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### COVER STORY

Business Insurance profiles the winners of its 2019 Break Out Awards, which honor potential future leaders in the U.S. insurance sector. The 40 honorees from across the country represent some of the most promising individuals working in insurance and risk management. **PAGE 16**

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#### GREG HENDRICK

Greg Hendrick is a longtime executive at Axa XL, a division of Axa SA, and its predecessor companies. He was named CEO of Axa XL, which handles large commercial and specialty risks, in 2018 after the merger of XL Catlin with Paris-based Axa. Mr. Hendrick discusses the company's changes since the merger, opportunities and challenges in the commercial insurance market, and the influence of insurtech. **PAGE 15**



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## Severe hailstorms trigger rate hikes

BY CLAIRE WILKINSON

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Insured losses from hail events are mounting amid shifting population and inflation dynamics, and insurers are responding by raising rates or deductibles for businesses in hail-prone states.

Hail losses can be difficult to separate out since convective storms include a multitude of weather hazards ranging from tornadoes and heavy rain, to lightning and hail, industry experts say. But in terms of damage to buildings, roofs and cars, the severity of hail losses is increasing and a rising concern for businesses and insurers particularly in the so-called hail alley states of Colorado, Kansas, Oklahoma, Nebraska, Texas and Wyoming.

Average annual insured hail losses are around \$11 billion, compared with \$850 million estimated in 2009, said Tanya Brown-Giammanco, managing director of research at the Insurance Institute for Business and Home Safety.

Auto dealerships, commercial buildings, condo and town home associations and nurseries are among the businesses most at risk from hail damage, experts say.

For auto dealerships, which often have hundreds, if not thousands, of cars parked in outdoor lots, it's the large total insured values that contribute to the rising losses, said Matt Cermak, a senior vice president with managing general agency AmWINS Program Underwriters in Detroit.

"When a hailstorm goes over it can literally damage every vehicle a dealership owns, and that's what drives the severity of the loss," Mr. Cermak said.

While the number and size of hailstorms is not necessarily increasing on a national level, the amount of property in harm's way is, which is a key contributor to the rising severity of hail losses, experts say.

"We have seen much greater hail losses over the past 20 years. This is largely a function of building into suburbs and



### COLORADO'S MOST COSTLY HAILSTORMS

The Centennial State is a hotbed for hailstorm activity, with the most expensive event occurring in 2017.

DATE	LOCATION	2018 DOLLARS
May 8, 2017	Denver Metro	\$2.3 B (2017)
July 20, 2009	Denver Metro	\$892.8 M
July 11, 1990	Denver Metro	\$1.19 B
June 6-15, 2009	Denver Metro	\$410.9 M
July 28, 2016	Colorado Springs	\$366.8 M
June 6-7, 2012	CO Front Range	\$349 M
June 13-14, 1984	Denver Metro	\$664.5 M
June 18-19, 2018	North Denver & Denver Metro	\$276.4 M
July 29, 2009	Pueblo	\$270.7 M
October 1, 1994	Denver Metro	\$378.8 M
September 29, 2014	Denver Metro	\$224.8 M
May 22, 2008	Windsor	\$224.2 M

Source: Rocky Mountain Insurance Information Association

suburbs, particularly in vulnerable areas of the country," said Mark Bove, natural catastrophe solutions manager at Princeton, New Jersey-based Munich Reinsurance America Inc.

In hail-prone states like Colorado, the two-fold impact of population growth and urban sprawl combined with the inflation of goods and labor costs creates a "perfect storm" for increasing damages, said Aaron Ellsworth, regional managing partner in the Denver office of TrueNorth Cos. LLC.

"Roofs, labor and materials are more expensive. That will make everything a little more severe in terms of damages," said Scott Kanemoto, Longmont, Colorado-based producer and principal for real estate for TrueNorth.

"The same hailstorm hitting 10 years ago prior to this construction would have happened in a field," he said.

Businesses in hail-prone states are experiencing rate increases, and deductibles are rising sharply, amid rising losses and after an active 2018 U.S. hail season. Insurers have started to implement percentage wind or hail deductibles on policies rather than a flat deductible for all perils, experts say.

In Colorado, for habitational risks that have experienced a loss resulting from a wind or hail claim, policyholders are seeing either a higher flat deductible or a per-

centage deductible, Mr. Kanemoto said.

"Where originally it might have been a \$5,000 deductible it's now a \$50,000 deductible. Or it's a percentage deductible where it's 1% to 5% or upwards, and that's on the dwelling building value," he said.

Mr. Cermak offered the example of an Oklahoma auto dealership that sells luxury cars and was hit by a sizeable hailstorm loss in 2012. "They were paying about \$1 million a year in premiums and they had a \$1,000-per-car deductible that maxed out at \$100,000. Now they're paying over \$4 million in premiums and the deductible is \$2,500 per car and there is no aggregate limit. So, the rates have gone up fourfold and their deductible has doubled," he said.

With the peak season for severe weather in the United States underway, it's "entirely plausible that 2019 losses from hail may soon be on the rise," said Steve Bowen, director and meteorologist for Aon PLC's Impact Forecasting unit in Chicago in written comments.

"Through May 1, the United States had incurred \$4 billion in thunderstorm-related insured losses. This covers impacts from tornadoes, straight-line winds, and hail. It is often very difficult to separate claims by sub-peril loss, since a claim due to convective storms can be triggered by both wind (or windborne) and hail impacts," Mr. Bowen wrote. "However, it is generally accepted that hail can account from 50% to 80% of thunderstorm-related claims payouts in any given year across the U.S."

While for insurers, population growth and expansion of built infrastructure are driving higher costs, the increasing size of hailstones may be a trend going forward, according to Sam Childs, graduate research assistant and PhD candidate at the Colorado State University department of Atmospheric Science. In 2018, the proportion of hailstones of at least 2 inches or greater or 3 inches or greater compared with the total number of hailstones was much higher than usual, said Mr. Childs.

### PARAMETRIC INSURANCE ADDED TO MIX OF HAILSTORM POLICY OPTIONS

As businesses face rising rates and deductibles for hail coverage, different coverage options are emerging to help offset the impact of hailstorms.

Axa Climate, a unit of France-based insurer Axa SA, partnered with Colorado Springs-based JBR Underwriters and a technology provider to launch a parametric hail coverage for auto dealerships in Colorado, said Mia Vioulès, Paris-based data scientist and underwriter at Axa Climate.

"When a dealership is interested in buying

the product, a weather station is installed on site that can detect characteristics of hail, not only size, but also angle of impact, velocity and duration of the storm going through," Ms. Vioulès said.

Payouts are calculated based on the maximum hail size measured by the station during a storm, she said.

Limits of \$1 million per location are available during the pilot program in Colorado, but after the first year, and as the product expands into other states, higher limits may be available, she said.

"A lot of dealerships were experiencing high deductibles this year with large premiums to go with it ... so they were really excited to see something that fit into that deductible range," Ms. Vioulès said.

"It helps them recover the loss in car value and recover quickly from inventory shortages. It addresses many problems we see when hail hits a car dealership," she said.

So far, seven dealerships in 14 locations have purchased the parametric coverage, which launched May 10, she said.

Another coverage option that businesses

can consider is a wind/hail buyback policy, brokers say.

Available from the excess and surplus lines market, such buybacks essentially provide a separate policy just for wind/hail exposures, said Scott Kanemoto, Longmont, Colorado-based producer and principal for real estate at TrueNorth Cos. LLC.

While these policies can be expensive, if a business has a wind/hail claim, "it's more manageable for people to have insurance as opposed to self-insuring," he said.

Claire Wilkinson

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## Liabilities loom for cosmetics firms

BY JUDY GREENWALD

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Cosmetic manufacturers have faced relatively little products liability litigation to date, but there are potential issues that could change that in the lightly regulated industry, say observers.

Concerns include misleading labeling that promotes cosmetics as medication, the growing popularity of hemp-derived cannabidiol, talc's use in cosmetics and the increased use of nanotechnology, among others.

The U.S. Food and Drug Administration regulates a vast array of cosmetics but has only voluntary recall authority under the outdated 1938 Federal Food, Drug & Cosmetics Act, experts say.

"It's important to distinguish what a cosmetic really is," said Carla Greaves, Hamilton, Bermuda-based chief underwriting officer, global excess casualty, at Axa XL, a division of Axa SA.

Claims typically arise because of confusion created by mislabeling or label misrepresentation, with people buying a cosmetic thinking it will "mitigate or prevent disease," she said.

Unlike pharmaceuticals, cosmetics are "not subject to the rigorous approval or manufacturing standards of pharmaceutical companies or medical device companies," which means clinical trials are not required nor are manufacturers required to register their facilities or conform to good manufacturing practices, Ms. Greaves said. They are also not required to report adverse events, as are pharmaceutical firms, she said.

But despite the light regulation, there are potential areas of liability for cosmetics manufacturers, say experts.

"The hot topic today" is cannabidiol, which is known as CBD, said Ken Hegel Jr., Jersey City, New Jersey-based executive/unit manager for Cosmetics Insurance Services, a unit of Frenkel & Co.

In December 2018, Congress passed the Agriculture Improvement Act of 2018, which established a new category of cannabis classified as "hemp" that is defined as cannabis and cannabis derivatives with extremely low concentrates of the psychoactive compound THC, according to the FDA. Hemp is no longer considered a controlled substance under federal law.

CBD is now being used in a wide variety of cosmetics, with one website selling a one-ounce bottle of a "serum repair system" for \$148.

Some of these products claim they can alleviate pain to a certain degree, said Mr. Hegel. "That's where you really run into regulatory issues," he said. "If it's a cosmetic product, you can't make claims it alleviates pain."

It also creates a "gray area" as to where the



### COSMETIC CONCERNS

Potential product liability concerns about cosmetics include:

-  COSMETIC PRODUCTS THAT PROMISE HEALTH BENEFITS
-  THE USE OF HEMP-DERIVED CANNABIDIOL, OR CBD, IN COSMETICS
-  COSMETICS THAT INCLUDE TALC
-  NANOTECHNOLOGY'S USE IN COSMETICS
-  IRRITATIONS AND OTHER PROBLEMS CAUSED BY SKIN CREAMS
-  THE REMOVAL OF PRESERVATIVES THAT INHIBIT BACTERIA

Source: Industry experts

CBD is derived from, with marijuana still illegal under federal law, he said.

Another possible focus of litigation is talc. In March, a California jury awarded \$29 million to a woman who said asbestos in Johnson & Johnson's talcum powder-based products caused her cancer.

While there has been considerable focus on food ingredient claims in past years, attention is likely to shift to cosmetic ingredient claims, "particularly following recent verdicts with respect to talc cases, which have received substantial media coverage and place an additional spotlight on 'ingredient' litigation," Swiss Reinsurance Co. senior claims expert Jane Mandigo, who is based in Kansas City, Missouri, said in a statement.

Talc is "a huge concern" as it has traditionally been used in many kinds of cosmetics, including eye shadows and lotions, said Sean Brownyard, senior vice president of operations for the Bay Shore, New York-based program administrator Brownyard Group Inc.

"We haven't seen anything" stemming from the J&J litigation, "but just knowing

how lawsuits tend to work, it will come," said Mr. Brownyard.

Earlier this year, the FDA announced it had found asbestos in four cosmetic products sold by two retailers.

Another issue is the increased use of nanotechnology in cosmetics. Nanotechnology is the science of manipulating atoms and molecules on the nanoscale, which are 80,000 times smaller than the width of a human hair. These products "are not well studied," said Ms. Greaves.

"More and more of these small materials are being used, basically, to improve the efficiency or effectiveness" of products, but their long-term side effects are still unknown, she said.

"Insurance underwriters are scared to death of nanoparticles because no one knows what they're going to do," said Bob Wright, executive vice president at the AmWINS Group Inc. in San Francisco. "They get into the bloodstream and no one knows what the body does with them."

If they are found to have an adverse health impact, it will be a source of future liability, "but I think the jury's out on that," Mr. Wright said.

Another potential area of liability is skin creams. "This is such a growing space," with celebrities promoting these products and a "whole spectrum of people buying this stuff," including increasingly younger people, so claims are inevitable, said Ms. Greaves.

Possible claims could focus on skin irritations, quality assurance failures, counterfeit products and problems arising from interactions with medications, she said.

Another concern is that as the industry moves more toward "natural" and "green" products, it is removing preservatives, which could make them more susceptible to bacteria growth and "might, in essence, create a product liability claim," Mr. Hegel said.

## FDA RULES UNLIKELY TO CHANGE

The U.S. Food and Drug Administration called on Congress to help modernize cosmetics regulation after briefly running into problems with a retailer, but prospects for regulatory change are dim, say experts.

In a March 5 statement, Scott Gottlieb, then-administrator of the FDA, said tests confirmed the presence of asbestos in four makeup samples found at two retailers.

One of the retailers, Hoffman Estates, Illinois-based Claire's Stores Inc., whose marketing is directed at adolescent girls, had refused the FDA's request to recall the three Claire's brand-name products sold at its stores, and the agency did not have the authority to mandate a recall, Mr. Gottlieb said. Six days later, Claire's announced it was voluntarily recalling the nationally sold products – an eye makeup, compact powder and contour palette – "out of an abundance of caution," according to the statement it issued at the time.

The FDA needs to work with stakeholders, including Congress, to modernize the FDA's outdated regulatory framework, Mr. Gottlieb said. But observers do not see much potential for increased oversight authority ahead of the next presidential election, particularly given the Trump administration's overall deregulatory bent.

"I think the landscape definitely is prime for increased government regulation, but I don't see any more changes coming down the pike, at least in the next year or two," said Carla Greaves, Hamilton, Bermuda-based chief underwriting officer, Global Excess Casualty at Axa XL, a division of Axa SA.

"With the upcoming election, I think there are going to be other priorities. I don't think it's on the radar," she said.

Bob Wright, executive vice president at AmWINS Group Inc. in San Francisco, agreed.

"There's a slim-to-none possibility of increased regulatory oversight in this space, based on the gridlock in Washington, and the unwillingness of the Trump administration to expand regulatory authority."

Judy Greenwald

# Insurtechs move from disrupters to partners

BY MATTHEW LERNER

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Established insurers and brokers increasingly are taking a role in the development of insurtech companies and making direct investments in the firms.

Insurers leverage expertise and infrastructure, while technology companies benefit from scale and experience, industry sources say.

“Collaborating with insurtechs is an important component of our overall innovation strategy,” said Sumeet Bhatia, Chicago-based head of innovation for Zurich North America. “The solutions augment our own innovation capabilities in enhancing products and services for our customers and distributors.”

“Every day we’re getting requests from keen insurtechs who want to speak to us,” said Andrew Johnston, global head of insurtech for Willis Re in London, which he said is quite different from when he started three years ago cold-calling technology companies. “We’re inundated with requests.”

It was at the InsureTech Connect conference in Las Vegas in 2016 that Mr. Johnston said he had his “lightbulb moment” and realized there needed to be an organized effort to review the enormous amount of technology offerings, he said.

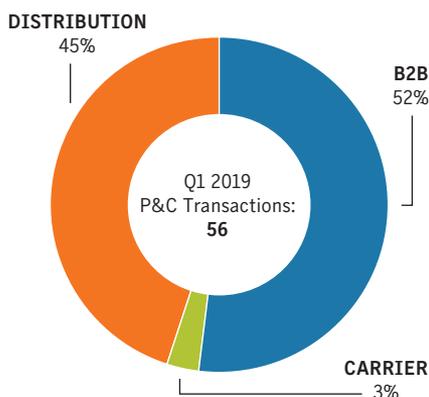
It took only four or five months before the flow of inquiries ramped up substantially, Mr. Johnston said. “As the requests came in, I was given permission to put together a team,” consisting of both existing employees together with new hires.

Since then, incumbent insurers and insurtech companies have changed the way they form relationships.

“The insurtech space, in terms of the buyers, is maturing,” said Marie Carr, a partner with PwC in Chicago. Where previously the dialogue focused on the



## PROPERTY/CASUALTY INSURTECH TRANSACTIONS BY SUBSECTOR



Source: Willis Towers Watson PLC

“existential threat,” now “insurers really see insurtech as the engine that will help them realize growth or take on new capabilities in a much more cost-effective way.”

Previously, “you were truly in the pilot phase, figuring it out as you went along and being creative,” Ms. Carr said. As insurers decide where they want to grow

and market and “how they want to leverage new capabilities, they’re now getting clarity on who fits within that — who fits in as a partnership, who fits in as an acquisition.”

