it comes to analytics

strategies and data quality. We are hindered when data is not captured properly, it's not managed and the analysis of it is not approached with a purpose. I think that's a real detriment to the industry.

Job changes over the next 10 years

With new data management capabilities, new approaches to how claims are managed, prescriptive analysis will really drive the direction of positions like mine, if there are many. I think changes to how adjusters manage claims and how clients oversee the management of their claims will continue to evolve with new technology and data science contributions.

Advice to someone starting in the business

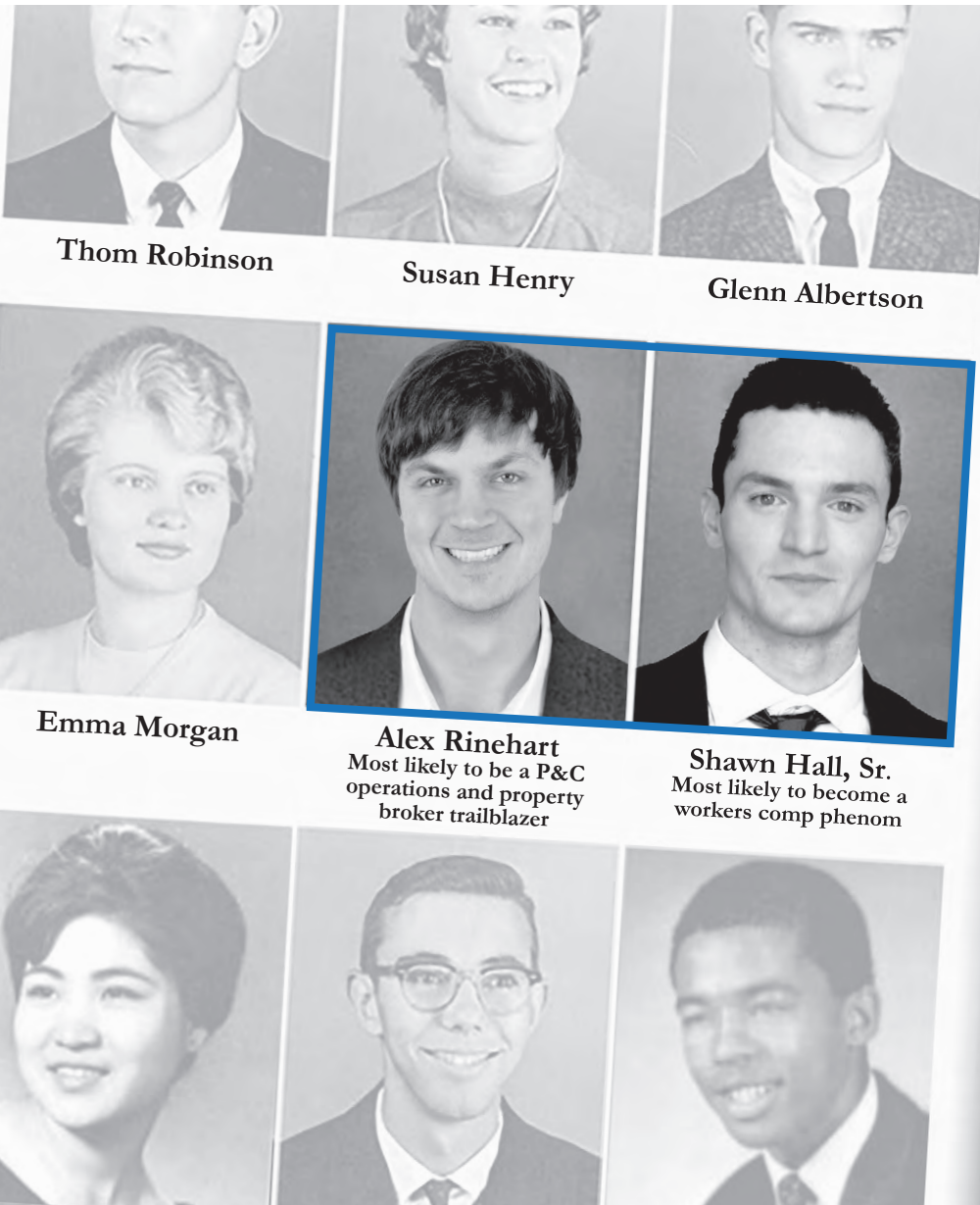
Instead of striving for success, strive to be valuable, which is a paraphrase of an Albert Einstein quotation. But I think that will take anyone far in the industry.

Something people don't know about you

I once considered going into a career in art. In high school, I was asked to paint a giant mural in the school gym, which was a lot of fun. When I got to college, I decided to major in something similar: mathematics.

Hobbies and interests

I really enjoy biking, traveling. I like exploring new cities and being in nature. I also really enjoy cooking.



Thom Robinson

Susan Henry

Glenn Albertson

Emma Morgan

Alex Rinehart
Most likely to be a P&C operations and property broker trailblazer

Shawn Hall, Sr.
Most likely to become a workers comp phenom

It's not surprising that these two have broken out in our industry.

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LA'VONDA McLEAN

36

Senior vice president, FINEX national health care industry leader

Willis Towers Watson P.L.C.

Atlanta

La'Vonda McLean joined Willis Towers Watson P.L.C.'s FINEX practice as a vice president in January 2014 and three years later she was promoted to FINEX national health care industry leader for North America. A former practicing attorney, Ms. McLean worked at a national law firm in Atlanta as an associate specializing in labor and employment law, defending private and not-for-profit employers in all aspects of employment litigation.

Advice to someone starting in the business

Definitely find a mentor and a sponsor. A mentor is someone that you can rely on to guide you through the industry, guide

you through your career, help you make smart decisions about career changes. With sponsorship, that individual is more so a person that understands and knows the good work that you do ... and helps you get visibility within the industry and/or the organization that you're in.

Best-kept secret about insurance

The great thing about the insurance industry is that you can turn any passion you have into a career. I have spoken on panels about alternative legal careers, and in particular with my background and experience transitioning back into insurance, but it's definitely an area I think lawyers can look to if they want to make a transition out the traditional practice of law.

Something people don't know about you

I sang for 3½ years with the African American Choral Ensemble at the University of Georgia. And another fact about me is that I actually have an extensive Marvel Comics card collection.

Hobbies and interests

I'm enjoying learning how to play golf. I also enjoy concerts, plays, going to movies, spending time with my family and friends and reading.

Dream vacation

I would love to spend an extended time visiting Africa, in particular South Africa and Egypt.



DANIELA MILLS

38

Property team leader for Texas operations

Lockton Cos. L.L.C.

Houston

Daniela Mills believes that there's always something to learn in the insurance industry. She has been in the business for 14 years, focusing on the property space. Her career began at Setnor Byer Insurance and then she joined Marsh USA Inc. as a property client adviser and rose through the ranks to property broker. She joined Lockton in 2016 as general property leader for the Texas operations and is part of Lockton Cos. L.L.C.'s U.S. property practice.

Emerging risks in your specialty

Cyber. It's definitely one of the risks we're seeing a lot more in the property space. With the advancement of technol-

ogy, we're seeing more and more how it can impact our clients. And it is really the only peril that can affect every location at the same time.

Job change over the next 10 years

I think the job of the broker is probably going to be more automated in selecting client data, putting together spreadsheets, proposals and things of that manner. We're also going to be more analytical-driven. So I think that's going to drive us to be more analytical in our broking approach, but at the same time I hope it doesn't get to the point that we get so focused on the analytics that we lose the true art of broking and the relationships that we have in the industry.

Advice to someone starting in the business

Have patience. It takes time to learn all the gritty details of your industry or your discipline, and even then it's such an evolving industry that you have to be willing to learn new things on a daily basis and also think outside of the box.

Best-kept secret about insurance

It's a very rewarding industry. You have the opportunity to work with not only different types of clients, but different classes of business, so you don't get bored.

Dream vacation

Sitting on a beach and relaxing. It doesn't matter which beach, just any beach.



ALEX RINEHART

32

Director of property/casualty operations and senior vice president

Breckenridge Insurance Group Inc.

Kennesaw, Georgia

Alex Rinehart was named director of property/casualty operations at Kennesaw, Georgia-based Breckenridge Insurance Group Inc. in February. During his eight-year insurance career, he has placed international and domestic accounts and retained one of Breckenridge's largest accounts through four renewal cycles. One of Mr. Rinehart's notable achievements was creating an exclusive student housing program for a client through Lloyd's of London.

Emerging risks in your specialty

The sharing economy, the "internet of things," drone deliveries and myriad

other innovations will continue to challenge the risk management world. There are always new industries popping up and the risks associated with them.

Job change over the next 10 years

Efforts to disintermediate will likely accelerate the transitioning of specialties, but there will always be a need for the excess and surplus market as new risks emerge with no data or history to feed algorithms. I suspect we'll see a return to the "back of cocktail napkin" type deal-making, because the delays we currently experience for modeling, referrals and the like will be eliminated by the increasing availability of data and speed of communication.

Advice to someone starting in the business

Listen, ask as many questions as you can, don't be afraid to make mistakes, be honest.

Best-kept secret about insurance

Everything. The complexity and breadth of coverages is fascinating, and the relationship-driven nature makes it a fun industry. It's both challenging and comfortable at the same time.

Something people don't know about you

My wife is an actuary, and that reminds me every day that I'm not as smart as I think I am.



HEATHER SANDERSON

35

Chief legal officer

Franco Signor L.L.C.

Bradenton, Florida

Heather Sanderson was named Franco Signor's chief legal officer in 2015, only seven years after having graduated from St. Thomas University School of Law in Miami Gardens, Florida. In that role, she is responsible for the oversight of Franco Signor's legal department and Medicare and Medicaid compliance guidance. She is also a nationally recognized blogger and author on Medicare/Medicaid secondary payer claims management.

Emerging risks in your specialty

The industry eagerly awaits safe harbors from civil monetary penalties for non-compliance with Section 111 Medicare reporting. Until we have those safe har-

bors, entities that report to the Centers for Medicare & Medicaid Services face uncertainty regarding their actions and inactions in reporting.

Job change over the next 10 years

Attorneys charged with assisting in compliance with the Medicare Secondary Payer Act will be in high demand 10 years from now. I believe that CMS will ramp up its enforcement of the MSP. As the Medicare Trust Fund continues to dwindle, CMS will be looking for avenues to increase the longevity of the trust fund.

Best-kept secret about insurance

The best-kept secret is that insurance is more fun and interesting than those outside the industry may think. Change is constant in insurance, whether it be from a legal/regulatory or technological perspective, so it is never lacking in change.

Something people don't know about you

My personality has always been sort of an open book: It keeps me living a truly authentic life. My love for writing has really harnessed me being able to express that creative side of my personality. I recently wrote an article for Working Mother magazine in my spare time.

Favorite meal

A medium rare steak, a loaded baked potato, a salad and a nice glass of red wine.



STERLING TRAMONTE 27
Assistant vice president
JLT Specialty USA
Houston

Sterling Tramonte works with a variety of clients across a wide range of industries, including oil and gas, hospitality, aviation, manufacturing and private equity. She emphasizes client service and manages U.S. and global insurance programs at JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C. Her latest focus has been on the management and administration of various million-dollar property claims stemming from Hurricane Harvey and other severe 2017 windstorms.

Emerging risks in your specialty
Cyber, workplace violence, increased political risk and terrorism. These are not necessarily new risks, but have become even

more heightened and prevalent in the past few years. These risks continue to become more complex and nuanced, meaning the insurance products that protect against them must evolve to address these changes.

Job change over the next 10 years
As our world becomes more technologically advanced, technology and big data will continue to influence how we do our jobs on a day-to-day basis. More commoditized markets will become more efficient and transparent, forcing brokers and underwriters to become more creative to provide a value-added service.

Advice to someone starting in the business
Start making connections now and building your network. This is a small industry, where everyone seems to know everyone. It's important to get your name out there in a positive light and make sure to not burn any bridges. Also, find a mentor.

Something people don't know about you
My dad's side of the family — including my dad — are professional tennis players. My grandfather, Luis Ayala, was once top five in the world during the peak of his career.

Dream vacation
My honeymoon to Bora Bora was honestly my dream vacation. Now I'm eager to travel around Europe — Spain, Italy, France and Greece are my next stops.



NORMANDY YAEGER 39
Assistant vice president and account executive
Alliant Insurance Services Inc.
Alpharetta, Georgia

Normandy Yaeger serves as client service leader for construction in Alliant Insurance Services Inc.'s Atlanta office. At Alliant, which she joined in 2017, she recognized that the surety team needed a training program, so she helped create a comprehensive construction training program for interns and new hires. She has also spearheaded improvements in certificate issuance through the use of technology, enhancing turnaround time.

Emerging risks in your specialty
There are lots of emerging risks in construction, but the ones that I see being a major impact are cyber, labor shortage and project delivery methods — specif-

ically project delivery methods because they continue to evolve, creating new risks for contractors. Fifteen years ago, most projects were simply design-bid-build. Now we are seeing a variety of delivery methods.

Job change over the next 10 years
I think big data and data analytics will play a larger role in our industry. The key will be understanding it and creatively utilizing it in a practical way, which will assist our clients to better mitigate risk. An example of how we use data is a process developed by Alliant called C2M, where subdata is reviewed actuarially using a rating system that determines the likelihood of default. This prequalification method assists contractors in their qualification process for one of the biggest risks they have: subcontractor default.

Advice to someone starting in the business
Surround yourself with people who elevate you.

Best-kept secret about insurance
Most people don't think insurance is a relationship business, but it is. Building strong relationships has helped position me to best support my clients.

Dream vacation
To visit Normandy. My grandfather was in the 101st Airborne, and that is how I got my name.



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including our own Rob O'Connell!**

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ELISABETH ALEMAN 35
Assistant vice president, commercial officer
CNA Financial Corp.
Chicago

Elisabeth Aleman is responsible for the product and liability coverage for all commercial lines of business and segments for the Chicago branch of CNA Financial Corp., managing a \$150 million book and 26 underwriting professionals. She started her career at Hartford Financial Services Group Inc. and then ventured to work for CNA, advancing in 2016 from branch underwriting director to her current leadership role, where she leads commercial underwriting teams based out of Chicago, supporting other CNA offices throughout the Midwest

Emerging risks in your specialty
Companies are continuously evolving the

way they do business, and that always keeps us on our toes when evaluating risks. As we're sharing cars, bikes, workspaces, warehouses, resources and more, the rise and increasing sophistication of the sharing economy raises questions regarding what is at risk and what the appropriate form of coverage is.

Job change over the next 10 years
I anticipate teamwork, collaboration and selling to look much different than it does today. The traditional business environment is changing, with much less people gathering physically to work or meet in an office setting. Efficient communication methods will play a much bigger role in the future.

Best-kept secret about insurance
Our industry is a melting pot with different people from diverse backgrounds. There is a "home" for everyone in this industry.

Something people don't know about you
English is my second language. My parents are Cuban immigrants and taught me Spanish at home before I went to school.

Dream vacation
A mix of beach time and exploring a big city.

Favorite meal
Tacos from Big Star in Chicago.



TEDDY FELKER 32
Managing director, private equity practice
GCG Financial L.L.C.
Deerfield, Illinois

A fourth-generation insurance broker, the business is said to be in Teddy Felker's blood. Mr. Felker started his career in Marsh L.L.C.'s middle-market brokerage group, first as an intern and then as a new hire. There, he was one of 20 employees nationwide chosen to participate in Marsh's year-long sales and client management training program in New York. He said his closest — and best — mentor has been his dad, whom he eventually worked alongside in the risk management division of GCG Financial L.L.C., a unit of Alera Group. In 2015, he recognized the need for a formalized practice to help clients who needed private equity/mergers and acquisitions ser-

vices and co-founded the firm's private equity practice.

Job change over the next 10 years
I think we need to continue to improve as advisers and make sure that we're bringing value to the table. Insurance can be complicated, and I want my clients to feel educated (and) confident about the decisions they're making. I think it will be important to focus on products like (directors and officers), cyber, and reps and warranties over the coming years.

Advice to someone starting in the business
I would say to specialize. I think it's hard to be a generalist. Someone starting out should pick an industry they enjoy and know a lot about. You need to speak the same language as your clients. There are a lot of brokers out there; you need to differentiate yourself.

Hobbies and interests
Squash, tennis, golf. But number one, I am a dad and I have two little girls. I love being with them and my wife more than anything.

Dream vacation
Going on a safari in Africa.

Favorite meal
I grew up in St. Louis, so anything barbecued, especially ribs.



JLT CONGRATULATES



TIM EDWARDS



STERLING TRAMONTE

AND ALL 2018 BREAK OUT AWARD HONOREES.

At JLT, our goal is to foster an environment that breeds creative freedom and attracts the best talent in the industry.



LUKE FIGORA

35

Assistant vice president, risk management and environmental health and safety
Northwestern University
Evanston, Illinois

Luke Figora is responsible for enterprise risk management, risk finance, insurance and claims, captive insurance, environmental health and safety, business continuity planning and student health insurance at Northwestern University. Within his first year at the university in 2015, Mr. Figora built the institution's first environmental health and safety function. He has also doubled the lines of business written by its captive. Prior to Northwestern, he was executive director for risk management at the University of Chicago. Mr. Figora is currently the president-elect for the University Risk Management and Insurance Association.

Emerging risks in your specialty

The ones getting the most attention are concussions and brain injuries with respect to athletics and sexual assault and Title IX (issues) on campus.

Job change over the next 10 years

The business model of higher education is going to have to evolve and the role of risk manager is going to need to be someone who can work in a changing environment... mitigating risk but understanding that we will need to take risks to be successful.

Advice to someone starting in the business

Avoid the early career job-hopping where you can. Unless it's a necessary move, don't do it for the 10% (increase in salary) here and there. Build credibility and those increases will come over time.

Hobbies and interests

Whenever I can get some down time, I try to spend it with family. Over the winters, I play in a platform tennis league in Chicago.

Dream vacation

Seychelles Islands off Africa.

Favorite meal

If I am out to a nice meal I enjoy a great seared tuna steak. If not, I am a huge fan of Buffalo wings.



JUSTIN GRESS

34

Director of strategic operations for XL Catlin Canada and North American construction
XL Group Ltd.
Chicago

Justin Gress joined XL Group Ltd., which does business as XL Catlin, in October 2013 and now serves a dual senior management role, charged with driving the overall operational plan, strategic initiatives and execution. Previously, Mr. Gress was the operations/strategic initiatives leader for XL Catlin's distribution and network Americas team and central broker management. XL Catlin credits Mr. Gress with helping to lead the conversation about attracting more millennial talent to the insurance industry. He recently presented on the topic at the Millennials in Insurance 2018 conference in Toronto.

Job change over the next 10 years

Operational roles are blending together. Ten years from now, you will see the (chief operating officer), (chief information officer) and chief processing officer merge into a hybrid role built around technology, data and the ability to motivate people globally and locally in an effective way.

Advice to someone starting in the business

First, don't be afraid to get involved or underwrite a new product or take on a new role. Second, find a great boss who encourages you. Third, the faster you can figure out what the culture is and what kind of culture you like, the quicker you can grow in an organization.

Best-kept secret about insurance

The opportunities. It's an industry that is ripe for some serious change ... Innovation and change are just starting, (and) the next five to 10 years are going to create so many interesting opportunities.

Something people don't know about you

That I am 34.

Dream vacation

Exploring Eastern Europe. I have been all over the world but would like to go to Budapest, Prague, etc., next.

Favorite meal

A filet at RPM Steak Chicago



CELEBRATING THE INSURANCE INDUSTRY'S UP-AND-COMING PROFESSIONALS

CNA is proud to recognize the many achievements of this year's Break Out Award honorees, including our Assistant Vice President and Commercial Officer for Chicago, **Elisabeth Aleman**, and Assistant Vice President and Commercial Officer for San Francisco, **Corey Rider**.

Thank you for your ongoing dedication and contributions to the insurance industry.

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SHAWN HALL

Senior vice president, director of business development

Breckenridge Insurance Group Inc.
Chicago

31

Shawn Hall is a workers compensation specialist, overseeing carrier relationships and new business growth and development strategies for Breckenridge Insurance Group Inc. He started in insurance in 2010 and began his tenure as a specialty broker in 2013. Mr. Hall graduated from Case Western Reserve University in Cleveland, Ohio with majors in English, psychology, and theatre. He was an actor and a model prior to working in insurance.

Emerging risks in your specialty

In the workers compensation space, we are seeing a huge drop-off in claim frequency across the industry, but severity

is quite high and rising. I think we have a far more litigious atmosphere coupled with more sophisticated employees that, even though business owners are creating safer work environments, creates a difficult environment for carriers and business owners to operate in.

Job change over the next 10 years

With my focus being on larger, national accounts, I don't see a ton of change occurring. There will certainly be tech developments that streamline claims processes, loss control, carrier (and) client communications, but I think I am lucky to be in a space that will almost always require a more nuts-and-bolts approach to underwriting and risk analysis.

Advice to someone starting in the business:

Just work harder than the next guy, return every call or email promptly, and be honest. That mix will set you apart.

Best-kept secret about insurance:

Day to day, it feels like make-or-break, living-and-dying with every deal, but it will all even out in the long run.

Hobbies and interests:

Family, work (and) going to the gym as the distant third.