“I think what happened was the insurtechs realized insurance was more complicated than they thought,” while insurers acknowledge they had made little progress on technology, said Martha Notaras, a partner with XL Innovate, a unit of Axa SA, in Los Angeles.

XL Innovate will continue to support existing investments — including New York-based construction risk management firm Pillar Technologies Inc., which uses environmental sensors to improve site management using resources on hand — including remaining “dry powder,” or fresh capital, Ms. Notaras said, adding the unit will not seek further new investments.

Willis Re now has a practice of about 30 people from disparate disciplines charged with vetting hundreds of technology candidates “on behalf of our clients, which are traditional insurance companies,” Mr. Johnston said.

One such example is massUp GmbH, a

managing general agent in Mainz, Germany, that has designed a “digital MGA workbench,” an online platform for binding insurance, according to Mr. Johnston. “They require paper and capacity, so we’ve introduced massUp to our clients on a number of occasions.”

In addition to CoverWallet Inc., “we are working with insurtechs across the key components of the insurance value chain,” Mr. Bhatia said, including Zurich’s February purchase of Sea Pine Technologies LLC, which focuses on digital marketing of vehicle protection products, and sponsorship in the Partnership Fund of New York City’s FinTech Innovation Lab, which includes many insurtech companies and where Zurich found safety science company StrongArm Technologies Inc..

“We are currently collaborating on a wearable technology pilot with StrongArm to help reduce back injuries to employees,” Mr. Bhatia said.

The focus of XL Innovate, formed in 2015, has been on insurtech but with no specific mandate that “we should invest in companies that can necessarily do business with the parent company,” said Ms. Notaras.

With the company’s investment in Pillar Technologies, however, XL Innovate was able to leverage construction capabilities in its parent group.

“Actually in this case, we went directly to the Axa XL construction group,” Ms. Notaras said. Feedback from the group “gave us encouragement” that insurance would be a good channel as a way to get into the market.”

“Carriers are being much more strategic about the insurtech partnerships that they’re making,” Ms. Carr said. “People are being much more deliberate about the investments being made. Before, there were folks who just wanted to be in on the deal. You’ve matured past the frenzy of I’ve just got to get in there.”

## INSURERS, TECH FIRMS BUILD RELATIONSHIPS BASED ON MUTUAL NEEDS

Partnerships with incumbent insurers can add significant benefits to insurtech companies, executives at the newcomers say.

“You need a partner,” said Inaki Berenguer, CEO and co-founder of New York-based CoverWallet Inc., an online platform where small businesses can bind coverage. “The question is what degree of partnership do you want.”

Each party brings its own strengths to the relationship, he said.

Our DNA is around data science, design, analytics, digital marketing,” Mr. Berenguer said.

“Insurance is a highly regulated industry. There is also infrastructure, the supply chain. There are so many things you need to take into account.”

“From a technology point of view, we are very modular, all based on microservices,” Mr. Berenguer said. “Then when you partner with someone, you bring capabilities in a very modular way.”

Having a partner with such critical mass, such as Zurich Insurance Group Ltd., yields advantages, he said.

“If we had wanted to launch in Europe by ourselves, it would have taken longer,” Mr. Berenguer said.

CoverWallet and Zurich continue to develop their relationship. “We have workshops and sessions to discuss new opportunities,” Mr. Berenguer said.

As another example, construction risk management firm Pillar Technologies Inc. was introduced to XL Innovate, a unit of Axa SA, by a mutual contact at

another insurtech company, said Alex Schwarzkopf, co-founder and CEO of Pillar Technologies in New York.

After first meeting with XL Innovate in the second quarter of 2017, Pillar closed its seed financing round in September with XL Innovate on board, according to Mr. Schwarzkopf. “It moved pretty quickly,” he said.

CoverWallet was also able to move quickly in its relationship with Zurich.

Zurich took its stake in CoverWallet in June 2018 and is a minority investor alongside traditional venture capital firms that control a larger stake, Mr. Berenguer said.

“We were able to agree on a partnership and in less than six months we had launched the joint venture,” Mr. Berenguer said.

Like CoverWallet, Pillar has reaped benefits from its partnership with the insurance sector.

Consultation with and input from the construction business of Axa XL, a unit of Axa SA, served as the catalyst for the eventual investment in Pillar, according to Mr. Schwarzkopf, who added that he valued the feedback from the group as “it was one of the first times we had gone to that level of seniority inside a carrier because we were just beginning to explore the applicability of our data in insurance.”

After first deploying with Axa XL in late 2018, Pillar is “looking at expanding from a series of pilots to a larger commercial relationship,” Mr. Schwarzkopf said.

Matthew Lerner

# Antidepressants may stretch recovery, costs

BY LOUISE ESOLA

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Drugs intended to help injured workers manage depression and other mental health conditions while recovering could be prolonging and increasing the cost of workers compensation claims.

The prescribing of antidepressants to injured workers should be better monitored, experts say.

At least one insurer is starting to apply a key tactic used to address excessive opioid prescribing to antidepressant claims, and others say they are monitoring claimants on antidepressants more closely by involving nurse-case managers and other claims handlers trained in spotting problems early.

“We spend a lot of time on opioids but we don’t pay a lot of attention to antidepressants,” said Dr. Dan Hunt, medical director of Lansing, Michigan-based comp insurer AF Group, which partnered with researchers at Johns Hopkins University School of Medicine in Baltimore to analyze the drug patterns of 22,383 indemnity comp claims that were more than 3 years old from 2008-2013.

The findings, published in the *Journal of Occupational and Environmental Medicine* in April, surprised him because they found that the presence of medicine meant to help an injured worker mentally cope in an injury, with the income adjustment that comes with being out of work and other factors that affect well-being, could be partially responsible for prolonging the claim.

Specifically, the results showed that claims with both opioid and antidepressant prescriptions closed at a rate of 64.8% while claims with only opioid prescriptions closed at a rate of 89.1%.

Claims with antidepressants also cost more: \$64,507 on average for claims with both antidepressants and opioids compared with \$28,563 for claims with only opioids, according to the study.

Even when controlling for age, chronic pain, medical complexity and claim development, antidepressant claims were more likely to remain open at the end of the five-year study period, according to the study.

The study’s takeaway is that antidepressants



can have an effect on claims, and AF Group is going to add the group of medications to its pharmacy alerts that trigger a claims handler or nurse case manager to look into a claim, Dr. Hunt said.

Such alerts are common for opioids among insurers and pharmacy benefits managers grappling with regulations and formularies that limit opioids and in-house policies that call for better oversight of pain medications and have contributed to a decline in opioid prescribing, according to numerous reports.

But the focus on antidepressants is new, experts say.

“We are not saying antidepressants are bad, but it’s an indicator that this claim may need more attention,” said Dr. Hunt.

That antidepressants are so common in comp is helping to sound alarms, according to experts.

Antidepressants were among the top five drugs prescribed to injured workers, after pain medications, according to a report by

the California Workers’ Compensation Research Institute in February 2019. The study also found that antidepressant prescriptions grew 53.8% from 2009 to 2018

— faster than pain-relieving anti-inflammatories, which saw a 48.1% increase.

MyMatrixx, a Jacksonville, Florida-based pharmacy benefits manager and subsidiary of Express Scripts Holding Co., also saw that antidepressants were among the top five drugs prescribed to comp patients, according to a drug trends report released in April.

The Optum Workers’ Comp and Auto No-fault Solutions report revealed the same ranking in April — adding that antidepressants accounted for 7.5% of the drug spend in 2018, a slight increase over the 7.4% in 2017. By comparison, opioids — in the top slot — accounted for 26.6% of the drug spend, according to that report.

Julie Black, Tucson, Arizona-based vice president of First Script Clinical Services

at Coventry Workers’ Comp, said antidepressants are in the top 10 for drug spend for injured workers for Coventry clients.

Antidepressants are a sign that “something else” is going on with the claim, she said.

“We see (antidepressants) more often than not in long-term claims,” Ms. Black said. “It’s a concern.”

While most antidepressants are taken to help stabilize moods by reacting with brain chemicals, some are known to help with pain management. Cymbalta is one brand medication known to be prescribed for pain, and its emergence as a nonopioid alternative is fueling its popularity, Ms. Black said.

But most antidepressants are taken to treat depression and are typically coupled with other pain therapies, including opioids, she said.

“They want to get back to work, but they can’t because they are hurt and in pain,” she said.

This raises questions about what effect prescribed antidepressants have on a claim, she said.

“It’s a gray area ... it’s kind of the chicken or the egg: Which came first? Is the antidepressant prolonging the claim or is it just a long claim with chronic pain?” she said.

“To us, antidepressants signal that the injured worker is experiencing a mental health issue — that it could be related to the injury or it could be a preexisting condition,” said Dr. Robert Hall, Westerville, Ohio-based corporate medical director for Optum. “This is something that we are paying attention to ... (Because) mental health illnesses and disorders generally do not resolve in the time frame that you would see a non-mental health injury.”

Recent attention to antidepressants is a further sign that the industry needs to focus more on the whole health of the injured employee, said Silvia Sacalis, a Tampa, Florida-based licensed pharmacist and vice president of clinical services for Healthesystems LLC.

“A lot of injured workers do require appropriate antidepressant treatment in light of their new reality” as a worker who is grappling with an injury, she said. “It’s a new reality for them, and some of them have trouble adjusting. They are human.”

## COSTS OF ANTIDEPRESSANTS

Monthly antidepressant costs vary depending on type of brand or generic form and dosing.

### GENERIC DRUGS

**\$65-\$320**

depending on type, dose

### NAME BRAND\*

**\$85-\$595**

depending on type, dose

\*Cymbalta, cited as a common antidepressant prescribed for pain in workers compensation, is not available in generic form and costs between \$215 and \$240 per month.

Source: National Center for Biotechnology Information, U.S. National Library of Medicine

## DRUG-FREE CLAIMS HAVE MOST SUCCESSFUL CLOSURE RATE FOR INJURED WORKERS

Drug-free claims lead the pack when it comes to successful closure rates in workers compensation, according to a recent study.

An analysis of 22,383 Michigan workers compensation claims from 2008 to 2013

found that those of injured workers who took no drugs had the highest closure rate, at 91.8%, according to the study by AF Group and the Johns Hopkins University School of Medicine in Baltimore, published in April’s *Journal of Occupational and*

*Environmental Medicine*.

Ryan Artuso, Lansing, Michigan-based senior data scientist of predictive modeling for comp insurer AF Group, said drug-free is a new focus for study, as those examined in the most recent study are all

indemnity claims with three-year maturity.

“We want to take a further dive into the specifics of this group,” he said. “They seem to have the best outcomes with chronic pain, but no medication.”

Louise Esola



# Ready with Solutions



***Congratulations*** to all the Break Out Award winners and especially our own ***Starr Taybron!***

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## Safety whistleblower rules under fire

BY ANGELA CHILDERS

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Worker protections under the Occupational Safety and Health Act recently have been sharply debated in federal agency meetings and in Congress and challenged in court as stakeholders volley over whether protections are sufficient and if workers have enough time to lodge complaints about unsafe workplaces.

In recent months, the U.S. Occupational Safety and Health Administration has held several forums seeking input on the agency's whistleblower protections under Section 11(c), which prohibits employers from retaliating against workers for engaging in protected activity such as filing a safety or health complaint with OSHA, raising a safety or health concern with their employer or reporting an injury or illness.

An OSHA spokesperson said about 100 members of the public provided "relevant, useful information related to the program" at the meetings.

Employees have 30 days from an alleged adverse employment action to file a complaint with OSHA, but that could change if legislation in the U.S. House of Representatives is adopted by Congress and signed by the president. Bipartisan bill H.R. 1074, introduced in February by Rep. Joe Courtney, D-Conn., would amend the OSH Act to expand federal OSHA coverage to public sector workers and extend the statute of limitations for employees reporting safety and health violations to OSHA from 30 days to 180 days. The bill, known as the Protecting America's Workers Act, or PAW Act, also would require immediate abatement of hazards by employers even if they contest hazards, expand OSHA's authority under the general duty clause, increase penalties for OSHA violations and restore Obama-era electronic record-keeping requirements.

Jason Mills, partner in the Los Angeles office of Morgan, Lewis & Bockius LLP, said it is unlikely that there will be a big rewrite on 11(c) but changing the statute of limitations via the PAW Act is "opening up the floodgates" to retaliatory charges. About two-thirds of whistleblower complaints were dismissed or withdrawn in 2018, according to OSHA statistics.

"Someone knows if they believe they were retaliated against for making an OSHA complaint," said Mr. Mills. "Turning that 30 into 180 days doesn't accomplish anything. It strikes me as opportunistic."

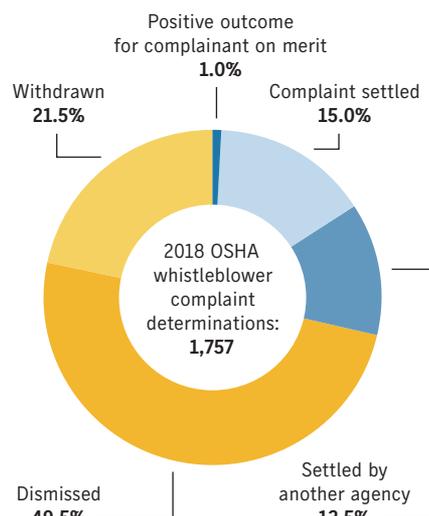
However, extending the statute of limitations from 30 to 180 days will align OSHA with other agencies' whistleblower statutes, said Rixio Medina, president of the American Society of Safety Professionals.

Employees often aren't aware that they have the right to report a safety or health violation, "much less are able to take advantage of it in 30 days" and overcome their fear of reporting, said



### BELLS & WHISTLES

More than two-thirds of all whistleblower claims filed under Section 11(c) of the Occupational Safety and Health Act were dismissed or withdrawn in 2018.



Source: Conn Maciel Carey LLP analysis of OSHA statistics

Marcy Goldstein-Gelb, co-executive director of the National Council for Occupational Safety and Health, based in Somerville, Massachusetts, which represents labor unions and worker advocates.

"If workers can't report a hazard or can't report an injury, what that means is ... they are at grave risk at getting much more severely injured, and the entire workplace is still going to be exposed to that hazard," she said.

Aaron Gelb of Conn Maciel Carey LLP in Chicago said while he believes OSHA is continuing to be an enforcement-focused agency, he doesn't envision any significant changes to current whistleblower statutes.

The legality of the antiretaliation provisions in OSHA's electronic record-keeping rule are also being contested. The National Association of Home Builders filed an amended complaint on April 1 in U.S. District Court for the Western District of Oklahoma challenging OSHA's antiretaliation provisions. The association filed

its initial lawsuit, *National Association of Home Builders of the U.S. et al. v. Acosta*, in 2017, and the government moved to stay proceedings until OSHA had a chance to reconsider the rule. In its amended complaint, the Washington-based association, along with the U.S. Chamber of Commerce and several other business associations, challenge OSHA's August 2016 provisions prohibiting employers from retaliating against employees for reporting work-related injuries or illnesses.

Although the agency issued a memorandum to clarify the antiretaliation provisions of the electronic record-keeping rule in October 2018, according to the NAHB lawsuit, OSHA failed to establish what constitutes "reasonable" procedures for reporting work-related injuries and does not retain the statutory authority to redress allegations of discrimination and retaliation against employees for reporting work-related injuries or illnesses beyond Section 11(c).

OSHA's Improve Tracking of Workplace Injuries and Illnesses regulation was a source of consternation for employers and their representatives in large part because of the antiretaliation provisions featured in the rule's preamble. The provisions discouraged employers from any activities that might deter employees from reporting injuries and illnesses, including incentives offering prizes such as pizza parties for a certain period of time without a workplace injury or illness. But in late May, the Trump administration proposed enshrining OSHA's stance that the rule does not prohibit employers from establishing safety incentive programs or post-incident drug testing in a new standard.

Alan Larson, owner of safety consulting firm Alan Larson & Associates in Yuma City, California, said he believes there is a "tremendous" amount of underreporting of workplace injuries and illnesses nationally, and is skeptical of such incentive programs.

"If you start tying your OSHA recordables ... and workers comp costs to incentives, you get very perverse outcomes," said Mr. Larson. "You basically incentivize people to cook their books."

### TRACKING CHANGES CREATE CONCERNS

Recent changes to the electronic record-keeping rule have caused concern for employee advocates. The U.S. Occupational Safety and Health Administration amended the regulation by rescinding the requirement for organizations with 250 or more employees to electronically submit information from OSHA forms 300 and 301, but the organizations are still required to submit information from their Form 300A summaries, including confidential business information.