Favorite meal

Something obnoxiously healthy that most people would probably find gross.



NICK HEJNA

President of AssuredPartners of Missouri and regional sales leader

AssuredPartners Inc.
St. Louis

39

Nick Hejna manages the day to-day operations of AssuredPartners of Missouri, leading sales efforts from a regional perspective. He also manages his personal book of business, and before moving into management he built a real estate/habitation and brewery practice, writing 15 brewery accounts in 2015 alone.

Emerging risks in your specialty

Demographics. Although hardly emerging, the crisis is here. I believe *Business Insurance* did a story in 2016 or 2017 regarding the aging demographics in our industry. The stat I remember was 25% of our industry was to retire by the

end of 2018. Latest stat I've heard was 400,000 set to retire in the next three years in our industry. To combat this, AssuredPartners has an industry-leading Emerging Producer Program aimed to responsibly hire and train the next generation of risk consultants. Through regional and national resources, including AP University, AssuredPartners is on the forefront of combating this lingering predicament.

Advice to someone starting in the business

The average success rate for a new producer hire in our industry is around 30%. At AssuredPartners, we have moved the needle on this metric to approximately 60%. How do we do this? We promote team selling. I tell every emerging producer we hire: "You need two things to win every account, relationship capital and intellectual capital."

Hobbies and interests

Coaching my amazing 7-year-old son Matthew in ice hockey. Really anything that revolves around Matthew — he's my shining star.

Favorite meal

Kale garbanzo soup and hot pastrami sandwich from Union Loafers in St. Louis. You haven't had a pastrami sandwich until you've eaten at UL — simply amazing.



LOGAN PAYNE

Vice president, global client services

Lockton Cos. L.L.C.
Kansas City, Missouri

30

Logan Payne grew up in Ecuador, where his parents were missionaries, and returned to the United States to attend university, earning a bachelor's degree in international business from Biola University in 2009. He joined Lockton in 2010 in the brokerage's Los Angeles office before moving to the head office in Kansas City, Missouri, where he also obtained an MBA at the University of Missouri-Kansas City. He was appointed to his current role last year.

Emerging risks in your specialty

Global companies are being forced to evaluate their risks in all the geographies in which they operate and adapt their

coverages to the nuances of each country. Supply chain disruption, increasingly litigious environments overseas, cyber attacks and employee health and safety during travel are some of the top risks that global companies are dealing with today.

Job change over the next 10 years

We will have better technology available to facilitate the delivery of consultative advice and service to clients. The focus from the brokerage side of the industry will be on understanding our clients' businesses better and how to tailor our expertise to fit the objectives of our clients amid evolving and emerging risks. We will continue to expand the scope of advice we offer to clients, so it adds value to their organization and goes beyond simply facilitating the placement of insurance for them.

Something people don't know about you

I had a pet monkey for a few years as a child. I grew up in Quito, Ecuador, and got to experience a lot of fun things, but the pet monkey was definitely a highlight.

Favorite meal

Any meal eaten with good friends, preferably outside. Specific menu choice would be BBQ chicken or ribs, corn on the cob with a salad and French bread.



JOE POWELL

Vice president, analytics

Gallagher Bassett Services Inc.
Rolling Meadows, Illinois

33

A self-described technology geek, Joe Powell earned a master's degree in information systems at Indiana University's Kelley School of Business and then worked as a management consultant at Bain & Co. before joining Gallagher Bassett Services in 2014. Named to his current role in 2015, Mr. Powell is responsible for the analytics function for the firm's U.S. operations.

Job change over the next 10 years

The analytics role is going to continue to shift toward insights and prescriptive analytics. Five years ago, having good 'analytics' meant receiving detailed reports about your program. Today,

it's really table stakes to have analytics focused on insights and decision-making. In 10 years, that trend will continue, pushing us to a world in which more and more decisions are supported or fully automated by advanced analytics.

Best-kept secret about insurance

There is so much data. We're swimming in it. When I tell peers from other industries that I can build my models off of tens of millions of medical records inclusive of patient outcomes, reactions vary from stunned to jealous. Other industries speak of big data, but it's rare that anyone else has this much data and a problem this meaningful to apply it to.

Something people don't know about you

I am extremely competitive by nature. Growing up, my parents often refused to play board games like Monopoly and Parcheesi with me because of the attitude I would get if I lost. I think I've managed to tone down the attitude, but the competitiveness is still definitely there.

Hobbies and interests

I have two hobbies, ages 2 and 4. I look forward to hanging out with them every evening after work. Aside from the kiddos, I'm a giant geek and spend an embarrassing amount of time reading tech news and hacking together my digital life.



KATE SIMONS

32

Director – Chicago property broking leader
Aon Risk Solutions
Chicago

Kate Simons came to Aon as an intern while attending Northwestern University, where she graduated with a bachelor's degree in political science. She began working full time at Aon in 2008 in what was then called the Early Career Development Program. She moved into an associate property broker position two years later and was promoted several times, reaching her current position in 2015.

Emerging risks in your specialty

Property insurance is fairly well-established, but there are still some newer challenges. Key risks that have emerged in the last five to 10 years are the complexity of supply chain risk and cyber impacts in

the property and business interruption space. Managing the increase in weather-related claims is also a challenge to both clients and underwriters.

Best-kept secret about insurance

Insurance itself is the best-kept secret in business. It is complex and challenging, it has great work-life balance, you get to travel, meet lots of different people, get involved and learn about your client's industries and work in a true team environment. It's a big industry, too, so there are so many different directions you can take your career with different lines of business, jumping from broking to underwriting, or trying out the risk management side. Plus, everybody needs insurance, which is great job security.

Something people don't know about you

One random fact about me is that I did synchronized swimming as a kid. I'm apparently not very good at staying afloat, so I kept sinking like a rock to the bottom of the pool. Needless to say, it was a very short career.

Favorite meal

As a transplant to the Chicago area, I do enjoy deep-dish pizza but it really bugs me that the thin crust pizza here is cut in squares. So my favorite meal would be pepperoni and mushroom pizza cut into normal triangle slices. And definitely paired with a local craft beer.



RYAN STROUTH

37

Middle Markets Business Center Head
Travelers Insurance Cos. Inc.
St. Paul, Minnesota

Ryan Strouth began working at Travelers Insurance in 2003, immediately after graduating from the University of Minnesota's Carlson School of Management, where he double-majored in management and marketing. He began at Travelers as an account executive and by 2010 was leading the creation of the company's Emerging Medical Technology practice, where he became. Last year, he assumed his current position overseeing a large middle-market underwriting organization.

Emerging risks in your specialty

Technology has empowered our customers with easier access to more buying

options. The insurance industry needs to transform the way it does business to meet the evolving needs of customers. This is a risk for the status quo and an opportunity for those who transform.

Advice for someone starting in the business

Be a student of your trade. Insurance is complex, and expertise adds value. Committing yourself to deep learning of the business will pay off throughout your career.

Best-kept secret about insurance

Insurance is essential for economic innovation. With innovation comes risk, and innovators need our help with risk so they can focus on new ideas.

Something people don't know about you

Many know by now, but I am fascinated by 'smart' gadgets. My drone and robot lawnmower are a couple of the favorites.

Dream vacation

My wife Angie and I are working on a trip to Switzerland. We are trying to find a rustic chalet in the Alps and ski as much as our legs will allow. It'll be my dream vacation, if we make it happen.

Favorite meal

Angie makes the most amazing lasagna. Somehow it is better than any meal I've had anywhere.



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Congratulations to this year's best and brightest who are shaping our industry's future.





BRANDON COLE

National director
Arthur J. Gallagher & Co.
Glendale, California

34

Brandon Cole, national director at Arthur J. Gallagher & Co. in Glendale, California, entered the insurance industry in 2005 as an employee of Philadelphia Insurance Cos. He started as an account executive and moved up to underwriting and sales before moving to Gallagher. Specializing in serving schools and nonprofits across the country, he runs a national school insurance program, Scholastic First Insurance, and leads a team of seven. He also recently created an excess liability program for social service nonprofits.

Emerging risks in your specialty

I don't know if it's just our specialty, but

I think cyber and things related to the use of technology are a big concern, and I don't know that the insurance industry has kept up with those trends. What concerns me the most is that it's a quickly evolving trend.

Job changes over the next 10 years

I'll be taking on more management responsibility for younger people coming into the industry. The biggest hurdle with that is adapting. Our clients, I think, are going to expect more things and faster, but I think the employees I'll be working with and training and mentoring want a better work-life balance.

Something people don't know about you

It's probably that I'm an Iron Man triathlete and an Eagle Scout.

Dream vacation

My dream vacation is completely unplugging and just spending time with the family. It doesn't matter where, it doesn't matter what we're doing, but I think just completely being dedicated to spending time with them.

Favorite meal

Ice cream. That's my guilty pleasure. I would just eat ice cream, if I could. As I get older, I'm realizing it takes even more work to burn that off.



DEREK CRUMPLER

Managing director
Burns & Wilcox
Denver

33

Derek Crumpler began his career at Burns & Wilcox, a unit of H.W. Kaufman Group Inc., following his graduation from East Carolina University in 2009. During the next eight years, he worked in offices throughout the company, including North Carolina, New Orleans and Denver. He became one of the youngest managing directors in the company's history at age 30, overseeing the Denver office.

Advice to someone starting in the business

Early on in your career, I think it is very important to realize that you are human and you have faults. Identify your strengths and weaknesses, and then work to build a network of people around you that can

excel in areas where you may be weak.

Something people don't know about you

I have a passion for woodworking and carpentry. It's something I learned from spending summers with my late grandfather and was later passed down to me by my father. Both were admittedly much more talented than me, but it's something I'm continuing to learn.

Hobbies and interests

I love to stay active. I snowboard, hike, camp and play in a variety of sports leagues around Denver. I mentor a Little Brother through the Colorado Big Brothers and Big Sisters Program. I am a die-hard Carolina Panthers fan and lead our local chapter of the Roaring Riot fan club. Lately, I've been spending most of my free time exploring the walking and hiking trails with my 5-month-old Bernedoodle (Bernese Mountain/poodle) puppy, Luke.

Dream vacation

I'm a pretty simple guy who can be satisfied on a beach or waking up in a tent in the middle of nowhere. If you truly want me to dream of one, then I would say space travel. With technology advancements, between Elon Musk and Richard Branson, I'd like to think that could be a vacation spot in the future.

Favorite meal

Pizza

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ORIGAMI RISK



TIMOTHY EDWARDS

Senior property broker
JLT Specialty USA
San Francisco

39

Timothy Edwards joined JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C., as a senior property broker with a primary focus on real estate, one of JLT's core industries, in 2015. Based in San Francisco, he had previously worked at American International Group Inc., Arch Insurance Group Inc. and Marsh L.L.C.