In March, the attorneys general of six states filed a lawsuit challenging the rollbacks on the grounds that the agency failed to provide a "reasoned explanation" for its actions.

Deborah Berkowitz, senior fellow at the Washington-based National Employment Law Project, said OSHA has not filled the additional 33 full-time jobs allotted to the agency for 2019, and she is concerned that any further rollbacks of the electronic record-keeping rule, such as the requirement to provide OSHA with summary data, "would be really bad. OSHA uses that data for targeted inspections."

But the electronic record-keeping places a burden on employers and can also be used by union workers or plaintiffs' attorneys to further their campaigns when it is publicly available, said Jason Mills, partner and employer representative in the Los Angeles office of Morgan, Lewis & Bockius LLP.

"Fortunately, OSHA cut (the electronic record-keeping provisions) down, but it's not ideal," he said. "But I don't see anything really changing on that in the immediate future."

Angela Childers

# Nonprofit jobs provide bridge back to work

BY ANGELA CHILDERS

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Off-site transitional duty positions can help employers reduce workers compensation costs and have gained traction as employers strive to reduce opioid dependency among injured employees.

But the nature of the work that can be offered through off-site work options and whether an employee can be compelled to accept the positions varies by state, experts say.

Memphis, Tennessee-based Sedgwick Claims Management Services Inc. began offering off-site transitional duty work in 2018 as part of its managed care services due to growing interest in the placements by the third-party administrator's clients, said Andrea Buhl, senior vice president of Sedgwick's clinically integrated medical program.

"Employers are looking for creative ways to reduce their overall claims costs," said Ms. Buhl.

The longer an employee is out of work, the more difficult it is for them to return and "the higher the costs to the employer," said Debra Livingston, CEO of ReEmployAbility Inc., based in Tampa, Florida, which links employers seeking off-site transitional duty work for injured workers with nonprofits who need labor.

York Risk Services Group Inc. has offered off-site modified duty programs for nearly 20 years, and the number of employers using the return-to-work approach has been increasing each year, said Kimberly Wickert, director of work programs for the Parsippany, New Jersey-based TPA.

"What we've seen the last few years ... we know that if we get people back to work, we're going to see less dependence on opioids," she said.

York clients in industries such as trucking, logistics and staffing also offer off-site modified duty employment as a way to decrease their overall workers comp costs and indemnity, she said.

When risk consultant Kathleen Peck accepted the role of risk manager for MVP Staffing in Deerfield, Illinois, she found



the company's workers compensation insurers and third-party administrators were frustrated. "Claims were spinning out of control" because the company, which operated in more than 40 states, didn't have the ability to control a work environment or modify tasks and was struggling to get injured workers back into a job, she said.

Ms. Peck partnered with an off-site transitional duty company, and began attacking the legacy claims for temporary total disability, some of which had employees who had been out of work for two years. After obtaining doctor's notes indicating each workers' level of functionality, the workers received offers of employment at a nonprofit — generally within 10 miles or less of an employee's home — to work within their restrictions. To her surprise, the legacy claimants began to receive full-duty work releases.

"We had people accepting those jobs, then actually starting to show physical improvement by their next office visit," she said. "People were shocked they got released back to full-duty work."

But states have varying restrictions regarding off-site transitional work. Pennsylvania and Colorado both have specific jurisdictional requirements regarding the

offer of modified duty, and other states govern how the offer is made, which can include whether the modified job duty description must be approved by a physician, said Ms. Livingston.

In North Carolina, temporary light duty work must be approved by a physician in the manner that it is typically approved for permanent job offers, said Leigh Anne Foster, Franklin, Tennessee-based assistant vice president of case management services and return-to-work programs at Gallagher Bassett Services Inc.

Texas requires a bona fide offer of employment consistent with the treating physician's certification of an employee's work abilities, said Pat Crawford, return to work specialist for the Texas Department of Workers Compensation.

Whether benefits can be suspended for declining the offer of an off-site transitional job also varies by state. Total temporary disability payments cannot necessarily be discontinued when a worker is released by a treating provider to return to work in Massachusetts, New Hampshire, New Jersey, Pennsylvania and Rhode Island, according to a survey released in April by Cambridge, Massachusetts-based Workers Compensation Research Institute.

For Ms. Peck, after seeing such suc-

## SMART TRANSITIONS

Several companies offer to place injured workers in off-site transitional duty positions when light duty at the employer's workplace is not an option because such programs can have numerous benefits, including:

- Changing the employee's focus from disability to ability
- Allowing the employee to remain productively employed, earning a regular wage and benefits
- Expediting recovery and return to full duty
- Giving back to the community
- Relieving employer of burden of training and supervising employee on transitional duty
- Potentially reducing both indemnity and medical costs
- Reducing loss time days

Source: Coventry Workers' Comp Services

cess with legacy claims, she expanded the off-site transitional work program to new claims, and Genex Services Inc. was brought on as a telephonic case manager. Case managers informed the workers' physicians that the off-site transitional duty job could be tailored to accommodate any activity of daily living, and physician notes were often obtained right after an injury — sometimes even before the claims adjuster had contacted the employee. The goal was to get workers into the off-site transitional duty position before any patterns of disability took hold or before the worker had time to retain counsel, Ms. Peck said.

According to Bobbie Doyle, Charleston, South Carolina-based director of telephonic case management at Genex, based on vendor averages, about \$1.8 million in indemnity costs and \$6.96 million in medical costs have been saved through the program for the staffing firm. About a quarter of all cases were referred into the off-site transitional duty program and nearly half of the employees in the program achieved full-duty work release in 44 days.

Ms. Peck said the program allowed her to get workers engaged in meaningful work before there was a chance a disability mentality could take hold.

"I still believe at the end of the day that people heal," she said.

## ILLINOIS RULING TIES BENEFITS TO ACCEPTANCE OF OFF-SITE WORK OFFERS

Illinois has not historically required injured workers to accept off-site transitional duty positions, but a March decision by the Illinois Workers Compensation Commission that a worker's benefits could be suspended for rejecting a reasonable off-site transitional duty may change that.

In *Stagen v. Reladyne*, a worker who suffered a nondisabling shoulder injury was offered a paid, temporary job at

a nonprofit organization in a position that fit within his physician's light duty restrictions. He refused to accept the position and continued to receive workers compensation benefits. The commission found that the intention of the act is to "compensate a claimant for economic disabilities that diminish his value in the labor market" and that the worker had "no credible justification" for declining to accept the position.

The ruling opened the door for employers in the state to utilize the transitional duty option, said Debra Livingston, CEO of Tampa, Florida-based ReEmployAbility Inc. Her company has been able to maintain a "robust program" in states where judges have ruled in favor of off-site transitional placements, she said.

"As more rulings supporting this type of return-to-work are decided, we expect to

continue to grow exponentially," she said.

However, the *Stagen* decision isn't "a catch-all," and a placement still has to be determined to be within a reasonable distance of the injured worker's home and within the worker's functional restrictions, said John Kolecke, partner at Chicago law firm Hennessy & Roach P.C.

The case is currently on appeal in the Cook County Circuit Court.

Angela Childers

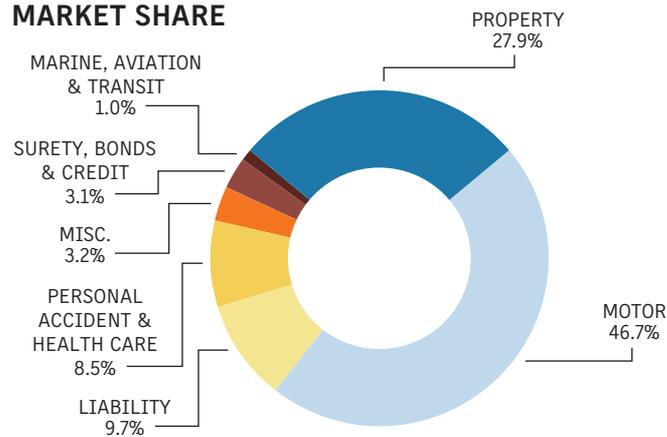
## PROFILE: CZECH REPUBLIC

# 41

GLOBAL  
P/C MARKET  
RANKING

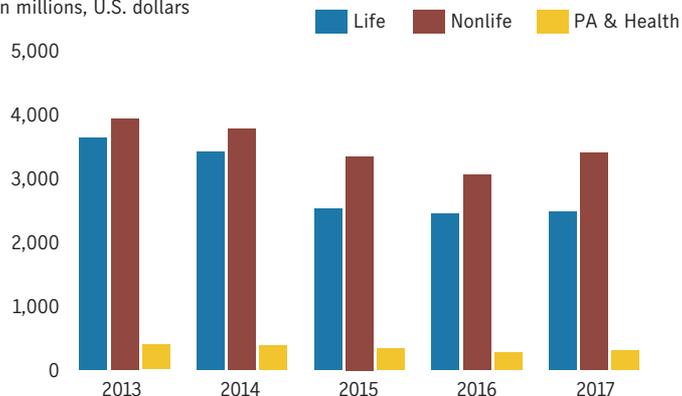
The Czech Republic benefits from its geographical position in the heart of Europe. Automotive construction dominates the manufacturing sector; cars and car parts account for over half of all Czech sales and exports, and auto is the main growth driver for the country's property/casualty insurance sector. Penetration of industrial property insurance in the Czech Republic is quite advanced. Because of the high catastrophe exposure and the mutually supportive attitude of Czech insurers, property insurance rates are higher than in many other regional markets (compared with, for example, Germany, Poland and Slovakia). The market grew by over 5% in 2017 and in the first three quarters of 2018, and is projected to maintain this momentum into 2019.

### MARKET SHARE



### MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

### COMPULSORY INSURANCE

- Auto third-party liability
- Employers' liability
- Shipowners liability for marine oil pollution
- Professional indemnity for insurance agents, insurance and reinsurance brokers, lawyers and more
- Nuclear liability

### NONADMITTED

Unauthorized insurers are not allowed to carry on insurance activity in the Czech Republic. At the same time, there is nothing in the law to indicate that insurance must be purchased from locally authorized insurers, with the exception of certain classes. This is generally interpreted to mean that insurers can issue most policy types from abroad if approached by an insurance buyer or broker.

### INTERMEDIARIES

Agents and brokers must be authorized by the Czech National Bank to do business in the Czech Republic.

### MARKET PRACTICE

Most foreign multinational business is either fronted or written on a freedom of services basis elsewhere in the EU. Few companies take advantage of their freedom to insure abroad, though some multinational subsidiaries are said to place business directly with captive insurers domiciled outside the EU. The most common types of nonadmitted placement are global crime, directors and officers, and legal expenses policies.



### AREA

# 29,823

square miles

### POPULATION

# 10.6

million

### MARKET CONCENTRATION

# 74.5%

market share of top five insurers

### 2019 GDP CHANGE (PROJECTED)

# 3.1%

### MARKET DEVELOPMENTS

Updated March 2019

- Act No. 170/2018 on the Distribution of Insurance and Reinsurance, which transposes the Insurance Distribution Directive into Czech law, came into effect Dec. 1, 2018, repealing and replacing Act No. 38/2004 Coll on Insurance Intermediaries and Independent Loss Adjusters.
- There have been record increases in new car sales. This is a reflection of the strengthening economy, which is also expressed in low unemployment.
- With effect from Jan. 1, 2018, when Act No 293/2017 Coll Amending the Motor Third-Party Liability Act came into effect, the motor guarantee fund has been wholly financed by penalties levied on motorists who resume their compulsory motor third-party liability insurance after a period of being temporarily uninsured. Insurers may be levied in addition if penalty income is ever insufficient to meet the guarantee fund's outgoings.
- The leading insurers started re-underwriting their property portfolios in 2017, which has led to increases in rates and deductibles for high-hazard and poorly performing accounts. This new concern for profitability is now being applied to the auto portfolio.

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



## State regulator faces criminal charges

■ Georgia Insurance Commissioner Jim Beck agreed to voluntarily suspend himself from office pending the outcome of his criminal case following his indictment on wire fraud, mail fraud and money laundering charges for allegedly stealing more than \$2 million from his former employer, the Georgia Underwriting Association.

Georgia Gov. Brian Kemp on May 16 issued an executive order immediately suspending Mr. Beck.

The governor asked Mr. Beck to resign his position on May 15 following news of the 38-count indictment, which alleges Mr. Beck stole the money during the five years just prior to his election to statewide office in November 2018.

Mr. Beck professed his innocence in a letter responding to the governor's request.

"In the circumstances, it would be inappropriate for me to resign as Commissioner of Insurance," Mr. Beck said. "Nonetheless, I recognize the importance of having a Commissioner of Insurance who is able fully to devote all his time carrying out the duties of managing the Department of Insurance and serving the citizens of Georgia. In the coming months, it will unfortunately be necessary for me to spend a significant amount of my time defending myself against these false charges. Preparing for that trial will be a significant distraction from my public duties."

The voluntary suspension would be terminated upon Mr. Beck's acquittal at trial, according to his letter.

## Marsh sues NFP for alleged poaching

■ Marsh LLC sued NFP Corp. for allegedly poaching 13 former JLT Specialty Insurance Services Inc. real estate employees.

Marsh, which recently acquired Jardine Lloyd Thompson Group PLC, also filed a separate lawsuit against four of the employees who left JLT to work for New York-based NFP.

The first lawsuit, *JLT Specialty Insurance Services Inc. v. NFP Property & Casualty Services Inc.*, was filed in U.S. District Court in New York on May 1. The second suit, *JLT Specialty Insurance Services Inc. v. Gary Pestana et al.*, was filed in U.S. District Court in San Francisco two days later.

The New York suit states 13 employees in JLT's real estate and property practices left the firm without prior notice to join NFP from March 20-26. It said 11 of the 13 had signed nonsolicitation and confidentiality agreements to not disclose information about JLT's client and client relationships. Despite that, the suit charges, at least some of the employees have solicited JLT clients and employees. It also charges that immediately before their resignation, some of the employees moved JLT's confidential information to external drives or personal cloud storage accounts.

The lawsuit charges NFP with tortious interference with existing and prospective business relationships, tortious interference with contract, unfair competition and misappropriation of confidential information. It seeks to restrain NFP in connecting with the alleged poaching, and compensatory and punitive damages.

The San Francisco lawsuit, which names as defendants four of the departing JLT employees, charges the individuals with breach of contract, misappropriation of trade secrets and violation of the state penal code.

NFP had no comment.



## Zurich loses claim fight in abuse case

■ The actions of a vacuum cleaner company's independent dealer who was charged with multiple instances of abusing women should be considered a single occurrence with a single deductible, the 6th U.S. Circuit Court of Appeals in Cincinnati ruled in *The Scott Fetzer Co. v. Zurich American Insurance Co.*, overturning a lower court's ruling.

Three women filed a lawsuit against The Scott Fetzer Co. in 2013, charging that John Fields, who worked for a factory distributor of the company's Kirby vacu-

ums, sexually assaulted them on numerous occasions between May 2012 and January 2013, according to the ruling.

Cleveland-based Fetzer conducted only a limited background check on Mr. Fields, which showed he had lied about his past criminal record, the ruling said, adding Fetzer approved him as a distributor trainee despite knowing he had lied about his criminal record and later making him a factory distributor. The ruling also said Mr. Fields resumed selling the vacuum cleaners even after serving prison time for forcible rape.

Fetzer settled, then requested reimbursement from Zurich under its two general liability insurance policies. Zurich agreed to pay \$2 million per "occurrence" of bodily injury, with Fetzer responsible for paying the first \$1 million for each occurrence. But the insurer contended Mr. Fields' actions against each woman were separate occurrences and Fetzer was responsible for three deductibles.

The U.S. District Court in Cincinnati ruled in Zurich's favor, but the 6th Circuit overturned. "If the relevant 'occurrence' is negligent supervision, there is only one occurrence," said the ruling in reversing the lower court's ruling and remanding the case with instructions to enter judgment for Fetzer on its motion for summary judgment.

## Injured janitor, Tesla settle for \$13M

■ A janitor will receive \$13 million to settle her personal injury lawsuit for injuries she sustained at a Tesla factory.

Teodora Tapia was a janitor at San Jose, California-based Flagship Facility Services Inc. when she was assigned to provide janitorial services at Tesla's Fremont, California, plant. On Aug. 12, 2014, she was struck by a vehicle being driven by a worker employed by West Valley Staffing Group Inc., based in Sunnyvale, California.

The complaint in *Teodora Tapia v. Tesla Motors*, in Alameda County Superior Court, alleged that Tesla and its employees negligently owned, operated, controlled, maintained and inspected the premises. She also charged that Tesla and its employees knew or should have known of the dangerous conditions on the premises and failed to warn Ms. Tapia.

A Tesla spokesperson said West Valley will pay the bulk of the settlement, and that the trial "focused solely on the amount of damages due," not Tesla's safety practices.

Khail Parris of Parris Law Firm in Lancaster, California, who worked on the case, said Tesla and West Valley were considered joint employers at the time of trial and that Tesla has declined to disclose how much of the settlement will be paid by West Valley. West Valley did not respond to requests for comment.

## DOCKET



### AWOL DOCTOR NO BAR TO MED MAL PAYOUT

Lancet Indemnity Risk Retention Group Inc. must cover an award of more than \$1 million in a medical malpractice case involving a policyholder physician who is no longer in the country, the 4th U.S. Circuit Court of Appeals ruled, upholding the U.S. District Court in Greenbelt, Maryland, in a case where a patient died. The doctor's attorney's contention "that he lacked the ability to enter an appearance without the consent of Dr. (Ishtiag) Malik finds no support in the Policy, in Maryland law, or in the expert testimony presented to and credited by the district court," the 4th Circuit said in its ruling.

### NRA TO REPLEAD GUN INSURANCE CASE

The U.S. District Court in Albany, New York, dismissed National Rifle Association charges that New York Gov. Andrew Cuomo and former New York Superintendent of Financial Services Maria Vullo had selectively enforced provisions of the insurance law against the gun rights organization. "Plaintiff fails to point to specific statements plausibly supporting the inference that either defendant knew of similar non-firearm-related Insurance law violations by the comparators but consciously declined to prosecute them." The NRA said it will replead the issue.

### EX-GALLAGHER UNIT EMPLOYEE SENTENCED

A former accounting specialist who worked at a unit of Risk Placement Services Inc., a Arthur J. Gallagher & Co. subsidiary, was sentenced to 27 months in prison for embezzling \$900,000 from her employer Metcom Excess between 2008 and 2015. Violeta McGough, 57, of Bergenfield, New Jersey, had previously pleaded guilty before U.S. District Judge Madeline Cox Arleo to a charge of one count of wire fraud. Gallagher bought the New Jersey-based wholesale broker in 2015.

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Greg Hendrick is a longtime executive at Axa XL, a division of Axa SA, and its predecessor companies. In 1995, he joined pioneering Bermuda-based property catastrophe reinsurer Mid Ocean Reinsurance Ltd., which XL Capital Ltd. acquired in 1998. Over the next two decades, he was promoted to a variety of executive roles, rising to president of property and casualty two years after the deal that created XL Catlin in 2015. After Paris-based Axa's acquisition of XL Catlin last year, Stamford, Connecticut-based Mr. Hendrick was named CEO of Axa XL, which handles large commercial and specialty risks. He recently spoke with *Business Insurance* Editor Gavin Souter about changes since the deal, opportunities and challenges in the commercial insurance market, and the influence of insurtech. Edited excerpts follow.

## Greg Hendrick

AXA XL

### Q How is Axa XL in the U.S. different from XL Catlin?

**A**In North America, the differences are more macro than the specific lines of business we underwrite. Every underwriter today has the same letter of authority, the same risk limit capacity, the same products, so there wasn't a lot of overlap between XL and Axa within the U.S. I would say the biggest difference is the strength that we have. By being acquired by Axa, our underwriters in North America now have A+ A.M. Best and AA- S&P rated capacity. We were an A and A+ and that's a big help. It's not an end-all and be-all, but it certainly helps you get into the next tier of insurers and reinsurers.

And there are now new products that we can sell to our North American clients. We can sell motor fleet capabilities internationally that we couldn't sell before at XL. We can make introductions and try to help cross-sell employee benefits into our customer base in North America. There's a good handful of products that Axa brings to the table.

### Q Where do you see opportunities for growth?

**A**We have a great position in North America, but if anything we're a little underweight in our market share. So one of the main thrusts for us is just to try to get up to our level of market share profitably. We have the broad products spread across property/casualty and specialty lines, so I don't see the need to add more product. We are exploring within the context of the Axa family can we get into the small commercial space, something we've never been in before, which would be a green field for us. We're also talking about ways to leverage Axa's health capabilities in workers comp. But it's really executing on all the plans we have to grow.

### Q What do you see as the biggest challenge facing insurers?

**A**Right now the biggest challenge for insurers is to ensure that we are making a sufficient margin for the risk that we take on. In the industry as a whole, carriers have given ground with

a lot of rate reductions and coverage expansion, and you will see our folks, and I think many others in the industry, pushing hard on gaining the right level of rate for the risk we assume.

In addition, we need to do a better job of selling our product more efficiently. It's really about how do we bring the whole cost of the system down, and I think that's a big body of work that has resisted change for a long time, and I think insurtech can help really make some improvements. But it's definitely "How do I make the appropriate margin for the risk I take on and how do I become more competitive as an offering to our clients?"

there's some form of rate increase, and I see that continuing. As carriers have looked at their results and have looked at the underlying profitability, the reality is that we're not getting paid enough for the catastrophe exposure we take on. And then in casualty, it's trying to keep up with and maybe get a little ahead of loss cost trends, which seem to be accelerating in a few areas in the U.S. Those are the two driving dynamics behind what's driving what is a broad-based rate shift. It's not a hard market where anything goes, but it certainly is a firming market.

### Q Do you see the rate changes as anything more than just cyclical underwriting adjustments? Is there a fundamental change to underwriting the business?

**A**I think insurtech is unlocking new ways of looking at risk. We invest in a company called Cape Analytics that does aerial imagery, so when we have a client on our reinsurance side of the business that reports a set of exposures in maybe something like tile roofs, we need to know does the roof have tiles on it or not. Sometimes the client hasn't captured that information, sometimes they're not able to pass it along. We can now use Cape Analytics to come along and go across the whole portfolio and tell us at each location what kind of roof it is and refine our risk assessment. So I think that kind of change has been happening and is accelerating here — but, no, the fundamental underlying reality is there's alternative capital that's been coming into the property cat-exposed business and it demands a lower return than what property/casualty insurers and reinsurers want to receive, and that still continues to play out. Events have slowed down the flow of that a bit, so there's less of a glut of capacity.

So to me, those two things — better analytics to help us become more refined in how we look at our risks and then a little bit more of a balance of supply and demand — means that there's a little bit more of an equilibrium than before, where there was just a lot of supply and not enough demand.



### Q Commercial customers might say, "Well, insurers are making pretty decent profits at the moment, do there need to be rate increases?"

**A**If you aggregate up the industry in the large commercial space, I would say that's not a moneymaking proposition in 2017 and 2018. It looks good when there aren't catastrophes or large losses, but you're not making enough to cover the volatility that you take on in these businesses. I love the phrases "as if" or "ex cat," but, unfortunately, I'm still going to pay the loss.

### Q There does seem to be hardening. How do you see that trend progressing?

**A**With the exception of a very small handful of classes of business,

"Right now the biggest challenge for insurers is to ensure that we are making a sufficient margin for the risk that we take on. In the industry as a whole, carriers have given ground with a lot of rate reductions."

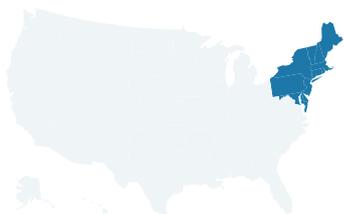


## BUSINESS INSURANCE

# BREAK OUT AWARDS

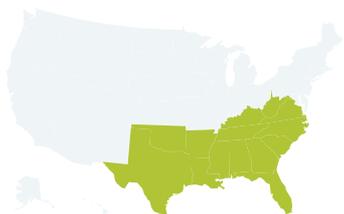
### NORTHEAST

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### SOUTH

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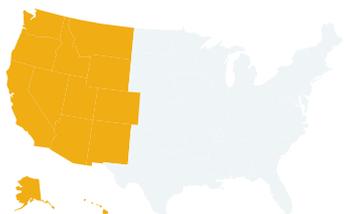
### MIDWEST

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### WEST

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**I**n the insurance industry's battle for talent, there are plenty of incumbents to fight over.

Companies from across the sector are benefiting from the innovation and hard work of numerous young managers and executives who are making their mark in established and newer organizations and disciplines.

The 40 honorees selected for the 2019 *Business Insurance* Break Out Awards represent some of the most promising

individuals working in insurance and risk management and are set to take on key leadership positions in the industry.

Established in 2017 to succeed our 40 Under 40 program, the Break Out Awards highlight the achievements of up-and-coming professionals in an industry facing significant demographic challenges.

To be eligible for the award, nominees must work in commercial insurance or related sectors and cannot have worked in the field for more than 15 years.

To maintain diversity in geography and type of organization, the honorees are grouped in four regions of the United States: Northeast, South, Midwest and West.

All the nominations — which highlighted the nominees' client-service skills,

expertise and leadership qualities — were reviewed by *Business Insurance* editors. After selecting finalists, we contacted references to learn more details about the nominees' achievements.

The honorees come from a diverse set of backgrounds with some knowing they wanted to pursue a career in insurance at college and others coming to the sector after beginning careers in other fields. All have interesting stories to tell about their careers so far and where they think the industry is headed.

In the following pages, you can read edited excerpts of interviews with all the winners.

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

*Gavin Souter, editor*

## 2019 BREAK OUT AWARDS WINNERS

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McCarter & English LLP  
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**Lael Chappell**  
Attune Insurance Services LLC  
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**Michelle Chia**  
Zurich North America  
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**Peter Johnson**  
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a unit of Alera Group  
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**Haytham Zohny**  
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**Miles Eibe**  
Crawford & Co.  
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**Megan Fletcher**  
Axa XL, a unit of Axa SA  
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**Leland Jones IV**  
Wiley Rein LLP  
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**Teah Lupton**  
CNA Financial Corp.  
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**Matt Meyer**  
Risk Placement Services Inc.,  
a unit of Arthur J. Gallagher & Co.  
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**Justin M. Reese IV**  
Hub International Ltd.  
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**Kyle Schielack**  
Higginbotham Insurance  
Group Inc.  
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**Starr Taybron**  
IAT Insurance Group Inc.  
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**Berri Willis**  
Burns & Wilcox Ltd., a unit of  
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### MIDWEST

**Kaileigh Bowe**  
Highland Insurance Solutions LLC,  
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**Jonathan Charak**  
Zurich North America  
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**Lisa Hamer**  
Marsh LLC  
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**Nicole Jolley**  
Church Mutual Insurance Co.  
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Travelers Cos. Inc.  
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**Kimberly Lacker**  
CNA Financial Corp.  
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**Christopher Mowery**  
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**Minda Rossman**  
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**Sydney Sandock**  
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**Justin M. Lehtonen**  
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**Sarah Wander**  
Everest Insurance,  
a unit of Everest Re Group Ltd.  
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## BRYAN BERKMAN

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Senior vice president, placement specialist  
Marsh LLC  
New York

When Bryan Berkman graduated from Lehigh University in 2003 with a master's degree in political science, he considered practicing law. But a chat with a family friend who worked at Hartford Financial Services Group Inc. led him to insurance. In 2005, he joined Hartford as an underwriter focused on directors and officers liability. He joined Marsh LLC in 2012 after seven years as an underwriter.

### What is the No. 1 concern in your specialty?

Over the last couple of years, we've seen a large emergence of securities claims. They are arguably the biggest targets for

directors and officers policies. We've seen a lot of emerging claims coming from event-driven litigation like cyber-related breaches, or a catastrophe event like wildfires. The #MeToo movement has also been a big expeditor of claims. We've seen a very large uptick in both claims frequency and severity. It's been a real challenge.

### What advice would you give to someone starting out in the business?

What I've learned over the years in watching some of the senior leaders in my firm and others is that they once started exactly where new people joining the business are starting now, and they developed their skills and careers over time. A lot of what we do is about relationships. Whether it's a pricing or claims outcome, getting on the phone or meeting in person goes a long way.

### What is something most people don't know about you?

When I was ages 12 and 13, I competed in the boys junior national championships for paddle ball. My partner and I won the national championships twice.

### What is your favorite app or gadget?

My favorite app is the Weather app. It's very important to me.

### What would you/do you binge watch?

"Game of Thrones." I love it.



## ADAM BUDESHEIM

40

Partner  
McCarter & English LLP  
Newark, New Jersey

Adam Budesheim became a partner at McCarter & English in 2015. He graduated from Harvard Law School in 2004 and began practicing at McCarter & English. He left for a year to serve as a law clerk for U.S. Circuit Judge William H. Pryor Jr. in the 11th U.S. Circuit Court of Appeals in Birmingham, Alabama, then returned to the firm, where he represents policyholders seeking coverage from their insurers.

### How do you see your job changing over the next 10 years?

I think there's a shift in the types of claims that are being brought. For many years, mass tort claims were a significant

source of dispute between policyholders and insurance companies. I think there's a shift away from that, moving more toward things like professional liability disputes. What also might end up being a significant change is several states have moved to relax the statute of limitations on abuse claims from decades ago, potentially raising a host of issues regarding insurance coverage for abuse claims under policies that were written 10, 20, 30 years ago.

### What advice would you give to someone starting out in the business?

Learn the law but also learn your clients. It is very important to understand your clients and their business. You can't provide them with the best representation possible if you don't understand what they do or who they are."

### What is your favorite app or gadget?

Any of the several apps we have that allow me to do work on the train as I'm commuting home, which leaves more time for me and my family.

### What would you/do you binge watch?

My wife and I watch the Netflix original series "Stranger Things."

### What is your favorite meal?

Going out with my family to a place that serves breakfast food at any time of the day.



## PATRICK BOUSFIELD

33

Executive director-cyber  
Capsicum Reinsurance Brokers LLP  
New York

Patrick Bousfield joined Capsicum Reinsurance Brokers LLP in 2016 as a broker and was promoted to executive director in early 2018 and leads the firm's cyber practice. Prior to that, he was with EC3 Brokers Ltd. brokers in London and Beach & Associates Ltd., where he started in the back office before moving into broking including facultative and treaty reinsurance.

### What is the No. 1 concern in your specialty?

That the boilerplate property/casualty cyber solution will become the status quo. Right now, cyber is its own class of business, but competitive pressures are look-

ing to embed it into property/casualty.

### How do you see your job changing over the next 10 years?

I see it becoming much more digital. There's a large lack of digital integration. I think we're going to get a lot more digital and have a lot less paperwork.

### What advice would you give to someone starting out in the business?

I have to be biased, since I started out as a nonspecialist: Don't try to pigeonhole yourself too early or get too narrowly focused on one line of business, or you can't move laterally.

### What surprised you about the insurance industry?

How resistant to change people are in the insurance industry. For a risk-taking market, they're incredibly risk averse.

### What is something most people don't know about you?

I read more books at once than I should. I've got three or four books going at the moment and finish a book about every two weeks.

### What is your favorite app or gadget?

Probably my Garmin watch. I can see my heart rate, my step count, my elevation.

### What would you/do you binge watch?

"Star Trek"



## LAEL CHAPPELL

35

Broker engagement lead  
Attune Insurance Services LLC  
New York

Lael Chappell joined Attune Insurance Services LLC in January after more than three years in the real estate and hospitality practice at Willis Towers Watson PLC. Before that, he was with Marsh & McLennan Cos. Inc. in the middle market national brokerage space and spent over seven years underwriting for Zurich North America in the strategic risk solutions group. He is on The University of Georgia Business School Young Alumni Board and is president of the National African-American Insurance Association's New York Chapter.

### What is the No. 1 concern in your specialty?

Technology and how much it ultimately disrupts the industry and provides us the opportunity to evolve.

### What advice would you give to someone starting out in the business?

Continue to be inquisitive, never stop learning, and don't be afraid to try something different as opportunities present themselves. I think there's a lot of opportunity within the insurance industry regardless of background, talent, even skill set.

### What surprised you about the insurance industry?

Having been on all sides of the house at this point and having had the benefit of studying risk management, I had a pretty good understanding of what opportunities lie within the industry. I continue to be amazed at how many people stumbled upon insurance and ultimately developed long, impressive careers.

### What is something most people don't know about you?

In my spare time, I'm actually learning how to DJ.

### What would you/do you binge watch?

I have promised all my family and friends I'm going to sit down and finally watch "Game of Thrones." I haven't watched an episode and understand it's a big deal.