Job changes over the next 10 years

We're going to see more reliance on technology and automation over the next 10 years. Straightforward property risks will be able to upload their information or coverage and get quotes online. I do think that complex property deals will

still need the insurance broker involved for problem-solving.

Best-kept secret about insurance

It's really exciting. Most people think it's a sales job, with you at your desk 9 to 5, and it's really the opposite of that. Insurance calls for problem-solving, frequent team interaction, travel to places you've never been before and networking.

Something people don't know about you

I was actually a biology major in college, with hopes to premed freshman year, but it was the idea of going to school another 10 years after that that kind of turned me off. But obviously I would have been way out by now. And then the second thing is, 19 years ago I traveled around the world in a cruise ship for three-and-a-half months, stopping in 10 different countries.

Hobbies and interests

I have twin girls who are just under 2 years old, Lilah and Hailey, so my weekends are kind of taking them around and entertaining them and just spending time with them. When I'm not with them, I play volleyball and love to go up to Sonoma.

Favorite meal

I am a foodie. I will eat anything except olives, but if I had to pick a specific cuisine, I love a good sushi meal, so Japanese food definitely has my heart.



KRISSY KYJOVSKY

Vice president of underwriting
Tangram Insurance Services Inc.
Petaluma, California

37

California native Krissy Kyjovsky began her career with Walnut Creek, California-based Heffernan Insurance Brokers in 2004. In 2005, she joined Heffernan subsidiary Tangram Insurance Services Inc. as an assistant underwriter to the contractor general liability program. She was promoted to vice president of underwriting in 2018.

Job changes over the next 10 years

The younger generation wants to shake things up and have new ideas, and it's being open to those ideas and being able to be flexible and adaptable and having some agility around underwriting.

Advice to someone starting in the business

If I were talking to somebody starting out today, I would say be a sponge, soak up everything, be proactive about engaging those people you want to emulate. A lot of what I know is from on the job and from the people who have been there and have run the show before me, and it's almost more valuable than sitting in a classroom absorbing content.

Best-kept secret about insurance

It's more exciting than people give it credit for. It's forever changing, like the housing market. It almost allows you to be forever learning new things within the industry, to be exploring new ways of doing business. I like that it's never going to sit still. It's never going to be a dull day.

Something people don't know about you

I'm an identical twin, and I'm extremely close with my sister. We have three stepbrothers, and there are nine kids between us. What a lot of people don't know is just how dedicated I am to my family.

Favorite meal

I would say the best cheeseburger you can get, and I really mean that. My stepdad is a fabulous cook, and so I say to him, "Can you make me a cheeseburger?" and that is just so good.



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CONNIE LIU

35

Primary casualty brokerage leader
Aon P.L.C.
Los Angeles

Connie Liu joined Marsh & McLennan Cos. Inc.'s risk analyst training program upon her graduation from the University of Southern California in 2004 with a Bachelor of Science in business administration and finance emphasis. Ms. Liu joined Aon P.L.C. in Los Angeles in 2009, where she built its casualty practice. After eight years as a broker, she was promoted to primary casualty brokerage leader for Los Angeles in January.

Emerging risks in your specialty

I have been a casualty broker for my entire career, pretty much, and with much of the recent events around the world and, really, the increase in terror-

ism and active-shooting events, we're really seeing much more interest from our clients on how to appropriately address risk. So as a broker, we're helping our clients explore different options that are now available in the marketplace, and see how we should be tailoring some of those coverages to make sure we're appropriately addressing those risks.

Something people don't know about you

I'm actually quite eccentric. My last international trip was walking the Inca trail to Machu Picchu in Peru, and so we definitely want to go on some adventures while we're traveling. I also jumped out of a plane once, but I definitely would not do that again.

Hobbies and interests

I really love travel, so travel and eating are definitely my two main hobbies. I became a new mom last year, and so before that, my husband and I made a point to do something different every year, so traveling was very high on our list.

Dream vacation

Greece probably is the No. 1 destination that I haven't been to. It's been on my list for many years.

Favorite meal

I love sushi, so probably I'm always willing to do sushi for every meal. I don't think I'll ever get sick of it.



MATT McMANUS

36

Vice president, specialty group
Alliant Insurance Services Inc.
San Francisco

Matt McManus came to Alliant Insurance Services in 2009, with no experience in insurance but expertise in sales learned both at a business supply company and at a software firm where he worked after attaining a bachelor's degree from Marietta College in Ohio. At Alliant, he began as an associate broker and was named to his current position in 2014.

Job change over the next 10 years

With recent talk around insurtech, we'll need to stay abreast of these developments in real time. Just as Uber has changed the way we travel to the airport or a night out, the same technology may change customer demands and expectations in our busi-

ness. Insurance will always be a service industry with relentless work on behalf of the insured. Effective technology could be beneficial for everyone involved.

Advice to someone starting in the business

A mentor of mine once told me, "there is always someone out there working harder than you." Further, there are many intelligent, hardworking and well-respected individuals you are competing with daily. If you are up for the challenge to outpace each of them in order to reach the top tier of this profession, this is the business for you.

Something people don't know about you

I'm always wearing a purple wristband that reads 'pancreatic cancer awareness'. This is in honor of my father, who is a nine-year survivor of pancreatic cancer, which has less than a 5% survival rate at five years.

Dream vacation

A dream vacation of mine would be to journey the island of Ireland, from Dublin to the smallest towns and villages of the countryside, with a few rounds of golf played along the way.

Favorite meal

Pizza — I've been a connoisseur since the age of five.



PIERCE PEROTTI

34

Senior vice president, global risk management property practice
Marsh L.L.C.
Los Angeles

Pierce Perotti joined Marsh L.L.C.'s risk analyst program in 2007 after graduating from Dartmouth College. After spending several years in San Francisco, he moved to Los Angeles in 2012. Focusing on large global accounts, he was named a senior vice president in 2015.

Emerging risks in your specialty

In all specialties, cyber is the main emerging risk. For property specifically, what we are trying to figure out is where it should be covered and how it should be covered; it's all pretty new and constantly changing. The industry itself needs to figure out which specialty is really going

to be cyber-focused. There's a lot of good arguments on both sides — the peril itself is not a traditional property peril, but the resulting first-party damage is very much traditional property, particularly around business interruption.

Best-kept secret about insurance

There's a lot of fun travel required with the job. We go to London, Munich, Bermuda, Zurich a couple of times a year with various clients, and you end up doing a lot of fun domestic travel going to visit different clients' sites in places that you never thought you would end up.

Something people don't know about you

I can do a Rubik's Cube in about a minute. I learned how to do it in college, and I use it as a mental distraction if I'm trying to solve a problem.

Hobbies and interests

I have a new daughter, and she's pretty much dominating all my time right now. But I do a lot of fantasy baseball, and I played water polo through college.

Dream vacation

The dream vacation that's a little unattainable is I'd love to go to Antarctica, mostly because I would like to visit all the continents — but I just can't find anybody else that has an interest in going.



COREY RIDER

29

Assistant vice president, commercial officer of San Francisco branch
CNA Financial Corp.
San Francisco

New Hampshire native and Boston Red Sox fan Corey Rider was attracted to the entrepreneurial, analytical and deal-making aspects of commercial underwriting when he joined Hanover Insurance Group Inc.'s "Future Leaders" program out of college in 2010. In 2012, he joined CNA Financial Corp.'s middle market technology operations in San Francisco. Promoted earlier this year, he is responsible for CNA's commercial insurance portfolio in the Bay Area.

Job change over the next 10 years

The pace of learning is likely going to exponentially increase over the next 10

years. We are processing more transactions and getting better insights, so the people executing the business at the highest level will be those that are able to influence change and plot the right course forward. Portfolio managers and people leaders will need to respond to that and stay ahead on techniques and tools and getting our folks to be self-learners.

Advice to someone starting in the business

It's about absorbing as much knowledge as possible. Something that was recommended to me was study broadly even if you specialize, take calculated risks by blending your knowledge and trying new ideas, then pay attention to feedback, make adjustments and keep pushing forward.

Best-kept secret about insurance

The people. You've got a lot of good, hardworking people that are reliable and have some good values. And the energy — outsiders have a tendency to think insurance is slow, but once you are inside the four walls, the energy can be overwhelming at times.

Dream vacation

Something active like hiking, climbing, ziplining during the day and then a beach party in the evening.

Favorite meal

A Thanksgiving feast.



VERONICA ROMANO

36

Underwriting manager,
middle market commercial
Zurich North America
Denver

Veronica Romano joined Zurich North America's associate program after graduating from Bradley University in Peoria, Illinois. Attracted to the program by the chance to try out various roles, she cycled through different disciplines before going on to work in small business, national accounts and business development prior to joining Zurich's middle market business in 2015, where she manages teams in Denver and Los Angeles.

Job change over the next 10 years
I do think we'll see increased disruption over the next 10 years by insurtech and some other at-this-point-unknown enti-

ties. Clearly, technology is going to play a much larger role in a lot of facets. From a carrier standpoint, I think underwriting will become less line-of-business-focused and will become much more customer-centric and customer-driven. Customers are looking for more all-inclusive solutions.

Advice to someone starting in the business
Not just in the insurance industry but starting everywhere, I always say learn from every situation, listen, ask a lot of questions and, No. 1, build relationships, both internal and external.

Best-kept secret about insurance
There's a career for everyone in insurance. All interests and personalities get covered. There are career paths for people interested in mathematics, sales, legal, engineering, marketing, data analytics — there's opportunities for everyone.

Something people don't know about you
I play four musical instruments: oboe, flute, piccolo and piano. My grandfather was a band director, so I was put into music very early. Piano was first, oboe was second and then I taught myself flute and piccolo.

Hobbies and interests
Golf, traveling, I love to read, and spending time with my family.



HEATHER WILKINSON

38

Southwest regional manager
Willis Towers Watson P.L.C.
Los Angeles

Heather Wilkinson joined Willis Towers Watson P.L.C. in 2008 when it acquired Hilb Rogal & Hobbs Co., which she joined a couple of years after graduating with a degree in English literature. Starting her career when concerns about cyber risk were growing, she has specialized in cyber coverage for the past 11 years.

Job change over the next 10 years
Being in the cyber industry, my job has changed so much in the last 10 years that it's almost impossible to determine what the next 10 years are going to bring. I hope there's more data and analytics available to use as discussion

points for the cost of cyber incidents in the future and how to really gauge what a cyber exposure actually is. I'd like to see specialty coverages expand to areas like aviation, construction, manufacturing and logistics. We are making great progress in driving innovative changes in coverage, but I'd like to see them become more mainstream.

Best-kept secret about insurance
The skills that you learn in the insurance industry. Whether you are on the placement side or the risk management side or the brokerage side, these skills — and communication skills in particular — can transfer over to a multitude of different industries.