**MICHELLE CHIA**

Senior vice president, head of specialty products, errors and omissions

Zurich North America

New York

Michelle Chia is senior vice president and head of specialty errors and omissions, overseeing professional liability and cyber at Zurich North America, where she has been since 2009. Before that, she was a professional liability underwriter with Ace Ltd. for over two years. She is the global ambassador for the Women's Innovation Network for Zurich and has been on the Make A Wish Metro New Leadership Council since October 2016.

**What is the No. 1 concern in your specialty?**

There is a lot of confusion around what cyber insurance is — how companies are

analyzing the cyber insurance perspective, what cyber insurance covers, how the claims for cyber insurance are adjusted. Our goal is to demystify cyber insurance.

**What advice would you give to someone starting out in the business?**

Learn from your colleagues. The more experience you have, the more relevant you become as an insurance professional. Also, network. Insurance is a relationship business. We conduct repeat transactions with the same people, year after year.

**34 What surprised you about the insurance industry?**

That not more people are interested in working in it. We work in such a cool industry; it feels like insurance is the best-kept secret.

**What is something most people don't know about you?**

I recently started a podcast with three friends called Four of a Kind Podcast.

**What would you/do you binge watch?**

I love "The West Wing." It's witty, concise — the character development is great.

**What is your favorite meal?**

This is a really hard question for me to answer because I love to eat. I love eating almost all food, but my true guilty/not-so-guilty pleasure is Domino's ExtravaganZZa pizza.



**PETER JOHNSON**

Senior consulting actuary

Spring Consulting Group LLC, a unit of Alera Group

Boston

Peter Johnson took and passed his first actuarial exam as part of his applied math and computer science undergrad program at the University of Wisconsin-Stout. The foundation led to job opportunities with various property/casualty insurers in the Midwest. His first job out of college was with Allstate Insurance Co., where he worked as a personal lines pricing analyst.

**What is the No. 1 concern in your specialty?**

Too much reliance on machine learning. I'm worried that could take away some needed training for the next generation. A lot of my advancement has been through

research, analysis, hands-on experience. I'm worried that utilizing computers inappropriately could lead to some issues early on in the education of the next generation.

**How do you see your job changing over the next 10 years?**

With the combination of artificial intelligence and machine learning tools, particularly modeling, this will begin to complement much of what we do as actuaries for various lines of business.

**What advice would you give someone starting out in the business?**

Having the traits of grit, hard work, passion, intelligence, intelligent decisions really will drive a natural career progression.

**What surprised you about the insurance industry?**

The complexity. All the different business units. The skill sets. The professionals involved: actuaries, claims adjusters, underwriters, executive leadership, lawyers. Then you have the brokerage side bringing in the business.

**What is something most people don't know about you?**

I spent two years in the Manhattan area, where I took acting classes. I think it really has helped me from a lot of standpoints. I think it was a different kind of skill set than you would get in the business world.



**ELIZA LOPEZ**

Operations vice president, account engineering group manager

FM Global

Parsippany, New Jersey

Eliza Lopez joined FM Global in 2009 directly out of the New Jersey Institute of Technology as a consultant engineer and has been with the insurer her entire career. Ms. Lopez rose steadily through the ranks from New York operations manager of office engineering and training to her current role as operations vice president and account engineering group manager.

**What surprised you about the insurance industry?**

Like many engineers, I was not even aware that a career in insurance was an option, and I didn't have a lot of expectations. I pursued a degree in chemical

engineering because of the many different career possibilities that I could pursue. I could go into food, petroleum, pharmaceuticals, design, research. Going into the insurance industry, I was surprised to find that same variety.

**How do you see your job changing over the next 10 years?**

I see the role of property loss engineering evolving to keep up with developing hazards, including increasingly severe and frequent natural disasters such as climate change and increased precipitation, as well as cyber risks.

**What is something most people don't know about you?**

I recently became a certified scuba diver.

**What is your favorite app or gadget?**

Definitely the robot vacuum. I have a cat, a dog and a toddler, so we make very good use of that. The cat can't be bothered (by the vacuum). The dog and toddler find it fascinating to watch — from a distance.

**What would you/do you binge watch?**

In preparation for the final season of "Game of Thrones," I did watch season one over again in the course of a weekend.

**What is your favorite meal?**

Tacos. You can go a lot of ways with tacos. My preference is tacos al pastor.



**MATTHEW ROY**

Vice president of E&S casualty underwriting

Everest Insurance, a unit of Everest Re Group Ltd.

Liberty Corner, New Jersey

After graduating from Easton, Pennsylvania-based Lafayette College in 2007 with a Bachelor of Arts, Matthew Roy jumped into the insurance industry. His father had an insurance background, so he always knew he was going to be "part of the family." He joined Everest Insurance in January 2014 after beginning his career at Crum & Forster. He manages a team of six underwriters and leads the Northeast region for the excess and surplus casualty unit.

**What is the No. 1 concern in your specialty?**

Some of the things you worry about in an E&S casualty underwriting role are risks

that make it to your desk because they are emerging or come without a significant track record of experience. It involves doing a lot of research and collaboration internally to make sure you're getting your arms around what the exposures are and providing a solution to the customer, while still focusing on bottom-line profitability for the company.

**How do you see your job changing over the next 10 years?**

The pace of change in the industry is alarmingly fast and seemingly accelerating. Data, analytics, artificial intelligence and general technological efficiencies will inevitably become more central to the underwriting process, which should lead to an evolution of the traditional underwriter's role.

**What surprised you about the insurance industry?**

What surprised me the most is how fast-paced and collaborative it is. That tends to cultivate an environment that encourages innovation and creative thinking.

**What is something most people don't know about you?**

I sang a cappella in college and did musical theater. I'm a lover of the arts.

**What is your favorite app or gadget?**

My favorite gadget is Amazon's Alexa — I like to play "Jeopardy" and music on it.



**ZACHARY VOLLMER**

Senior vice president, real estate professional liability and flood

Victor O. Schinnerer & Co. Inc., a unit of Victor Insurance Holdings Chevy Chase, Maryland

35

Like many, Zachary Vollmer had a family connection — his mom was a medical malpractice underwriter — which drew him to the insurance industry. He joined Victor O. Schinnerer & Co. Inc. in August 2006 in an entry-level underwriting position in the real estate professional liability program. More than a decade later, he sees his role as a senior manager very much at the intersection of technology and underwriting.

**What is the No. 1 concern in your specialty?**

Real estate professionals are faced with traditional risks, but each day new tech-

nologies like augmented reality and the use of drones come up. The threat from cyber intrusion is another key area where real estate agents face risk.

**How do you see your job changing over the next 10 years?**

Historically the role of a program manager had been to manage carrier relationships, underwriting staff and broker network. Now we're becoming technology platform managers, where I'm looking at the flow of business into a machine and the underwriting is occurring online. It's more about managing process than people going forward.

**What surprised you about the insurance industry?**

From the outside, people have a defined opinion of what insurance is. It's surprising how varied and how much opportunity there is within the industry.

**What is something most people don't know about you?**

I do not own a car or drive. I rely on public transportation to get around the city.

**What is your favorite app or gadget?**

I'm addicted to the iPhone, so much so that I carry two, one for work and one for personal use.

**What is your favorite meal?**

Good old-fashioned barbecue.



**HAYTHAM ZOHNY**

Account executive officer

Travelers Cos. Inc. New York

32

Knowing nothing about insurance did not stop Haytham Zohny from taking a risk and joining the Travelers Cos. Inc. as an intern in 2008 while studying for a B.A. in business, organizations and society at Lancaster, Pennsylvania-based Franklin & Marshall College. After graduation in 2009, he was selected for Travelers' financial management leadership development program. He joined the national accounts team five years ago as an underwriter and account executive, handling large, complex accounts.

**What is the No. 1 concern in your specialty?**

With advances in technology and the

shortening time frame of new product innovations, the risks within companies are evolving at a rapid pace. Companies today are seeking to determine how best to cover some of these unique and developing exposures. I find that an exciting concern, as it's a way for the industry to continue transforming and provide creative solutions to meet these advancements.

**What advice would you give to someone starting out in the business?**

Stay hungry, absorb everything around you. Always be willing to ask questions, because there is always something to learn in the industry no matter how many years you've been doing this. Remain humble and, lastly, when it comes time to do so, pay it forward.

**What is something most people don't know about you?**

Most people know that I enjoy running as a stress-reliever, but most do not know that I enjoy baking for that same exact reason. I love baking cupcakes and cookies.

**What is your favorite app or gadget?**

I love to travel, and I also love finding a great deal to travel. Fareness and Skyscanner are two apps that help me accomplish that.

**What is your favorite meal?**

Anything and everything eggplant, especially a great eggplant parmigiana.



**Congratulations to**  
**Miles Eibe,**  
our *Business Insurance* 2019  
Break Out Award honoree.

We applaud your dedication, professionalism and outstanding contributions toward our mission of restoring and enhancing lives, businesses and communities. You are an inspiration to us all.





**LACY BENSON**

Vice president, account executive  
Marsh LLC  
Atlanta

**28**

Lacy Benson is an account executive for risk management programs, specializing in the retail/wholesale, food and beverage industry, where she said food delivery is among one of the new risks to watch. When one of her large restaurant clients was acquiring another business that provided food delivery, she rewrote their risk profile, incorporating the new risks they had no experience managing. Later, she helped that same client create a safety manual for delivery drivers, a new class of employee the company had never had.

**What is the No. 1 concern in your specialty?**

Overall, the digital transformation in

the world around us, and what does that mean for my clients and what does that mean for the risk and insurance industry? Some of the new things coming out are so new. So from an underwriting perspective, they are going to be using different technology, they are going to underwrite this differently. They are going to control their risk differently.

**How do you see your job changing over the next 10 years?**

Being on the brokerage side, how we interact with our clients will look different (with technology). The fundamentals of us providing risk and insurance advice and counsel, I don't think that will change. But how we do that will change.

**What is something most people don't know about you?**

I began college as a music major focusing on piano performance.

**What surprised you about the insurance industry?**

That insurance is so much more than buying or selling an insurance policy. I get to learn about my client's business.

**What is your favorite meal?**

My father is a chef, so I probably grew up rarely having the same meal twice. But my favorite meal today is Italian. Anything pasta, bread, creamy — all of the carbs.



**MILES EIBE**

Manager, business and operations analysis  
Crawford & Co.  
Atlanta

**28**

Miles Eibe manages data analytics for Crawford & Co.'s claims solutions division, focusing on property/casualty and catastrophe claims and drawing on the latest technology to help manage the process for clients. At Crawford, his first job after graduating from University of Georgia with a degree in risk management, he helped create a computer program that provides upper management a one-stop view into their claim inventories, staffing and key performance indicators. It's now the standard for performance management.

**What is the No. 1 concern in your specialty?**

Keeping up with new technologies.

Insurance is adapting fast. We have to make sure (we) are on the forefront of new technologies. You don't want to waste effort and money on these solutions that aren't going to provide a strong benefit for the entire enterprise.

**How do you see your job changing over the next 10 years?**

With artificial intelligence coming into the play in the next 10 years, we will wonder how we ever lived without it.

**What advice would you give to someone starting out in the business?**

Meet as many people as you can. It is very tough to be a master at everything, but if you know specific subject matter experts, you can find key answers quickly and expedite projects.

**What surprised you about the insurance industry?**

It's a large industry, but it can be a small world.

**What is something most people don't know about you?**

That I talk to my mom every single day at lunch and on my way home from work. My mom is my biggest supporter and she helps a lot.

**What is your favorite meal?**

A nice steak with red wine is always a good dinner.



**MEGAN FLETCHER**

Underwriting director,  
subcontractor default insurance  
Axa XL, a unit of Axa SA  
Dallas

**36**

Megan Fletcher joined Axa XL in 2012 to help grow the insurer's subcontractor default insurance program, which manages the specific needs of large commercial builders. Ms. Fletcher oversees a team of nine risk engineers, all with the goal of helping the insurer's policyholders improve their loss-prevention efforts, from improving their subcontractor selection process to diving into insurtech solutions — technology that she says will continue to change the construction business.

**What is the No. 1 concern in your specialty?**

I think the biggest concern is the viability

of the product and making sure that we can do things differently or better.

**How do you see your job changing over the next 10 years?**

We are going to see a whole different product for SDI, different offerings, with what is changing in construction and technology. We are partnering with certain construction technologies to mitigate loss and help with risks they face day to day. We want to offer something that better analyzes that risk, mitigates it, and then prices it. The product line will look different.

**What surprised you about the insurance industry?**

That it's fun. It's such a small-family feel. Everybody knows everybody. People have hopped around jobs. You will keep running into the same people.

**What is your favorite app or gadget?**

I travel a lot for work, so Waze is my favorite app. When you are in a foreign city, it comes in handy when you need to catch a flight and navigate traffic.

**What would you/do you binge watch?**

My husband and I try to watch certain shows together. We are way behind on "Game of Thrones."

**What is your favorite meal?**

Definitely Mexican food. Tex-Mex more specifically.



**LELAND JONES IV**

Partner  
Wiley Rein LLP  
Washington

**34**

Leland Jones joined law firm Wiley Rein LLP as an intern even before graduation from law school at George Mason University. Now a partner, he spends his days representing professional liability insurance clients and training for the next race in his spare time.

**How do you see your job changing over the next 10 years?**

I don't know that it will change much. I think we will continue to provide legal advice to our clients on their most complex risks and exposures. As clients are facing larger exposures from large lawsuits and regulatory investigations of policyholders, the stakes that are at issue in

these disputes are just going to become much higher.

**What advice would you give to someone starting out in the business?**

Listen and learn as much as you can from those who have been in the industry for a long time. I found that when I was just starting, listening to those folks who have invaluable knowledge is the best way to learn about the industry and find your niche within it.

**What surprised you about the insurance industry?**

How many people have a bias against the insurance industry and don't have a good understanding of the benefits that insurance provides to business and society as a whole. There's a misperception and misconception about what insurers do ... (that) does not take into account the vital role that the industry plays.

**What is something most people don't know about you?**

My personal hobby of running. Some people view running as tedious or boring, but it's what I do to relieve stress and clear my mind. I do races every couple of months.

**What is your favorite app or gadget?**

The Venmo payment app. It's so useful for going out to dinner or getting drinks with friends. It makes life a lot easier.



**TEAH LUPTON**

Assistant vice president, coverage  
CNA Financial Corp.  
Morgantown, West Virginia

Teah Lupton is a coverage and civil litigation attorney with experience handling complex insurance disputes throughout the country. In her eighth year with CNA Financial Corp., she helps manage CNA's specialty strategic claims unit, which provides legal service to all 23 lines of business in the company's professional, management and health care liability segments. No day and no client is ever the same, she says.

**What is the No. 1 concern in your specialty?**

That the world is changing, and how we do business is evolving every day. I think predicting and trying to understand and

(being) prepared for what lies ahead is always a top concern.

**How do you see your job changing over the next 10 years?**

I think mastering actionable data identification and analytics will be key for all of us. To stay competitive, we are going to have to process information more quickly, not just in our technological systems but also in the way we as insurance professionals think.

**42 What advice would you give to someone starting out in the business?**

Play the long game. This is not an industry you can learn overnight. Don't be shy. Reach out. Get to know colleagues, customers, business partners and competitors.

**What surprised you about the insurance industry?**

How interesting and multifaceted it is. It involves so many different disciplines. I am pretty sure I've had to draw from every law school class I took in handling insurance matters.

**What is your favorite app or gadget?**

My favorite gadget is my iPhone, and my favorite app is Trulia. One of my disciplines in insurance involves real estate professionals, so it's a great investigative tool.

**What would you/do you binge watch?**

"Game of Thrones"



**MATT MEYER**

Area president  
Risk Placement Services Inc.,  
a unit of Arthur J. Gallagher & Co.  
Lexington, Kentucky

Matt Meyer leads the largest branch in the Southeast for Risk Placement Services Inc., a unit of Arthur J. Gallagher & Co., and manages \$15 million in revenue. A former binding underwriter and broker, Mr. Meyer uses his degree in mathematics from the University of Kentucky to think analytically about the risks faced by retailers, carriers and vendors. Among the youngest leaders in the company, he credits leadership courses offered by parent company Gallagher for helping him grow.

**What is the No. 1 concern in your specialty?**

One concern is the talent shortage that the industry is facing. I have a very optimistic approach. We are addressing that concern with career development programs. We are expediting the development of our current team with a myriad of training programs.

**How do you see your job changing over the next 10 years?**

The increased rate of change over the next 10 years will be driven primarily by technology. It is accelerating the rate of new risks and exposures.

**What surprised you about the insurance industry?**

How underrepresented insurance is at the university level.

**What is something most people don't know about you?**

Most people don't know that I have the most adorable twin boys in the entire world. But it's now the only thing I talk about. They are 10 months old.

**What would you/do you binge watch?**

There's no question that my wife and I are on the "Game of Thrones" bandwagon.

**What is your favorite meal?**

I love Ethiopian food. I don't eat a lot of meat, and they naturally have a very plant-based cuisine, (so) I decided to give it a try. The seasonings are amazing.



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VP/Underwriting Director, Construction Performance Risk

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**JUSTIN M. REESE IV** 38  
Vice president and senior risk consultant  
Hub International Ltd.  
Charleston, South Carolina

Justin M. Reese VI worked on all sides of the insurance spectrum — as a client, broker, insurer and safety manager — before joining Hub International Ltd. five years ago. When he is not flying around the country consulting with clients, you can find him in the gym coaching a spin class or photographing wedge salads.

**What is the No. 1 concern in your specialty?**

Right now with being in (Hub's hospitality practice group), it's workplace violence and active assailants. It's something I've unfortunately had to spend a lot of

time on over the last few years.

**What advice would you give to someone starting out in the business?**

Find a really good mentor. Find someone who is seasoned and can provide you with very candid, open and transparent advice. I've found that in every position I've had, I've reached out to my mentors going all the way back to when I was an intern.

**What surprised you about the insurance industry?**

How broad the exposures were and, at the time, how risk-averse some companies were. I was surprised at how people in the industry were afraid to go after some of the hairier risks. With the right controls, you can write everything.

**What is something most people don't know about you?**

Most people don't know that when I'm not at work, I'm also a group fitness instructor. I teach body pump classes, and I'm also a spin instructor.

**What is your favorite meal?**

I'm a traditional guy. I love a New York strip and creamed spinach, but it has to be started with a wedge salad. I love them so much that I have an Instagram page that is only wedge salads. Hundreds of photos of wedge salads from all over. If there's one on the menu, I will eat it.



**KYLE SCHIELACK** 34  
Executive vice president  
Higginbotham Insurance Group Inc.  
Houston

In his nine years in the insurance business, Kyle Schielack has racked up many accomplishments, including serving on a panel of experts for local business publications and helping to launch a risk purchasing group for the multifamily industry, covering thousands of apartments in the Gulf Coast. His practice is heavily focused in the real estate industry.

**What is the No. 1 concern in your specialty?**

Windstorms and floods, which continue to be a top concern for the coastal real estate industry and its affordability over time. With consecutive active seasons in a row, our clients are concerned about the

marketplace and reaction from reinsurance underwriters and how it will have a direct impact on operations. We have to remain creative and flexible in this area of practice.

**What advice would you give to someone starting out in the business?**

Find great mentors and know that you can never have too many. There are so many areas in this business, having successful mentors guide and encourage you along the way is going to take your career much further and much faster.

**What surprised you about the insurance industry?**

As a kid, you don't think about wanting to be an insurance agent when you grow up. Many people say they fell into the insurance business and didn't seek it out, but they are all glad they did. I'm in the same boat. I'm seeing more and more new faces joining the industry as the industry is creating new opportunities in technology.

**What is something most people don't know about you?**

You can ask any of my colleagues they would tell you that I was a Junior Olympic race walker. Everyone finds race walking so unique and so funny that they are excited to hear about that. For me, I would say that it was interning for President George H.W. Bush for four years while I was in college.



**STARR TAYBRON** 38  
Assistant vice president,  
special investigations unit  
IAT Insurance Group Inc.  
Raleigh, North Carolina

Starr Taybron began her career in law enforcement with the U.S. Marshals Service and ended her public sector work as a chief probation parole officer and the youngest chief in North Carolina, then moved into the world of insurance. She started out as an investigator with IAT Insurance Group Inc. and over the past seven years has worked her way up to her current leadership position in the company's special investigations unit.

**What is the No. 1 concern in your specialty?**

Technology. Making sure we're staying ahead of the game is probably the biggest

challenge, especially as it relates to fraud insurance. We are starting to use a lot of predictive modeling and utilizing technology platforms that haven't been there before.

**What advice would you give to someone starting out in the business?**

This is a stable, rewarding and limitless job. I think insurance is a great place to be, and it's more dynamic than ever because there are different customer interactions happening at all levels. For younger people as they come into the industry ... there are so many opportunities. If you have a strong work ethic, you can do so many different things.

**What is something most people don't know about you?**

I've rescued three people from drowning in three different incidents. The first one was actually my brother in Mexico. The second one was a surfer in Oceanside, California. The third was at a Memorial Day pool party. I saw a 6-year-old at the bottom and jumped in (fully clothed).

**What is your favorite app or gadget?**

Everything Apple. Probably my iPhone. I have the XS Max.

**What would you/do you binge watch?**

I could watch "The Office" any day of the week, any time. I also like shows like "Law & Order" and "Homeland."



**BERRI WILLIS** 34  
Managing director  
Burns & Wilcox Ltd., a unit of H.W. Kaufman Financial Group Inc.  
Morehead City, North Carolina

Berri Willis, world traveler and college fashion major, entered the insurance field after she met a Burns & Wilcox Ltd. managing director while working an hourly job at a real estate company. She liked Ms. Willis' moxie and offered her a job. Eleven years later, Ms. Willis now holds that woman's position and says the constantly evolving industry fulfills her need for change.

**What is the No. 1 concern in your specialty?**

In North and South Carolina, I would say the rates. We have not been operating at the accurate rate of where we should

be over the last couple of years now. The market needs to strengthen ... a big concern of mine is getting rates to where they need to be.

**What advice would you give to someone starting out in the business?**

Being a squeaky wheel and keeping an entrepreneurial spirit and thinking outside of the box are the biggest things that you can do.

**What surprised you about the insurance industry?**

It's not as boring as I thought it was going to be. Risk in general is just very intriguing. It surprised me how interesting it is and how much it's a part of every individual's life and they don't even know it.

**What is something most people don't know about you?**

Two things most people don't see me as is an outdoorswoman and a traveler. I like to travel solo ... I really enjoy spontaneous adventure. I like to kayak and fish with my husband. I caught my largest fish on a kayak!

**What is your favorite meal?**

My husband is a fisherman and brings fresh fish home all the time. Fresh fish and some fresh vegetables from the farmers market with a glass of wine is my ideal.

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**KAILEIGH BOWE** 33

Vice president, marketing, senior underwriter  
Highland Insurance Solutions LLC,  
a unit of WNC Insurance Services Inc.  
Naperville, Illinois

Kaileigh Bowe's previous career in sales and marketing prepped the Winnipeg, Manitoba, native well for a career in the insurance industry because relationship-building is at the heart of both vocations. A core focus of her job is mentoring the next generation of industry professionals, and she said she is excited to see how they will change the way business is done.

**What is the No. 1 concern in your specialty?**

I'm in the builders risk market. The market as a whole is at an interesting state. There's a loss of capacity. I also

think that within the builder's risk arena, there's a lack of expertise. A lot of really experienced folks will be retiring in the next five years. That's a concern. We really need to focus on the development of folks who are new to the industry, and that's what my focus in my current role is trying to ensure, that we're building up the next generation.

**What surprised you about the insurance industry?**

How exciting it is. There's a lot of career opportunity within the insurance industry. It's an industry that's not going away. It's going to be around forever.

**What is something most people don't know about you?**

Hockey fan. I used to play hockey because I'm Canadian.

**What would you/do you binge watch?**

Binge watching "The Office" for, like, the 10th time. It's strange how I find a lot of relation between being in the workforce and watching that. I referenced (the show) in a meeting about an hour ago.

**What is your favorite meal?**

Steak. I go to a lot of meetings with clients, and it's generally a male-driven industry, so I feel like if I didn't like steak, I'd be in the wrong industry.



**JONATHAN CHARAK** 35

Vice president, senior pricing  
actuary-emerging solutions  
Zurich North America  
Schaumburg, Illinois

A biology and math major at Illinois Wesleyan University, Jonathan Charak joined Zurich North America in 2005 because he had enjoyed an insurance internship and wanted to work for a global company. He trained as an actuary but also took on other roles and spent more than two years in Zurich's Sydney office. Recently promoted, he leads efforts at the insurer to find solutions for emerging risks.

**What's the No. 1 concern in your specialty?**

How fast lots of risks are changing, and what were big risks 10 years ago might

not be the biggest concern right now. Autos right now are 100% under auto liability, but in the not-too-distant future it looks like it's going to be a combination of cyber liability, auto liability, product liability and maybe a little bit of errors and omissions to create a comprehensive package. It also means that traditional ways that actuaries looked at the risk and priced it may no longer be applicable.

**What advice would you give to someone starting out in the business?**

Look for opportunities and volunteer for them. There's plenty of things that you don't know how to do, I don't know how to do, and lots of people don't know, and the only real way is to put yourself out there and learn. Find people to be your mentors who will push you in directions that you may not have thought of going into.

**What surprised you about the insurance industry?**

There are a ton of acronyms.

**What is something most people don't know about you?**

Scuba diving, and I love to cook, and I'm extremely adventurous in my cooking. I made a ham that had to age in my basement for a year, and I made my own cheese.

**What is your favorite app or gadget?**

Podcast addict



**LISA HAMER** 30

Senior vice president  
Marsh LLC  
Chicago

Lisa Hamer joined Marsh LLC at the end of 2013 as an assistant vice president and quickly rose through the ranks, reaching the level of senior vice president before she turned 30. Ms. Hamer began her brokerage career at Willis Towers Watson PLC, where she was specifically assigned on rotation to the health care team. When Marsh asked her to return to the health care specialty, she jumped at the opportunity.

**How do you see your job changing over the next 10 years?**

Insurance brokerage will always be a people business, because it is service-oriented and relationship-based, but a big part

of our job will be able to be automated by technology. I'm hopeful it will be a positive thing for the insurance industry. Automating the administrative tasks will enable people to do high-level work and be more strategic.

**What advice would you give to someone starting out in the business?**

Take the opportunities that come to you and try not to stay too much in the box. I've had success in building relationships internally and externally, and spending time fostering those relationships. Don't be afraid to do things that aren't necessarily things you've done before.

**What surprised you about the insurance industry?**

I never thought insurance would be exciting and different, but there is so much to learn and so many ways that you can take a career in the industry — anything from client service to brokerage negotiations, product development and claims. I never would have thought insurance would be this dynamic.

**What is your favorite app or gadget?**

My favorite app is Instagram, and my favorite gadget, besides my phone, is my Apple watch.

**What is your favorite meal?**

Sushi. But if it were possible to make dessert a meal, that would be my favorite.



**NICOLE JOLLEY** 32

Director, nonprofit and human services  
Church Mutual Insurance Co.  
Merrill, Wisconsin

Nicole Jolley majored in finance at New Orleans University but saw more opportunities in insurance than finance when she graduated during the Great Recession. After developing an expertise in the nonprofit sector, and gaining an MBA along the way, she joined Church Mutual in 2017 to help it expand beyond its traditional religious institutions book to cover nonprofit organizations such as food banks, homeless shelters and group homes.

**How do you see your job changing over the next 10 years?**

Functionally, strategy itself is not at risk of changing drastically, but how we exe-

cute on strategy could significantly change based on changes in technology and automation. I think we'll see a lot more value from how we collect data and the insight we can get from the changes in technology.

**What advice would you give to someone starting out in the business?**

One of the things that's really important is just being curious and always wanting to learn something new and different. The industry is so complex and requires someone to be willing to do research and be willing to learn about the different functional areas in the business and keep up with emerging trends.

**What surprised you about the insurance industry?**

The industry has a reputation for being boring, but I'm someone who gets bored easily. And for me to have been in the industry for 10 years, and mostly in one functional area in underwriting, that speaks to how much you can actually learn and how you can be challenged in one area and feel like every day you learn something different and new.

**What would you/do you binge watch?**

My favorite show is HBO's "Veep."

**What is your favorite meal?**

Being from New Orleans, I'm always up for some comfort food from home, so red beans and rice.



**CHRISTINA KOPPANG** 36  
Business center director  
Travelers Cos. Inc.  
St. Paul, Minnesota

Christina Koppang joined Travelers Cos. Inc.'s underwriting professional development program straight out of Macalester College in 2005, where she got her degree in economics. In her first three years, she underwrote American Indian Nation business before rotating across divisions, including spells in Dublin and London. She then took leadership roles in Travelers' emerging medical technology and global technology divisions. She now leads over 25 underwriters and underwriting managers in multiple specialties and geographies.

**How do you see your job changing over the next 10 years?**  
Technology will continue to change the

way we work, and implementing innovations such as robots and artificial intelligence-driven automation will help us in our function to make faster, smarter, more data-driven decisions. In addition, I anticipate it will create shifts in risk profiles of our customers and redefine the way we underwrite our business.

**What advice would you give to someone starting out in the business?**  
Find a passion outside of your work that allows you to give back to your community, learn new skills and grow as a professional. Serving on a nonprofit organization's board of directors gave me a chance to share my talents, learn from other professionals and community leaders, gain leadership skills and build relationships.

**What is something most people don't know about you?**  
I once went diving with great white sharks in South Africa. As the insurance professional, I was in a cage, not free-diving.

**What is your favorite app or gadget?**  
My weather app on my cellphone. For those of us in Minnesota, we rely on it to confirm that we won't have snow in July.

**What would you/do you binge watch?**  
"Being Serena," about Serena Williams. As a former college tennis player and a new mom, I found humor in it and could relate to some of Serena's experiences.



**KIMBERLY LACKER** 36  
Vice president and actuary, specialty pricing  
CNA Financial Corp.  
Chicago

Kimberly Lacker knew she wanted a career in the corporate world, but was unsure of her exact path when she began to explore life as an actuary, starting with an internship at CNA Financial Corp. She eventually graduated from Evanston, Illinois-based Northwestern University with a Master of Science in predictive analytics, which has enhanced her understanding of the analytic tools and models becoming more readily utilized in the underwriting world.

**What advice would you give to someone starting out in the business?**  
To be curious, ask thoughtful questions, and learn as much as you can in whatever

role that you're in. Take advantage of the different roles and the different opportunities you may have, because where you start isn't going to be where you end up, but what you learn in each role is definitely something you can carry with you and can be an important part of the foundation that you build.

**What is something most people don't know about you?**  
I'm an introvert, and I think that most people in my professional life would be surprised to know that, but it is my natural state. In a work environment, I adapt to come across as more extroverted, but I'm an introvert at heart. Be willing to put yourself in positions that you don't feel fully comfortable in, and know that that will change over time. If you had told me 15 years ago that I would be able to stand up in front of a room of 100 people and give a presentation and not get nervous about it, I would have been shocked. There's value in experience, and you develop greater comfort as you gain confidence.

**What is your favorite app or gadget?**  
Instagram

**What is your favorite meal?**  
I really like gummi bears. It probably doesn't qualify as a meal, but I would say that's my favorite food to binge eat — in a healthy way, of course.

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**CHRISTOPHER MOWERY 35**

Account executive lead  
Alliant Insurance Services Inc.  
Chicago

Christopher Mowery intended to pursue a career in financial planning after graduating from Purdue University in West Lafayette, Indiana, in 2006 and moving to Chicago. But he began temping for a small agency and found insurance to be a challenging field with a different problem to solve every day. That stoked his interest and keeps him engaged in his position as account executive leader for Alliant Insurance Services Inc.

**What is the No. 1 concern in your specialty?**

The market is very volatile. There were so many quarters of auto prices increasing, and then it went to property and now the

umbrella markets. It seems like there is not as much stability from the carrier side for appetite or pricing, and that is causing a lot of consternation among insurance folks.

**How do you see your job changing over the next 10 years?**

One of the challenges is going to be finding qualified people. If you look at the financial sector and what happens during recessions, insurance jobs are pretty insulated when the economy downturns. While we may make less money because of insurance premiums going down, we still have a business necessity to perform for our clients. It's a protected field, and I'm surprised there aren't more people looking for those industries.

**What advice would you give to someone starting out in the business?**

Stick with it. It's overwhelming at first, and there's a lot of nuance and technical areas ... but long term it can be a very beneficial career.

**What is your favorite app or gadget?**

I look at Flipboard a lot, which has different news sources. Instead of getting one viewpoint on the world, (you) get a few different ones. Weather because Chicago's crazy. It was snowing a week ago and now it's 50 (degrees).