Dream vacation
Probably a private island with a bungalow over tropical waters — preferably with no sharks, but tropical fish are OK — and no cellphones or TV, just me, my family, good books and maybe a zipline course on the island and hiking.

Favorite meal
I love food, and one of the things about working with clients and carriers is that you get to go to a lot of good restaurants. But I'd say that my go-to is something I don't have to make myself, so pizza or Mediterranean.

Congratulations to our very own breakout stars,

Kyle Burnett

Regional Vice President, E&S Property

and

Justin Gress

Director of Strategic Operations,
Canada & North America Construction

They are on the forefront of our industry, helping to move our world forward.





PUBLIC RISK MANAGEMENT

Police bodycams create liability puzzles

BY JUDY GREENWALD

jgreenwald@businessinsurance.com

INSIDE

▶ IS THIS THING ON?

Police departments struggle with protocols for when to activate body cameras. **PAGE 37**

▶ PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships for risk transfer must focus on the “partnership” part of the equation. **PAGE 38**

▶ SLOWER RESPONSE HAMPERS FEDS

Private sector can often move faster than federal risk transfer programs. **PAGE 38**

Police departments’ increasing use of body cameras to document their encounters with the public will ultimately reduce public entities’ potential liability, experts maintain, although it is still too early to find hard evidence of this.

While video evidence can be used to prove police wrongdoing, they anticipate its effect on behavior will ultimately lead to less use of force by both police and the public, experts say.

There are complicated issues concerning their use, however, including when the cameras should be turned on; data storage costs; the police and public’s privacy and the adequacy of training. The video evidence can also be ambiguous, experts say.

Incidents recorded on video have been frequently in the news, including a March incident where an unarmed young man’s shooting death in his grandmother’s back-

yard in Sacramento, California, was captured on video.

The evidence to date is unclear. A study involving 2,224 District of Columbia police officers released in October concluded body cameras’ effectiveness in reducing the use of force by police and the public did not rise to the level of “statistical significance.”

But an oft-cited study of the Rialto, Cal-

ifornia, police department published in 2013 concluded body cameras reduced the use of force by police by 50%.

Experts say they believe bodycams' value will eventually be established.

Sandra McFarland, New York-based senior vice president and public entity placement specialist for Marsh L.L.C., said: "I don't think it's going to save them in premiums, but I think it will save them, ultimately, in total cost of risk."

"When police officers know they're being recorded, and perpetrators know they're being recorded, we would anticipate a change in behavior for the better," despite the Washington study's findings. "It's common sense," she said.

"It seems bodycams would help," said Nina Markoutsis, Dallas-based claims manager for XL Group Ltd., which does business as XL Catlin. "It would get the whole story out quicker and more comprehensively. We don't run the risk of getting an inaccurate presentation of the facts that would come from a more biased person," she said.

But video evidence is not necessarily definitive, observers warn.

Kenny Smith, Denver-based risk control manager for OneBeacon Insurance Group Ltd. government risks business, said video "gets a lot of the physical characteristics of what was going on, but the bodycams just don't do a very good job of capturing emotion, the subtle cues that law enforcement officers are trained to pick up on."

"They just don't have the same acuity as our eyesight," Mr. Smith said. "We see in 3D. In a lot for respects, the camera is very much in 1D, maybe 2D at best. We're just limited on what information is going to be picked up."

Data retention is an issue as well. Questions include how long records should be maintained, where and, in particular, its cost.

Ashley Bonner, Atlanta-based senior



REUTERS

New York Police Department Sgt. Joseph Freer demonstrates how a body camera is activated at the start of a bodycam pilot program.

risk consultant at Trident Public Risk Solutions, a unit of the Argo Group International Holdings Ltd., said the "average police department has about 52,000 hours per year of time on video," which "equates to nearly six years of data storage for a single year, so you can see how that can get prohibitively expensive."

Police agencies should keep videos "three years to be on the conservative side to protect themselves," said Ms. Bonner.

A periodic review of the footage is also highly recommended, she said. "One wants to have at least some kind of schedule to do a review and see what's going on."

If a police officer gets on the witness stand, "when the plaintiff attorney asks,

'How often do you view these videos?' one doesn't want to respond in the negative," because that could give rise to charges of negligence, Ms. Bonner said.

Privacy issues are also a factor. It is not an issue if the video is shot in a public place, but it is if it is in a private residence, said Mark Goode, Charlotte, North Carolina-based managing director of Willis Towers Watson P.L.C.'s public entity practice.

Another concern is if it captures minors on video, which raises a "whole different set of requirements related to privacy there," Mr. Goode said. In addition, municipalities could become subject to liability if there is a cyber attack and the information disappears, he said.

BODYCAM FACTS

\$800-\$1,200

Approximate cost of each body-worn camera

93% of Americans

support the use of body cameras by law enforcement

60% reduction

in officer use-of-force incidents following bodycam deployment in Rialto, California

Source: Liberty Mutual Insurance Co.

Another issue is public or third-party access to videos. "The media has to go through a process to request videos ... and those laws differ in different states," said Ms. Bonner.

Unions can be a factor in their release as well. "Their influence has been pretty much that we should not release videos," said David L. Salmon, senior law enforcement adviser and risk manager at Spring, Texas-based OSS Law Enforcement Advisors.

Adequate training is also important, say experts.

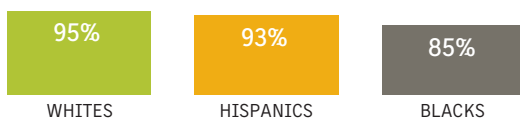
"You don't want to send someone out" with this kind of expensive equipment and responsibility "and not have them trained properly on how to use them, on when to use them," on knowing what to do and using them as effectively as possible, said Ms. Bonner.

But training is getting better, experts say.

"It's come a long way from three or four years ago," said Scott Thomason, Atlanta-based regional practice leader for the public sector for Arthur J. Gallagher & Co.

PUBLIC OPINION ON BODYCAM IMPLEMENTATION

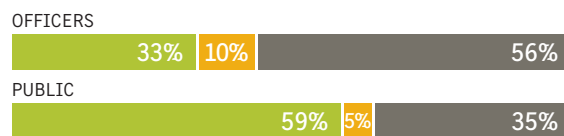
On average, 93% of Americans support the use of body cameras by law enforcement to record their interactions with the public.



Source: Liberty Mutual Insurance Co.

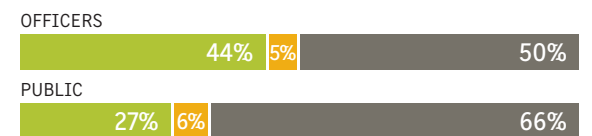
PUBLIC MORE/LESS LIKELY TO COOPERATE WITH OFFICERS

More likely Less likely No difference



OFFICERS MORE/LESS LIKELY TO ACT APPROPRIATELY

More likely Less likely No difference



WHEN IS THE RIGHT TIME TO TURN ON THE CAMERA?

Police departments are wrestling with the issue of when body cameras should be activated.

While it is clearly not necessary to record a police officer's wife asking him to bring home a bottle of milk, there is otherwise no consensus as to when the camera should be switched on or off.

Sandra McFarland, New York-based senior vice president and public entity placement specialist for Marsh L.L.C., said: "There's definitely a problem with the fact that there's so many different protocols."

Insurers are concerned about the issue, said Monte Giddings, Kansas City, Missouri-based senior vice president

and public entity practice leader for CBIZ Insurance Services Inc.

"If you follow the news articles, there are so many times where, at a key moment, the body camera goes off. That would be a negative for insurance companies," he said.

The officer "should be allowed to use his discretion, like he would in the use of a weapon or a tactic," said David L. Salmon, senior law enforcement adviser and risk manager



at Spring, Texas-based OSS Law Enforcement Advisors.

Meanwhile, more police departments are using more sophisticated cameras that turn on automatically at certain times — for instance, when a policeman's gun is removed from its holster, said Brad Bohler, Chicago-based senior vice president of client risk management for Brit Global Specialty USA, a unit of Fairfax Financial Holdings Ltd.

There is a "fine balance" needed in determining whether these automatic cameras are worth their additional cost, "but the subject matter experts say the costs are worth it," he said.

Judy Greenwald

Public, private sectors partner on risk

BY MARK A. HOFMANN

The most important word in “public-private partnership” is “partnership.” But risk management is a core part of the equation even if insurance solutions for projects undertaken via these partnerships are limited, experts say.

While noting that a single definition of a P3 is difficult, “key characteristics of P3s, delineating them from typical arrangements between the public and private sectors, include the transfer of risk from the public sector to the private sector, the marrying of multiple steps of the procurement life cycle and the shifting of some public sector responsibilities to the private sector,” according to the National Conference of State Legislatures 2017 report *P3 Infrastructure Delivery: Principles for State Legislatures*.

“Successful P3 projects rely on the proper alignment of the public sector’s and private sector’s interests,” the report said. “Creating incentives to allow the private sector to pursue profits while also enhancing the public interest is paramount.”

Risk management is key to the success of P3s, said Marilyn Rivers, director of risk and safety for the City of Saratoga Springs, New York. The municipality has entered into three P3 arrangements — two for parking garages and one for a visitor center. Among other things, Ms. Rivers said, risk management helps the partners understand the allocation of risk according to each partner’s tolerance of risk; outlines how the P3 will be managed; helps establish clear incentives, contingencies, performance requirements and milestones for each partner in the P3; and measures the potential community and political pressures that may occur.

And making sure the government entity has the right partners is key, said Ms. Rivers.

“I think people underestimate a P3,” said Ms. Rivers. “You really have to know what you’re doing, you need to know who you’re contracting with. You have to make sure



P3 PARTICIPANTS

Colorado and Virginia were the top U.S. jurisdictions for public-private partnerships in 2017, as each state saw two large projects reach financial close and have committed necessary mechanisms to facilitate such projects, including establishing standard procurement guidelines. However, P3 activity fell short of expectations as a long-awaited infrastructure package stalled in Congress.

| | | | |
|---|--------------|----|----------------|
| 1 | Colorado | 6 | Washington, DC |
| 2 | Virginia | 7 | Maryland |
| 3 | Indiana | 8 | Florida |
| 4 | Pennsylvania | 9 | North Carolina |
| 5 | Kentucky | 10 | Georgia |

Source: Aon P.L.C.’s Public-Private Partnerships Pursuit Risk and Opportunity Index

that they are who they are — not like ‘The Music Man,’” referring to the con man in the long-running musical of the same name.

“We see a lot of partnerships taking place,” said Jim Smith, president of the Park Ridge, Illinois-based American Society of Safety Professionals, formerly known as the American Society of Safety Engi-

neers, and regional leader for the national risk control group of Arthur J. Gallagher & Co. in West Palm Beach, Florida.