**What is your favorite meal?**

Fried chicken



**MINDA ROSSMAN 41**

Service team lead  
Origami Risk LLC  
San Francisco

Minda Rossman didn't have a clear picture of what she wanted to do after graduating from Eureka College in Eureka, Illinois, with a Bachelor of Science in mathematics and business administration, but she landed in the benefits administration space working for Hewitt Associates. She is now the service team lead for Chicago-based risk management technology firm Origami Risk LLC.

**What is the No. 1 concern in your specialty?**

The number one concern for any organization is data security. Specifically in the (third-party administrator) space, it's remaining competitive and keeping

up with all the rules and regulations and being a good steward of their clients' data.

**How do you see your job changing over the next 10 years?**

I think we'll continue to become more and more data driven ... using that data to automate the decision-making process.

**What surprised you about the insurance industry?**

I worked at a small insurance agency when I was in high school as a part-time job, and people's typical reactions when you mention insurance is "oh, boring." At that point in time, I thought so, too. But once you get into it, it's really quite complex and interesting. Few people realize all of the challenges associated with administering and managing a work comp program.

**What is something most people don't know about you?**

I played basketball and softball in college. I'm still trying to relive my glory days by playing slow-pitch softball today.

**What is your favorite app or gadget?**

My most recent favorite is an app called Rocketbook. It is a reusable notebook that you can scan handwritten notes to PDF format, because I'm very much a pen-to-paper type of note taker.

**What is your favorite meal?**

My husband's spaghetti. It's delicious.



**SYDNEY SANDOCK 31**

Assistant vice president-account executive  
Lockton Cos. LLC  
Chicago

Sydney Sandock joined Lockton Cos. LLC in 2012 and since then has been involved in numerous corporate activities. As an account executive in Lockton's risk management and national accounts practice, Ms. Sandock develops and negotiates bespoke programs for her clients. She is a member of Lockton's national excess casualty and Midwest food and beverage practices.

**What is the No. 1 concern in your specialty?**

The uncertainty around the transitioning marketplace. It is more of an opportunity than a concern, but it definitely creates more of a competitive landscape. I have

never experienced a shifting market environment, so I am continually working to find ways to be creative and adapt.

**How do you see your job changing over the next 10 years?**

I see my job changing along with the insurance industry and our clients. Staying on top of emerging risks in the industry and the new products in the market while remaining both a resource and an adviser for our clients is crucial.

**What advice would you give to someone starting out in the business?**

It sounds like a cliché, but be a sponge — learn as much as you can, ask questions and meet people. When opportunities come up, take them. This is a great industry, and it does present a lot of opportunities and the ability to make a lot of great connections, so be open and willing.

**What surprised you about the insurance industry?**

The amount of relationships you create and build, along with how big an industry the insurance industry is itself. There are so many different sides to it. That was something I didn't realize as I started my career but have really valued.

**What is something most people don't know about you?**

That my grandfather played for the Chicago Cubs.



**BRYANT STEELE 35**

Associate vice president and managing director  
Burns & Wilcox Ltd., a unit of  
H.W. Kaufman Financial Group Inc.  
Chicago

Bryant Steele joined the insurance industry after graduating from Michigan State University with an economics degree when an insurer he met at a career fair offered him \$500 more than a rival employer. Since that point, Mr. Steele has not looked back. After working for a couple of big retail brokers and moving to Chicago, he joined wholesaler Burns & Wilcox Ltd. in 2014. He now manages five lines of business across three Midwest offices.

**What is the No. 1 concern in your specialty?**

The wholesale space is built on expertise,

so the biggest concern for me is when people are accessing the wholesale space, or accessing excess and surplus lines markets, and they are not doing it for expertise. We need to continue to define our role as wholesalers as experts in the E&S field and not just as a capacity play. The generalist in wholesale will have a lot of trouble in the future.

**What surprised you about the insurance industry?**

What surprised me the most then is the same thing that surprises me most now, and that is how talented our younger generation is. Everybody seems to have preconceived notions on what a young professional is, but I think there is a ton of talent under the age of 40 in our business, and it's no longer an old-boys club. There are a lot of people with some incredible ideas, and those ideas are being embraced by the industry. The young talent in our business is incredible.

**What is your favorite app or gadget?**

Alexa. I ask her everything. I don't Google anything.

**What would you/do you binge watch?**

I don't binge watch a ton, but "Shark Tank" is something I never miss.

**What is your favorite meal?**

Coney Island hot dogs and Jet's Pizza — they remind me of Detroit.



**TARA ACTON**

Director, claims and senior corporate counsel  
CenturyLink Inc.  
Denver

44

Tara Acton joined telecommunications firm CenturyLink Inc., where she is responsible for administration of the company's casualty claims program, including technical oversight and management of the company's third-party administrator for workers compensation, auto liability and general liability claims, in December 2007. She previously worked as a litigator at two law firms. Ms. Acton is a graduate of the University of Michigan and Emory University School of Law.

**What is the No. 1 concern in your specialty?**

Being in claims management for a large Fortune 200 company, a lot of my time is

spent thinking and worrying about workers comp. Given the discussion among certain candidates for the presidency and in the general space about Medicare for all delivery systems, what does that do to workers compensation? That really could change a lot about the whole workers comp world. How does that affect how we care for and treat our employees? We're very big into advocacy for our employees.

**What is something most people don't know about you?**

I played club water polo in college. It was awesome. I had a really good time doing that for three out of my four years in college.

**What is your favorite app or gadget?**

I am not a particularly techie sort of person. My husband taught me how to use our Roku, so I can watch different shows from Amazon Prime on our iPad while I wash dishes, and it's been like the best thing ever.

**What would you/do you binge watch?**

The "Outlander" series based on the "Outlander" books. They can't come out fast enough.

**What is your favorite meal?**

I'm a sucker for anything with gnocchi and desserts with lemon in it. Even when I don't want dessert, when it has lemon in it, more often than not I'm going to get something.



**BRIAN DAVIDIAN**

Executive vice president, casualty  
R-T Specialty LLC,  
a unit of Ryan Specialty Group LLC  
Los Angeles

36

Brian Davidian, a casualty broker with an emphasis on excess and surplus lines-driven opportunities, joined R-T Specialty LLC in June 2017. He was previously an executive vice president at AmWINS Group Inc., where he worked for more than eight years. He worked at CRC Insurance Services Inc. before that as an inside broker. Mr. Davidian has a Bachelor of Science in sales, distribution and marketing operations from the University of Southern California.

**How do you see your job changing over next 10 years?**

There are going to be more options to

eliminate the broker, and I think it's key we remind our customers of the value we provide.

**What advice would you give to someone starting out in the business?**

Really spend a lot of time on specialization. Pick a niche part of the business and learn everything that you can, so you can provide value as a specialist in one particular area. I would also say to them, "Spend more time listening than talking." New entrants in our business are eager to talk and sell.

**What is something most people don't know about you?**

How much time I spend with my family. I'm a family-first person. I think the misconception is I'm out traveling and seeing customers all the time. Yet I probably spend 29 days a month at home. I see my kids in the morning, and I'm home before dinner every night, and that's a big, big priority.

**What is your favorite app or gadget?**

I hate to say it, but I am a sucker for ScorMobile. It's an app I love to track sports on. I'm always tracking and following my favorite sports teams.

**What is your favorite meal?**

I'm a sucker for pizza. I'm the first to admit it. I love a good pie. If I had a last meal, that would be it.

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**STEPHANIE DUNSTAN** 34  
Assistant vice president  
Arch Insurance Group Inc.  
Alpharetta, Georgia

Stephanie Dunstan joined Arch Insurance Group Inc. in October 2010, when she began her career working in the insurer's New York office. Ms. Dunstan has enjoyed many accomplishments, including high client renewal rates, during her time at Arch. She also serves as an integral member on various committees within the company. Previously, she was based in California but recently took on a temporary assignment in Georgia.

**What is the No. 1 concern in your specialty?**

My No. 1 concern in my specialty, which is primary casualty, is that the regulatory

environment hinders innovation. This makes it difficult for us to develop those truly differentiating, creative solutions that would allow us to partner more regularly with new clients.

**How do you see your job changing over the next 10 years?**

I do believe functions will become more automated as technology continues to advance. However, the human factor will be important, such as building and maintaining relationships with our clients and other partners, which is vital to the survival of our industry.

**What advice would you give to someone starting out in the business?**

Be yourself, but do invest in yourself for growth and progress. Align yourself with people who are doing what you want to become. Give back by becoming a mentor. Last but not least, think positive, but do think outside of the box.

**What surprised you about the insurance industry?**

The wealth of knowledge that you can gain by working within the insurance industry.

**What is something most people don't know about you?**

I would definitely say that most people don't know that I would prefer to be a singer.



**MICHAEL FURLONG** 28  
Co-founder and CEO  
Indio Technologies Inc.  
San Francisco

Michael Furlong, who graduated from Emory University in Atlanta in 2013 with a bachelor's degree in business administration, worked in finance at Citibank for a short period before moving out to the West Coast and was co-founder and CEO of Sliced Investing Inc., an online hedge fund investment platform. In August 2016, he co-founded Indio Technologies Inc., an online platform that helps insurance agents streamline and modernize the insurance application process.

**What is the No. 1 concern in your specialty?**

The No. 1 concern to me is that agents and brokers who are our clients are not going

to adapt to technology at a fast speed.

**What advice would you give to someone starting out in the business?**

I would say whether you're in traditional insurance or insurance technology, get really good at one thing. The world is becoming very specialized, and you can have a much more meaningful effect by becoming the world's best expert at one specific item. I'd advise just focusing on one very specific area and doing that well.

**What surprised you about the insurance industry?**

How complex the business actually is. I was not in insurance before I started this current company, Indio, and business insurance especially is very, very complex. There's a lot of different aspects to it when you're thinking about creating a technological solution within insurance. That's why I said it's important to pick one area and get good at it, because it's very difficult to focus on more because of the complexity.

**What is something most people don't know about you?**

I won a (Connecticut) state championship in Ultimate Frisbee in high school.

**What would you/do you binge watch?**

Squash videos. It's an obscure sport, but I picked it up after college, and I find watching it very therapeutic.



**ROBBY HORNER** 33  
Vice president, ICAT Online  
International Catastrophe Insurance Managers LLC, a unit of Victor Insurance Holdings  
Broomfield, Colorado

Robby Horner, who graduated from University of Colorado Boulder's Leeds School of Business with double majors in finance and management, has spent his entire career at ICAT. He started as a financial analyst and served in other roles on the financial side of the business before he became a products manager. In his current role, he oversees all of ICAT's online business.

**What is the No. 1 concern in your specialty?**

Right now, it's responding to the changing times in insurance — not only the market cycle that we're in, but also the

kind of transformation that the industry is seeing in terms of the average age of employees in the industry, and also the technology and tools that are used to do all of our jobs the best. There's just a lot of disruption in the overall industry at this point.

**How do you see your job changing over next 10 years?**

There's going to be more data that's leveraged, more technology that's leveraged, more capital providers. It's just going to get a whole lot more complex than it ever used to be.

**What advice would you give to someone starting out in the business?**

Gain as much exposure as you can from all parts of the business cycle so you can just understand everybody's perspective.

**What surprised you about the insurance industry?**

How simple it is. There's a lot of complex language and complex mechanisms for doing business and development, but when you peel everything back it's one simple goal, and that's to help people recover from catastrophic events.

**What is something most people don't know about you?**

I've been around the world, and I've collected dirt from each place that I've stopped.



**NICK KUCHULIS** 34  
Senior vice president-broker  
Brown & Riding Insurance Services Inc.  
Los Angeles

Nick Kuchulis started out in the insurance field in 2006 while in college, working a summer internship in New York for Willis Group Holdings PLC in its construction division. He continued the Willis internship in its Arizona office while going to Arizona State University. In 2007, prior to graduating, he was recruited by broker Brown & Riding Insurance Services Inc. and has remained there, specializing in coverage for action sports, construction accounts and product liability.

**What is the No. 1 concern in your specialty?**

The market has gone away a bit from true E&S business. More markets are coming

in. In 2007, when I came in, the underwriters had authority. Today no one has authority. Another concern is that baby boomers now are retiring rapidly. There is a concern that the insurance industry is not the most attractive business.

**How do you see your job changing over the next 10 years?**

The speed is so vast. I'm very interested to see how things will play out over the next 10 years on my side of the business. How are online platforms going to play out, for example, in the construction and amusement worlds? Within my niche, there will be more out-of-the-box insurance, where someone can go online and buy an insurance policy.

**What advice would you give to someone starting out in the business?**

Work for different lines of insurance such as the retail side and the wholesale side to really see what is the best side. Most importantly, learn, learn and learn.

**What surprised you about the insurance industry?**

It would be how really important the insurance industry is. Everyone absolutely must have insurance coverage. It is to have a defense when something happens.

**What is something most people don't know about you?**

I'm pretty outspoken, and I am very public.



**JUSTIN M. LEHTONEN**

34

Vice president  
Worldwide Facilities LLC  
Los Angeles

Justin M. Lehtonen joined surplus lines broker Worldwide Facilities LLC in 2007, where he has become an expert in the cannabis business. He previously worked for a development company. Mr. Lehtonen graduated summa cum laude from The Master's College in Santa Clarita, California, with a Bachelor of Arts in biblical studies and bible exposition.

**What is the No. 1 concern in your specialty?**

One concern in my specialty, I think, is trust — people trusting the providers of the product and trusting that the provider is ultimately going to make them whole if something bad happens. We provide a level

of confidence to someone who's buying a nonadmitted product that ultimately, we're the face of that product to the retail community, and that their trust in that nonadmitted product is a function of their trust in us.

**What advice would you give to someone starting out in the business?**

Be known for your ethics and take good care of all your relationships.

**What surprised you about the insurance industry?**

I don't think anything surprised me about it. I was crazy to decide to get into this business. It was not by design that I started working in the insurance business, so I had no preconceived ideas.

**What is something most people don't know about you?**

I have not consumed cannabis in the past 17 years.

**What would you/do you binge watch?**

I do not own a television set, and I don't watch it. I did watch the Warriors play the Rockets last night, but I was at somebody else's house.

**What is your favorite meal?**

I like to travel around and try unique, unusual stuff, like Anthony Bourdain-type of stuff. Anything that I've had before is not something I would look to necessarily try again.



**JAMES MARTINEZ**

31

Area vice president  
Arthur J. Gallagher & Co.  
Denver

While James Martinez works with a diverse client base ranging from chemical and real estate firms to hospital and nonprofit organizations, his goal is consistent: helping them control their insurance costs and protect their assets. His successes include working with a self-insured employer to cut its workers compensation costs by more than \$6 million.

**What is the No. 1 concern in your specialty?**

It has been two years since we had a horrid hailstorm in Colorado, and everyone has been a little antsy about it. I think extreme weather events are a huge concern, whether it is a direct loss to human

life or to businesses, but also the indirect losses such as to businesses' supply chains. Unfortunately, it seems those extreme weather events are more common.

**How do you see your job changing over the next 10 years?**

Businesses are going to be looking to brokers who are able to help them make better decisions on: Is my rate competitive or am I paying more than my competitors? Am I buying too much in limits?

**What advice would give you someone starting out in the business?**

Finding people, whether it is clients, colleagues or carrier partners, who have tremendous experience in the industry and listening to them. There are a lot of intelligent people in our business who have seen hard markets before and have seen the impact of consolidation on insurance carriers.

**What surprised you about the insurance industry?**

I didn't realize how crucial the industry was to the economy. I didn't realize that insurance companies provide businesses with the opportunity to take focus on operational risk and allows them to transfer certain risks to the insurance company to allow them to focus on growth.