The synergy between the parties is getting better and better, he said. “We’re all on the safety page; nobody wants anybody to get hurt on the job,” Mr. Smith said.

The P3 approach has been touted as a means to encourage resilient building in the aftermath of natural catastrophes. Yet federal requirements may slow resilient building (see related story). And although public-private partnerships for infrastructure improvements have been frequently employed in Canada and elsewhere, the approach isn’t as widespread in the United States as some insurers had hoped.

“It’s starting to get more traction, but it’s an incredibly slow process,” said Gary Kaplan, Chicago-based president of North America construction for XL Group Ltd., which does business as XL Catlin. “It’s not as big a part of my business as I thought it would be. We had higher expectations that it would be a bigger deal in the U.S.”

“There are so many obstacles and hurdles,” he said. “The most disappointing thing for the insurance companies is it’s such a long-drawn-out and expensive process.”

Large infrastructure projects take years to complete, said Mr. Kaplan.

“Most of what we do in insurance is annual,” he said. “It’s unusual for underwriters to be betting that far in the future.”

One reason for such uncertainty is that the public-private partnership approach is inherently political.

“Whenever you have an election year, our experience is it gets worse,” said Tariq Taherbhai, chief operating officer of Aon P.L.C.’s infrastructure solutions unit in Chicago. “If you look at some recent high-profile projects that have been delayed or canceled, it’s around the politics of the project.”

And unlike infrastructure projects undertaken by U.S. firms in some emerging markets, political risk insurance isn’t an option, he said: “There isn’t really a domestic political risk product. Here, a lot of the risk is in the process before the project begins.”

“One of the unique insurance issues in P3s is the issue of having to place insurance on an asset after the construction phase that’s being used for a public purpose but not having the public owners being the operator,” said Mr. Taherbhai.

Sovereign entities may benefit from certain caps on legal liability that private entities do not, he added.

“The role of insurance can be to help de-risk some aspects of the problems,” said Samantha Medlock, Willis Towers Watson P.L.C.’s head of North America capital, science and policy in Washington.

Insurance can respond to unforeseen disruptions to the time line or to the supply chain, she said. Insurance comes into play if hazardous substances are uncovered during construction, and parametric insurance can speed payout if unforeseen weather hits a project.

But “the insurance piece is a small part of the risk equation,” said Saratoga Springs’ Ms. Rivers. “It’s really measuring out the risk tolerance that each of the partners is willing to absorb.”

FEDERAL PROGRAMS CAN BE SLOW TO RESPOND

Public-private partnerships might seem to be an ideal way to promote resilient rebuilding while saving federal taxpayer dollars. Yet, federal programs aren’t always as well-suited to support resilience as options that are available through private initiatives and public-private partnerships, said Samantha Medlock, Willis Towers Watson P.L.C.’s head of North America capital, science and policy in Washington.

“First and foremost are the delays and inefficiencies associated with many sources

of federal disaster aid,” she said, adding this is not a criticism of those programs or the federal staff who manage them. “Rather, it is often an inherent aspect of administering large-scale federal programs designed to provide limited assistance under specific legal authorities.”

For uninsured people and communities affected by disasters, federal disaster assistance can offer limited funding, but it often does not cover the full scope or scale of loss, Ms. Medlock said.

For example, the individual assistance funds through the Federal Emergency Management Agency for Hurricane Harvey survivors have averaged only \$4,000, she said. Those who were insured through the National Flood Insurance Program received average payouts of approximately \$110,000.

“However, this is often not sufficient to rebuild higher to withstand future floods or to relocate to higher ground,” said Ms. Medlock.

Mark A. Hofmann

CLASSIFIED

INVITATION TO NEGOTIATE

STATE BOARD OF ADMINISTRATION OF FLORIDA

The State Board of Administration of Florida (SBA) is soliciting competitive responses from parties interested in offering loss reimbursement examination services to the Florida Hurricane Catastrophe Fund (FHCF). The Invitation to Negotiate (ITN) will be available on June 1, 2018, and may be obtained from the FHCF website at www.sbafla.com/fhcf under “Announcements.” The deadline for submitting responses is 2:00 p.m. ET on June 22, 2018. The SBA reserves the right to reject any or all competitive responses and to cancel any ITNs.



NORTHEAST

Robert O'Connell, Odyssey Reinsurance Company

Issy Bustamante, Willis Towers Watson P.L.C.

Jessica Cullen, Arthur J. Gallagher & Co.

Carrie DiCanio, Anderson Kill P.C.

Christina Leo, Goldman Sachs Group Inc.

Chidubem Ude, Aon P.L.C.

David Shluger, Zurich North America,
a unit of Zurich Insurance Group Ltd.

Anneloes Heszen, Marsh L.L.C.

Laura Zoltan, Arch Insurance Co.,
a unit of Arch Capital Group Ltd.

Kyle Burnett, XL Group Ltd.

MIDWEST

Elisabeth Aleman, CNA

Teddy Felker, GCG, an Alera Group Company

Luke Figora, Northwestern University

Shawn Hall, Breckenridge Insurance Services

Nick Hejna, AssuredPartners Inc.

Logan Payne, Lockton Cos. L.L.C.

Joseph Powell, Gallagher Bassett Services Inc.

Kate Simons, Aon P.L.C.

Ryan Strouth, Travelers Cos. Inc.

Justin Gress, XL Group Ltd.

SOUTH

Sterling Tramonte, JLT Specialty USA,
a unit of Jardine Lloyd Thompson Group P.L.C.

La'Vonda McLean, Willis Towers Watson P.L.C.

Chris Knight, Beecher Carlson Holdings Inc.

Deepak Adappa, Marsh L.L.C.

Daniela Mills, Lockton Cos. L.L.C.

Normandy Yaeger, Alliant Insurance Services Inc.

Glenn Godfrey, Wortham Insurance
& Risk Management

Heather Sanderson, Franco Signor L.L.C.

Alex Rinehart, Breckenridge Insurance Group Inc.

Earne Bentley, Origami Risk L.L.C.

WEST

Brandon Cole, Arthur Gallagher & Co.

Timothy Edwards, JLT Specialty USA,
a unit of Jardine Lloyd Thompson P.L.C.

Pierce Perotti, Marsh L.L.C.

Heather Wilkinson, Willis Towers Watson P.L.C.

Veronica Romano, Zurich North America,
a unit of Zurich Insurance Group Ltd.

Connie Liu, Aon P.L.C.

Derek Crumpler, Burns & Wilcox,
a unit of H.W. Kaufman Financial Group Inc.

Matt McManus, Alliant Insurance Services Inc.

Krissy Kyjovsky, Tangram Insurance Services Inc.

Corey Rider, CNA

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Tuesday, June 12

5:00 p.m. - 7:00 p.m.

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Manhattan, 7 West 51st Street

CHICAGO

Thursday, June 14

5:00 p.m. - 7:00 p.m.

Prime & Provisions
222 North LaSalle Street

LOS ANGELES

Tuesday, June 19

5:00 p.m. - 7:00 p.m.

Takami Sushi & Elevate Lounge
811 Wilshire Boulevard #2100

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COMMENTARY

Risk managers face greater exposures

Just when they've gotten over one of the worst years on record for disasters, more exposures erupt to keep risk managers awake at night.

Recent lava flow from the Kilauea volcano on Hawaii's Big Island has produced spectacular images and raised the profile of a risk that rarely troubles commercial insurance buyers in the United States. As we report on page 8, the current volcanic activity in Hawaii is unlikely to produce significant property insurance losses, but it should highlight the need for policyholders to check they are covered for related risks, including earthquake losses caused by ground shaking during volcanic eruptions.



Gavin Souter
EDITOR

A more predictable peril to prepare for is the 2018 Atlantic hurricane season, which began June 1. Policyholders, for the most part, weathered the aftermath of the devastating 2017 season with their programs in better shape than expected. While loss-hit property portfolios often saw double-digit increases, hurricanes Harvey, Irma and Maria were not the market-changing events that some thought they would be.

Plentiful capacity in the insurance and reinsurance markets and continued support from alternative capital providers has put a damper on rates despite total catastrophe losses in the range of \$140 billion. As our biennial property insurance survey shows, the market is not as soft as it was in 2016.

But that was just one year, and even though the 2018 hurricane season is not predicted to be especially active, one significant storm could change the outlook more radically.

The increase in consolidation among insurers and reinsurers, predicted to accelerate given the amount of capital in the market, could also change the market to the detriment of buyers.

There are also plenty of nontraditional exposures that are emerging and morphing to cause more concerns for risk managers.

Most recently, changes in European data privacy law via the General Data Protection Regulation, which came into force last month, have implications for risk managers worldwide. The GDPR creates a wide range of potential pitfalls for companies holding personally identifiable information on individuals and mandates a tight time frame for companies to notify authorities of cyber breaches, among numerous other requirements.

While it's not known how vigorous EU authorities will be in applying the punitive powers available to them under the GDPR, the regulation may greatly increase the cyber liabilities of any company that does business in Europe.

Cyber insurance gives companies some protection against the evolving exposures, but the coverage is far from comprehensive, and it remains unclear whether GDPR-related fines would be covered in many countries.

Not that they were likely to doze off on the job, but the rising exposures facing risk managers should ensure they are wide awake for the foreseeable future.

SCHILLERSTROM



VIEW FROM WASHINGTON

Court obstructs '#MeToo'

The U.S. Supreme Court is usually the sleepiest of the three branches of the federal government here in Washington, D.C., but every so often it issues a decision that wakes everyone up.

In *National Labor Relations Board v. Murphy Oil USA, Epic Systems Corp. v. Lewis, and Ernst & Young v. Morris*, the justices sided 5-4 with a growing practice by companies to compel workers to sign arbitration agreements waiving their right to bring class action claims on issues such as overtime wages or gender-based pay disparities, either in court or before private arbitrators.

In 2012, the NLRB ruled it was a violation of federal labor law to require employees to sign arbitration agreements that prevent them from joining together to pursue employment-related legal claims in any forum. Companies decried the NLRB's stance and have been pushing back ever since, culminating in their Supreme Court victory.

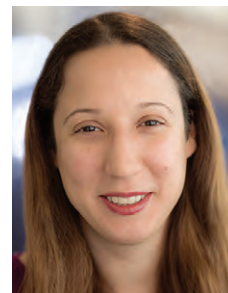
The upside is obvious for employers. The ruling eliminates confusion over the validity of such agreements, which could encourage more employers to adopt them, and helps them avoid costly litigation. But there's a fairness issue here. This ruling creates obstacles for women to band together to challenge gender pay inequities. In the "#MeToo" era and when equal pay has risen high on the radar of companies operating in the United Kingdom, this seems like a major step backward.

Clearly, the Supreme Court was not willing to chart a middle ground. The ruling instigated calls for Congress to restore the rights of employees to take their cases to court. A bill has been proposed to do just that in relation to sexual harassment and assault cases, where harassers and their companies use arbitration to further victimize their employees. In February, all 56 U.S. attorneys general signed a letter urging Congress to pass legislation to end

forced arbitration of sexual harassment claims.

But I wouldn't expect much from federal lawmakers on this front, given the general state of the discourse and gridlock in the legislature. The Trump administration won't be the savior for vulnerable employees either, as it reversed the government's stance in the case, siding with the companies after former President Barack Obama's administration supported the NLRB decision.

This leaves workers at the mercy of their employers, many of which may be good and ethical. Some are definitely not.



Gloria Gonzalez
DEPUTY EDITOR

Just this month, a former software engineer at Uber Technologies Inc. filed a lawsuit claiming she was subjected to years of sexual harassment and then retaliation for complaining about it. The lawsuit will test Uber's new policy allowing people claiming sexual harassment and sexual assault to pursue their claims in court rather than

be forced into arbitration. The claims of widespread sexual harassment at the ride-hailing company were a major contributor to the rise of the #DeleteUber hashtag and the loss of at least 200,000 customers. Uber's arbitration announcement is clearly part of its plan to earn back some goodwill.

I'd like to see other companies step up with similar pledges not to enforce arbitration clauses against women and men who have been sexually harassed in their workplaces, or against women fighting for equal pay, especially when their brands and reputations are not at stake.

Court rulings to add more clarity on taxation for captive owners



John Dies is the managing director of tax controversy at Alliantgroup L.P. He can be reached at 713-877-9600 and john.dies@alliantgroup.com.

Jason Plotkin is an associate at Alliantgroup L.P. He can be reached at 713-513-8123 and jason.plotkin@alliantgroup.com.

We have all heard about the impact *Benyamin Avrahami and Orna Avrahami v. Commissioner of Internal Revenue* will have on the tax treatment of 831(b) captive insurers. However, upon a deeper examination, it becomes clear that this impact isn't as far reaching as many observers first believed. Not only was the ruling in *Avrahami* driven in large part by the taxpayer's specific set of facts, it also left numerous questions unresolved. *Avrahami* provided captive owners with little guidance on several key issues, including the impact of risk-distribution pools and the application of the economic substance doctrine, to name just a few.

To understand the issues that have been left unresolved by *Avrahami*, one must first understand how the U.S. Tax Court reached its decision. Although a large portion of the opinion was an attack on the specific actuary and risk distribution pool involved in the case, the court ultimately had to determine whether the Avrahamis' captive Feedback Insurance Co. Ltd. met the four criteria required for a company to be considered insurance for tax purposes. These criteria include risk shifting, risk distribution, insurance risk and insurance in the commonly accepted sense, according to court documents in *Avrahami*. U.S. Tax Court Judge Mark V. Holmes' decision found that Feedback did not meet this definition. Additionally, Feedback's risk distribution pool, Pan American Reinsurance Co. Ltd., was held not to be a bona fide insurer.

The first two unresolved issues from *Avrahami* arise from the fact that the court did not address two of the four criteria. Instead Justice Holmes' ruling was based solely on an examination of the risk distribution and insurance-in-the-commonly-accepted-sense prongs of the test. Therefore, the court did not provide any additional guidance on what it would consider to be adequate risk shifting or what is or is not an insurance risk.

Looking next at risk distribution, the court found that Feedback failed to adequately distribute risk. The Avrahamis advanced two primary arguments in support of Feedback. According to court documents, they argued that Feedback covered sufficient risk by virtue of issuing seven different policies insuring a variety of risks for their various covered entities. Secondly, they argued that Feedback adequately distributed risk because Pan American provided more than 30% of Feedback's premiums.

The court rejected both arguments. Although the court agreed that a captive insurer may meet its risk distribution

requirement by insuring related entities, expert witnesses for both the Avrahamis and the government disagreed about the number of entities required to be insured. Ultimately, the court did not address whether they agreed with the Avrahamis' expert or the government's expert because Feedback insured no more than three or four related entities. Instead, the court determined that the number of entities insured wasn't a key factor and looked instead at the number of independent insurance risks covered by the captive, an area where Feedback again was found to be woefully lacking.

“Risk shifting and insurance in the commonly accepted sense are two important items that always have the potential to be raised. Similarly, the economic substance and substance over form doctrines are commonly evoked in captive cases, and will almost certainly be addressed at some point in the not-too-distant future.”

Next, the court had to determine if Feedback had adequately distributed risk by virtue of its reinsurance agreement with Pan American. As previously discussed, Pan American failed to meet the necessary requirements to be considered a bona fide insurer, and thus its reinsurance agreement with Feedback was invalid. However, the court did not rule on the validity of risk distribution pools generally. A risk distribution pool functions to allow captive insurers to distribute risk through reinsurance agreements with a fronting company. Relying on *Harper Grp. & Includible Subsidiaries v. C.I.R.*, the Avrahamis asserted that because Pan American provided more than 29% of Feedback's gross premiums, Feedback met its risk distribution requirement. Feedback would have appeared to meet the requirements of *Harper* had Pan American been found to be a bona fide insurer.

Avrahami also failed to address several more traditional tax doctrines that may be consequential for captive owners — for

example, the economic substance and the substance over form doctrines. Transactions resulting in a tax benefit must also have economic substance. In order to determine if a transaction has economic substance, the courts must conclude that the transaction has a legitimate business purpose and economic effect outside of the transaction's tax benefits. The substance over form doctrine is meant to determine if the overall outcome of a transaction is to reduce tax, even if it meets all of the tax code's formalities. In the context of captive insurance arrangements, these doctrines are often invoked to challenge the validity of the captive. In particular, the economic substance doctrine may carry with it an additional 40% penalty for transactions found not to meet its requirements. Again, captive owners should be mindful of these doctrines even though they were not addressed directly in *Avrahami*.

That being said, further guidance is on the horizon as a slew of cases are currently working their way through the Tax Court. These cases each cover a variety of tax issues associated with captive insurers, some of which weren't even raised in *Avrahami*. For now, the four cases that captive owners should be following are: *Caylor v. C.I.R.*; *Wilson v. C.I.R.*; *Reserve Mechanical Corp. v. C.I.R.*; and *Syzygy Insurance v. C.I.R.*

For instance, *Reserve Mechanical* involves an insurer claiming to be tax-exempt under section 501(c)(15) of the tax code. Although *Reserve Mechanical* is not an 831(b) case, it is likely to provide more insight into risk-distribution pools than any other case heard by the Tax Court to date. For example, *Caylor* doesn't involve a risk-distribution pool and *Wilson* was a fellow member of Pan American, the pool found not to be a bona fide insurer in *Avrahami*. However, *Caylor* should provide some additional guidance on risk distribution as its captive closely follows the guidance sighted by the Avrahamis' expert.

Although *Avrahami* provided useful guidance on many of the important tax issues facing 831(b) captives, captive owners would be wise to remain mindful of the issues that were not directly addressed by the court. Risk shifting and insurance in the commonly accepted sense are two important items that always have the potential to be raised. Similarly, the economic substance and substance over form doctrines are commonly evoked in captive cases, and will almost certainly be addressed at some point in the not-too-distant future. Hopefully, this next round of cases will shed light on each of these aspects and many more.

Integro expands D&O to crypto hedge funds

■ Integro Group Holdings L.P. is making its hedge fund directors and officers and professional liability coverage available for cryptocurrency hedge funds.

The primary \$10 million in capacity, provided by a London market insurer rated A+ by A.M. Best & Co. Inc., may be used for hedge funds, private equity or venture capital firms, the broker said in a statement. Integro has secured an additional \$30 million in excess capacity from six other insurers.

The broker said it has ongoing discussions geared toward expanding coverage to include crime, kidnap and ransom, and cyber.

Chubb, specialty insurer offering dental malpractice

■ Chubb Ltd. and The Doctors Co., a Napa, California-based physician-owned medical malpractice insurer, are offering dental malpractice insurance to dental professionals through Chubb's small commercial platform.

The policy provides dental malpractice coverage that also insures against cyber attacks and data breaches, violations of the Health Insurance Portability and Accountability Act, and dental board and Medicare/Medicaid reviews, the companies said in a joint statement.

It is designed for general dentists, oral and maxillofacial surgeons, orthodontists and other dental specialists, and covers hygienists and assistants at no additional charge.

A Doctors spokeswoman said the coverage is available on a claims-made and occurrence basis, and limits vary by state.

Beazley offers digital event cancellation policy

■ Beazley P.L.C. has launched Beazley Weather Guard, a "plain English" digital insurance policy covering event organizers against the effects of severe weather that may cause the cancellation of an outdoor event.

The policy also insures weather-related sales promotions, linking a sales refund to an unusual weather event, Beazley said in a statement.

The language of the digital policy can be accessed on a mobile device. The first sentence of each policy spells out the trigger for coverage, together with the sum insured in dollars, or other applicable currency, and any self-insured deductible.

Limits up to \$5 million are available, a Beazley spokeswoman said in an email.



Marsh launches pandemic policy

■ Marsh L.L.C. launched PathogenRX, a policy underwritten by Munich Reinsurance Co. that offers insurance coverage to U.S.-based businesses and their global operations affected by an infectious disease outbreak.

Marsh collaborated with Munich Re and Metabiota Inc., a San Francisco-based biotech firm, to create PathogenRX, which also aims to measure potential economic losses from a pandemic or epidemic of diseases such as Zika, Middle East respiratory syndrome and SARS, Marsh said in a statement.

Using triggers like Metabiota's Pathogen Sentiment Index, which provides analytics into infectious disease outbreaks, Marsh said businesses can model their potential financial losses from an outbreak and protect against the threat through the insurance policy underwritten by Munich Re.

The policy can be tailored to provide coverage for specific expenses, geographies, types of disease, or portions of a calendar year.

Marsh, Validus partner on US fintech coverage

■ Marsh L.L.C. and Validus Specialty Underwriting Services Inc. have launched Fintech Protect to offer insurance coverage to early-stage, U.S.-based financial technology firms.

The policy offers coverage for management, professional, employment and cyber liability risks, along with coverage for direct losses associated with theft, computer crime, extortion, data breach and tech-

nology failure, Marsh said in a statement.

Coverage is available to privately held fintech firms backed by venture capital and private equity funds, with up to \$10 million in primary, blended limits and excess capacity available.

Care companies team on remote therapy

■ One Call Care Management Inc., based in Jacksonville, Florida, and Acelity L.P. Inc., a San Antonio advanced wound care company, are offering remote therapy monitoring for injured workers.

iOn Progress Remote Therapy Monitoring is for patients with slow-healing wounds that may require extensive negative pressure wound therapy in the home, One Call said in a statement.

The system is designed to deliver continuous at-home monitoring for patients prescribed NPWT in the home, monitoring adherence and securely transmitting data to a group of individuals who will interact with patients to drive proper utilization, according to the statement.

Liberty unit introduces intellectual property cover

■ London-based Liberty Specialty Markets, part of Liberty Mutual Insurance Co., is offering an intellectual property contractual liability insurance policy designed to cover intellectual property indemnification issues that could delay or terminate a potential contract.

The product is based on its existing cover but has been streamlined to speed up the application and underwriting process and underwritten by its intellectual property team in London, Liberty Specialty Markets said in a statement.

Limits of up to \$15 million are available, a spokesperson said in an email.

QBE North America expands marine cover

■ QBE North America, a unit of Sydney-based QBE Insurance Group Ltd., is launching integrated marine property coverage for construction projects.

The product includes capacity up to \$250 million and features standard and additional coverages for specific risks such as utility service interruption, inflation protection, business personal property, waterborne property and equipment breakdown, QBE North America said in a statement.

The policy will be written by the insurer's inland marine underwriters on a monoline basis through QBE-appointed producers in retail and wholesale distribution channels.

DEALS & MOVES

Prime Risk Partners enters New England market

Private equity-owned brokerage Prime Risk Partners Inc. is entering the New England market with the purchase of Needham, Massachusetts-based Roblin Insurance Agency Inc. Terms of the deal were not disclosed.

Roblin employees, including Peter Roblin, the family-owned agency's president, and Jim Roblin, executive vice president, will remain in their current roles, Alpharetta, Georgia-based Prime Risk Partners said in a statement.

Worldwide Facilities completes Sullivan buy

Wholesale broker Worldwide Facilities L.L.C. completed its acquisition of specialty intermediary Gerald J. Sullivan Associates Inc. Terms were not disclosed.

Sullivan is an insurance program manager, contract binding authority manager and wholesaler that offers products and services nationwide, Worldwide said in a statement. Both companies are based in Los Angeles.

Hub purchases California trucking brokerage

Hub International Ltd. acquired Vacaville, California-based Easy Truck Insurance Services Inc., a retail truck insurance brokerage that provides services to owner-drivers, small fleet and certain large fleets. Terms were not disclosed.

Easy Truck has offices in Hayward, Laguna Hills and Santa Clara, California, and Lake Havasu City, Arizona. The Easy Truck team will join Hub's transportation specialty practice, Hub said in a statement.

USI completes two brokerage buys

USI Insurance Services L.L.C. completed its acquisition of agribusiness broker CHS Insurance Services L.L.C. Terms of the deal were not disclosed.

CHS Insurance will transition to USI branding effective immediately. Based in Inver Grove Heights, Minnesota, CHS Insurance specializes in agribusiness, food processing, petroleum and agricultural cooperatives, USI said in a statement.

USI also completed its acquisition of Buffalo, New York-based Key Insurance & Benefits Services Inc., formerly part of KeyBank. Terms were not disclosed.

Key Insurance provides risk management and employee benefits coverage in upstate New York, Pennsylvania and Connecticut, according to a statement.



UP CLOSE

Liam Caffrey

NEW JOB TITLE: Chicago-based global CEO of affinity for Aon P.L.C.

PREVIOUS POSITION: Global chief financial officer of Aon Risk Solutions

LOOKING FORWARD TO: Affinity is a tremendous business for Aon today, but has even greater potential to help us drive client value. While I worked closely with the affinity business in my CFO role, I look forward to diving deeper into the business as CEO and helping drive our client growth strategies.

GOALS FOR NEW POSITION: Delivering more value and innovation on behalf of our clients, whether in the area of product innovation on topics like cyber and the sharing economy, client experience — particularly in the digital space — or insights like improving sales and retention through data and analytics.

ON LEADERSHIP: Picking the right team, then developing and empowering them to reach their full potential.

CHALLENGES FACING INDUSTRY: Staying ahead of the curve in terms of advances in areas such as technology, alternative capital and consumer behavior.

CRYSTAL BALL: I see technology continuing to improve how we operate and work with clients. That said, being an expert, trusted adviser to clients on risk management will always be paramount.

ADVICE: No one gets anywhere on their own. We all depend on mentors to help us along the way. How you meet the mentors who will change your life and career is somewhat random, but you need to be smart enough to recognize opportunities when presented and take advantage of them.

FAVORITE QUOTE: “It has been my experience that folks who have no vices have very few virtues.” — Abraham Lincoln

OUTSIDE THE INDUSTRY, A DREAM JOB: History professor

HOBBIES: Spending time around Chicago with my wife and 5-year-old son, especially going to Cubs games and the zoo; golfing when I can find the time; spin classes.

PETS: We own three dogs, two French Bulldogs and one Australian Shepherd. We go through a lot of lint rollers in our home.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I wrote a book last year called “The Best Year Ever,” a humorous account of a year I spent pursuing adventure around the world and the life lessons I drew from the experience.

BIGGEST OBSTACLE FOR WORK-LIFE BALANCE: Having a global role, managing the travel is the biggest challenge.

CORPORATE IMPROVEMENT: I'd like to vote for broader adoption of the Spanish siesta concept. Barring that, I would say greater rollout of telepresence and high-end video conference capabilities to cut down on travel.

FAVORITE MEAL: Pretty much anything Mexican or Italian.

ON MUSIC: I'm an alt-rock guy, with some EDM and '80s guilty pleasures sprinkled in. The Killers, Lord Huron, Avicii ... anything by Eddie Money.

CAN'T-MISS TELEVISION SHOW: “Modern Family” and any sports game or HGTV renovation show.

ON A SATURDAY AFTERNOON: If the weather is nice, a Cubs game, Michigan football game, or golf. If the weather is poor, we'll watch Netflix.

“No one gets anywhere on their own. We all depend on mentors to help us along the way. How you meet the mentors who will change your life and career is somewhat random, but you need to be smart enough to recognize opportunities.”

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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.



Aon P.L.C. appointed New York-based Aon Benfield CEO **Eric Andersen** and Chicago-based Aon Risk Solutions CEO **Michael O'Connor** as co-presidents of the brokerage, effective immediately, and dropped its Aon Benfield and Aon Risk Solutions branding. Both report to Greg Case, who continues as CEO of the brokerage.



Kelly Kinzer, in Minneapolis, was appointed North American construction specialties broking leader for Willis Towers Watson P.L.C. Previously, she was North American builder's risk broking leader. **Ryan Hucker**, in Hartford, Connecticut, was named the brokerage's North American builder's risk broking leader. Previously, he was



Americas construction practice leader for Aspen Insurance Holdings Ltd.



Diane Montelione, in New York, joined EPIC Insurance Brokers & Consultants' financial risk practice as a senior vice president. Previously, she was a senior vice president at Marsh L.L.C.



AmWINS Group Inc., in Charlotte, North Carolina, tapped Chief Operating Officer **Scott M. Purviance** to succeed M. Steven DeCarlo as CEO. Mr. DeCarlo remains executive chairman.



Brian Benjamin, in New York, joined Zurich North America as head of management solutions. Previously, he was global head of mergers and acquisitions insurance for XL Group Ltd.



Florence Levy joined Marsh L.L.C. as a managing director in its national cyber practice. Denver-based Ms. Levy was previously a senior vice president at JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C.



Insurers can't stomach Venezuela

Anthony Bourdain won't be having arepa in Venezuela anytime soon.

The celebrity traveling foodie got into a Twitter discussion recently over countries his insurer won't let him travel to, with Venezuela pretty high on the list.

"Why don't you go to Venezuela?" a fan tweeted Mr. Bourdain, who responded: "Because Venezuela is so utterly screwed up, the insurance companies won't cover us."

Venezuela has made headlines in recent years over political corruption, food shortages and an overall humanitarian crisis.

When the April Twitter discussion over how safe the South American country is when compared with say, Afghanistan, Mr. Bourdain posted a link to Reuters news article from one month prior highlighting a refugee crisis in Venezuela.

"Please continue lecturing Venezuelans about how great things are going in their country," Mr. Bourdain tweeted.

Brash claim starts trademark dispute

A prolific romance author in California is facing industry backlash for trademarking the word "cocky," the first word in many of her titles: "Cocky Soldier," "Cocky Biker" and "Cocky Cowboy."

Other writers have a moniker for author Faleena Hopkins: Cocky writer, according to the New York Daily News.

Rival writers have launched a hashtag war — #cockygate and #freecocky — in a fight to use the word in their works, too.

"I receive letters from readers who lost money thinking they bought my series," Ms. Hopkins tweeted. "I'm protecting them and that's what trademarks are meant for."

In the meantime, more than 20,000 people have signed a petition to the U.S. Patent and Trademark Office asking it to cancel the "cocky" copyright, the newspaper reported.



FOOD BRANDS SEE UPSIDE IN HIGHWAY SPILLAGES



Pizza on the freeway. Popeye's biscuits. A chocolate river on the asphalt. Rolling oranges galore. Ramen noodles and frozen poultry scattered amid the double yellow lines.

As the food-news site Eater.com reported, trucking accidents involving food always make for great photographs. Seen as fun fodder for the news, there are other upsides.

In its reporting this week of an overturned tanker truck carrying 12 tons of liquid chocolate in Western Poland, it's clear not everybody's crying over spilled chocolate.

Such food tragedies are "in theory covered by insurance" and often result in free publicity for companies whose products go to spoil in the hot sun, the site says.

Insurer unleashes purrfect monikers

Ruffy the Vampire Slayer. Sir Lix A Lot. Princess Consuela Bananahammock.

With Pablo Purrrcasso and Isabella Miss Worldwide Boo at the top of the list for cats and dogs, respectively, Nationwide Mutual Insurance Co. spring released its annual Wackiest Pet Names list.

Each year, Columbus, Ohio-based Nationwide, which provides health insurance for pets, examines its database of more than 700,000 insured pets

to find the top 20 funniest names — 10 for dogs, 10 for cats.

Here's more: Sir Reginald Fluffybutt. Chauncey Von Poops a Lot. Vladimir Poochin.

"The results from our Wacky Pet Names competition illustrate the thought and creativity pet owners put into naming their furry family members," said Scott Liles, president and chief pet insurance officer for Nationwide, in a statement. "Pets hold a special place in our members' hearts."



Drive \$200,000 car, skip the insurance

Police in the United Kingdom seized a Bentley after its driver — caught driving haphazardly — could not produce proof of insurance, Wales Online reported in May.

The Bentley Continental, which sells for more than \$200,000, was stopped by police officers shortly after 12 p.m. one day after officers saw the car being "driven erratically," the news outlet reported.

South Wales Police said: "No matter how nice the car, without insurance you won't get far," according to the report.

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