**What is your favorite meal?**

Cheeseburgers

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Various local venues | [BusinessInsurance.com/conference/BreakOut](https://BusinessInsurance.com/conference/BreakOut)



**Diversity & Inclusion Conference** | September 5-6, 2019  
W Chicago - City Center, Chicago | [BusinessInsurance.com/conference/DiversityInclusion](https://BusinessInsurance.com/conference/DiversityInclusion)



**Innovation Awards** | September 23, 2019  
Hard Rock Cafe, Las Vegas | [BusinessInsurance.com/conference/Innovation](https://BusinessInsurance.com/conference/Innovation)

**NOMINATIONS  
DUE 6/14**

**Intellectual Property Conference** | October 24, 2019  
Marriott Marquis, New York | [BusinessInsurance.com/conference/IP](https://BusinessInsurance.com/conference/IP)

**Cannabis & Hemp Conference** | October 24-25, 2019  
Marriott Marquis, New York | [BusinessInsurance.com/conference/Cannabis](https://BusinessInsurance.com/conference/Cannabis)



**Women to Watch Conference & Awards EMEA** | November 15, 2019  
Sheraton Grand - London Park Lane, London  
[BusinessInsurance.com/conference/WomentoWatchEMEA](https://BusinessInsurance.com/conference/WomentoWatchEMEA)

**NOMINATIONS  
OPEN  
6/19-8/7**

**Women to Watch Conference & Awards** | December 11-12, 2019  
Grand Hyatt New York, New York | [BusinessInsurance.com/conference/WomentoWatch](https://BusinessInsurance.com/conference/WomentoWatch)



**World Captive Forum** | January 27-29, 2020  
JW Turnberry Miami Resort, Florida | [BusinessInsurance.com/conference/WCF](https://BusinessInsurance.com/conference/WCF)



**U.S. Insurance Awards** | March 12, 2020  
Ziegfeld Ballroom, New York | [BusinessInsurance.com/conference/USIA](https://BusinessInsurance.com/conference/USIA)

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**JENNIFER POLIGNONI**

Unit manager  
Alliant Insurance Services Inc.  
Spokane, Washington

Self-professed “insurance nerd” Jennifer Polignoni began her career with Liberty Mutual Insurance Co. and realized the commercial insurance industry was a great fit. Six years ago, she joined Alliant Insurance Services Inc. as an account assistant and has worked her way up the ranks, managing a team of 22 that is expected to expand to 77 by year-end while still handling a small book of business.

**What advice would you give to someone starting out in the business?**

The best thing about insurance is that it doesn’t matter what your skill set is, what your background is — there’s a position in insurance for just about everybody. I’d

encourage people who don’t realize the career potential that insurance offers to explore those positions.

**What surprised you about the insurance industry?**

I didn’t realize how broad the industry was. It’s so expansive, and I didn’t realize that (the different lines) all sort of intermingle to tell a whole story or paint a whole picture. And how the industry is ever changing. There are always new exposures, products and services to become familiar with.

**32 What is something most people don’t know about you?**

I’m an insurance nerd at heart. I really get fascinated by reading claims data and working on new business. I love insurance, and it makes sense to my brain in a way that other career paths didn’t.

**What would you/do you binge watch?**

I watch “Friends” every single day. I don’t actually watch a lot of TV, but I put “Friends” on every night before I go to bed. It’s comforting to me. I incorporate “Friends” lines in my everyday life. I have two other friends who are managers in our group, and we frequently speak in “Friends’ tongue.”

**What is your favorite meal?**

I would eat pizza every day, all day. It doesn’t matter what kind of pizza. Pizza never fails.



**SARAH WANDER**

Director, retail property  
Everest Insurance, a unit of Everest Re Group Ltd.  
Los Angeles

Sarah Wander’s first experience in the insurance industry was during her junior year in college via a Willis Re internship in San Francisco, followed by an internship with Towers Watson & Co. in London after graduation. She then accepted a position with American International Group Inc. in Los Angeles, becoming a global marine underwriter and ultimately a commercial property underwriter.

**What is the No. 1 concern in your specialty?**

In relation to property insurance, a very real concern right now is climate change and its effect on the frequency of severe natural catastrophes around the world. It

has really been an unprecedented past couple years in terms of cat and noncat losses.

**How do you see your job changing over the next 10 years?**

Even though the industry is investing more and more in better technology and underwriting tools to make our jobs more automated, I do not see the role of an underwriter ever going away in an industry that relies so heavily on strong relationships with clients and brokers. Models and pricing tools are very helpful, but when it comes down to helping a client with an issue or concern, it takes creativity and flexibility to solve that issue.

**What advice would you give to someone starting out in the business?**

Get involved in your local insurance industry committees, networking groups and charitable organizations. The more you feel connected personally with your work and with those who you work with, it’ll not only make your job easier but more enjoyable.

**What is something most people don’t know about you?**

I am pregnant with identical twin girls right now!

**What is your favorite app or gadget?**

Instagram. I do most of my social media and communication with relatives and friends on there.



Arch Insurance would like to congratulate **STEPHANIE DUNSTAN** as a 2019 BI Break Out Award Winner





## PROPERTY INSURANCE

# Business interruption exposures multiply

CLAIRE WILKINSON

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

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#### PROPERTY INSURANCE SURVEY

Risk managers report rate increases in *Business Insurance's* proprietary annual survey. **PAGE 37**

**B**usiness interruption losses are becoming a more costly component of property insurance claims amid a strong economy, a shift to smaller worksites and online operations, and expanded supply chains, experts say.

Business interruption is also a complex risk that can be triggered by many different scenarios, including worsening natural catastrophes, and it can be time-consuming to settle such claims, making it a critical exposure for risk managers to fully understand, experts say. While capacity is sufficient at the moment, the cost of such coverage is trending upward amid a firming property market.

“When I started (in the business) 35 years ago, you only had a business interruption claim if you had property damage. That was the trigger,” said Thomas Varney, Chicago-based regional manager for Allianz Risk Consulting, North America, part of Allianz Global Corporate & Specialty

SE. “Now you have non-damage business interruption, so you can have aspects of business interruption occurring now without any property damage at all.”

In a growing economy, “unquestionably” the exposures for business interruption are going up, said Rick Miller, Boston-based

U.S. property practice leader at Aon commercial risk solutions, part of Aon PLC.

“Companies are much more efficient, organizations don’t have redundancies, and there is much more of a just-in-time mentality in business,” he said.

“If something goes wrong, the resultant business interruption loss is going to be much more severe,” Mr. Miller said.

Organizations are also selling to a broader global client base than they did 20 years ago, meaning that supply chains are complex and more widely expanded than in the past, ramping up potential contingent business exposures, he said.

In a robust economy when production is flowing, if a plant goes down because of a fire or some other first-party loss, the company will lose more per day than in a down economy, said Joe Peiser, New York-based executive vice president, head of broking North America, for Willis Towers Watson PLC.

“Business interruption is effectively replacing lost profit, so if the profits were higher, there’s more to lose,” Mr. Peiser said.

A strong economy also takes up the capacity of contractors who can come in and do repairs in the event of a loss and “they’re more expensive because there’s more demand,” he said.

“In the economy and world in general, people are trying to do more with less,” said Mark Maritzen, New York-based executive vice president, commercial property at Sompo International Holdings Ltd.

“Companies are leasing more spaces and have less of a physical footprint, but the same business revenue is running through those smaller physical properties,” Mr. Maritzen said.

As a result, the business interruption element appears a lot bigger than the property damage value in the event of a combined claim, he said.

“A small physical impact can have a very significant business interruption impact. You don’t need to have a massive property loss to have a significant time element or business interruption element,” said Mr. Miller.

### Claims rising dramatically

The average business interruption property insurance claim now totals over €3 million (\$3.4 million), more than a third higher than the corresponding average



direct property damage loss, according to an annual corporate risk survey released in January by Germany-based Allianz Global Corporate & Specialty SE.

The changing climate also influences business operations and can lead to disruptions as the frequency and severity of natural catastrophe losses increases, experts say.

“Locations that previously never had flood losses or storm surge losses may suddenly find that over time it’s getting worse,” said Christof Reinert, head of Risk Management Partners, a unit of Germany-based Munich Reinsurance Co.

“You can improve the resilience of your facility, but if the workers can’t come because everything is under water, then the question becomes how resilient the area is where you have your investments and production,” he said.

The growth in non-physical damage claims has also been a contributor to rising business interruption costs, experts say.

“In the soft market, the ability to broaden and enhance coverage has allowed more policyholders to make business interruption claims for non-physical damage,” said Clark Schweers, principal and leader of the forensic insurance and recovery practice at BDO USA LLP, based in Washington, D.C.

This is often a factor in claims related to hurricanes, with Hurricane Irma in 2017 being a recent example, he said.

“Millions of people were told to evacuate,” said Mr. Schweers. “In those situations, the policyholders look to the insurance policy to see how it’s going to respond.”

The length of time it takes to settle business interruption claims — sometimes two to three years — is another factor that plays into rising costs, said Mr. Peiser.

“The protracted process of insureds hav-

ing to prove their losses and getting challenged on every nickel and dime is extremely frustrating for clients and for insurance companies. It’s taking a short-tail line of business and making it long-tail,” he said.

“A more formulaic approach to business interruption loss settlements would be welcome,” he added.

“The whole claims system over the last couple of years has been stressed with the loss activity out there...which has slowed the process down industrywide,” said Derek Talbott, Boston-based division chairman, North America Property, at Chubb Ltd.

It does take a long time to settle some of these more complex business interruption claims because claims have become more complicated, said Mr. Maritzen.

“You need to get third parties in to evaluate the true loss in revenues. If a company has an event how much is a delay in earnings as opposed to truly lost revenue? That does take a long time, but it’s part of the process of getting the number right at the end of the day,” he said.

Property and business interruption claims are “on the rise right now,” with the recent storms of 2017 and 2018, said Finley Hareckham, a senior litigation shareholder for Anderson Kill PC in New York. Various scenarios could trigger business interruption coverage where there is no physical loss or damage to the policyholder’s own property, including a civil authority order, he said.

“You don’t have to have damage to your property to trigger coverage, but you do have to have damage to some property of the type covered by your policy,” he said.

Law and ordinance coverage, which covers the cost to repair undamaged portions of the property if they must be removed

and replaced to comply with an ordinance, is another example, he said.

“The general rule is that some property somewhere typically has to be damaged to trigger various types of business interruption coverage,” he said.

But the costs of non-physical damage business interruption coverage are also on an upward trajectory, experts say.

With commercial property rates rising, “it’s going to cost more to buy business interruption insurance or property insurance in general” and individual clients that have experienced increased frequency of smaller losses may see “deductibles or retentions pushed upwards to avoid or mitigate losses,” said Mr. Miller.

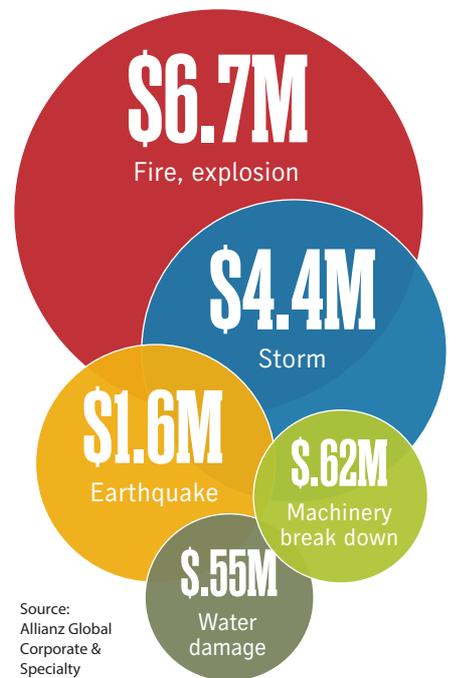
“Some clients may not like the price tag, but we don’t see a shortage of capacity to buy coverage,” he said.

After years of softening rates and expanding terms and conditions, underwriters now can get a better price for non-physical damage business interruption risks in the firming market, said Mr. Talbott.

“I don’t necessarily think there’s an issue with covering those special perils, it’s more a question of price depending on what your exposure is as a company,” he said.

### HOW MUCH CAN BUSINESS INTERRUPTION COST?

Average value of BI claim by cause of loss



Source: Allianz Global Corporate & Specialty

## DATA, ANALYTICS INVESTMENT NECESSARY TO GRASP SUPPLY CHAIN RISKS

**B**usinesses face growing exposures from a range of disruptive events including natural catastrophes, fires and explosions, product recalls, cybersecurity attacks and political or civil unrest, but investing in data and analytics and internet of things technologies to better understand supply chain dynamics is critical to mitigating business interruption risk, experts say.

“The more you know about the business and how to keep the business running,

you’re going to be in a far better position to know where and how a loss is coming from and how to mitigate it,” said Derek Talbott, Boston-based division chairman, North America Property, at Chubb Ltd.

Since the 2011 Thailand floods, which highlighted the vulnerability of businesses to supply chain dependencies, risk management in the manufacturing industry has evolved, said Christof Reinert, head of Risk Management Partners for Germany-based Munich Reinsurance Co.

Data and analytics are now being deployed to better understand the complexity of the supply chain ecosystem, he said.

“Companies are trying to bring more transparency into their supply chain...to identify where the value at risk is,” Mr. Reinert said.

While manufacturers might have previously assessed different plants or locations, now they assess different items in the supply chain and the impact of an item on a smaller plant or the value chain

itself, he said.

“Sometimes small parts or small suppliers have produced an impressive time delay or shortage in the manufacturing process,” Mr. Reinert said.

Manufacturers have moved from a qualitative to a quantitative assessment of their supply chain and their business interruption exposure to understand the likelihood of an event occurring and their business continuity plan, he said.

Claire Wilkinson

# Policyholders prepare for terror cover expiry

BY MATTHEW LERNER

mlerner@businessinsurance.com

Policyholders and their brokers and insurers are starting to review their terrorism coverage options ahead of the expiration of the U.S. government-backed reinsurance program next year.

While most expect the backstop — which was first known as the Terrorism Risk Insurance Act, or TRIA — to be extended in some form, uncertainty over the timing and scope of a replacement is causing some concerns, insurance experts say.

“We’re planning for it like it’s tomorrow, and I think most of the major real estate companies are as well,” said Shari Natovitz, senior vice president and director of risk management at New York-based Silverstein Properties Inc.

“We assume the law will be extended and potentially tweaked as it has been in the past, but exactly what that looks like, it’s still too early to tell,” said Tarique Nageer, terrorism placement and advisory practice leader for Marsh USA Inc. in New York.

The backstop, which pays out when



insurance industry losses surpass a set level, was put in place following the Sept. 11, 2001, terrorist attacks and has been extended three times since.

The most recent extension was the Terrorism Risk Insurance Program Reautho-

rization Act of 2016, which was signed into law nearly two weeks after the previous extension expired, causing concerns for numerous policyholders.

“People in D.C., from congressional to Treasury, have been speaking about this since December of last year,” Mr. Nageer said. The feedback so far, he said, “has been favorable in terms of interest in the law and a willingness to learn” about how TRIPRA works and its benefits.

Lobbying on behalf of the bill started last year, said Robert Woody, vice president of policy at the American Property Casualty Insurance Association in Washington.

He added, however, that activity thus far has taken the form of informal discussions. “So, it’s still early days.”

Nonetheless, the market has at least begun to take notice.

“There is certainly a keen interest in securing (stand-alone terrorism coverage) past the end of 2020 — particularly with respect to builder’s risk coverage or other lines which are driven by financing or other requirements,” said Wendy Peters, executive vice president of financial solutions-terrorism and political violence for Willis Towers Watson PLC in New York.

Organizations for which TRIPRA seems to be most important are “those who are active in the real estate space, whether it be commercial or residential, as there are still lender requirements that they carry this coverage,” said Erik Hansey, assistant vice president in Kansas City, Missouri, for CBIZ Insurance Services Inc. “A lot of our clients who are active in buying and selling are certainly paying attention.”

Silverstein takes inventory to “make sure we understand our requirements in our lender agreements,” Ms. Natovitz said.

Another group is construction-related policyholders, said Mr. Hansey: “People who are actively building, putting a builder’s risk policy in place for a building under construction over the next 18 to 24 months — we’re being a little more proactive in

providing them with stand-alone terrorism quotes.”

Other sources also saw a rise in deals designed to take policyholders past the expiration of TRIPRA.

“The future of TRIPRA is still unclear — the potential of political uncertainty and budgetary constraints may cause concern around the renewal of TRIPRA in 2020,” Craig Curtiss, London-based class underwriter for political violence at International General Insurance Co. Ltd., said in an email. “As a result, we have seen a rise in the number of longer-term deals to tie in capacity pending renewal of TRIPRA.”

“As we get further into 2019, more policies will start coming up for expiration, so we’ll be having those discussions with clients and put in place 18-month policies or two-year policies,” Mr. Nageer said.

With much of its terrorism insurance coverage housed in its captive, Silverstein placed three years of reinsurance at renewal in November of 2018 “so we would not be out in the marketplace” with the potential expiry of the backstop “right around the corner,” Ms. Natovitz said.

At Hiscox Ltd., clients with “big towers of stand-alone coverage,” pegged at \$800 million or more, are the ones looking at the TRIPRA expiration, said Jennifer Rubin, the insurer’s vice president for war, terrorism and political violence in New York.

“The clients I’m thinking about that have been talking to us” include some large municipalities in Tier One cities, Ms. Rubin said. “They’d like to know what the cost would be to take them past the December 2020 expiration.”

Market capacity has been steady at approximately \$4 billion per risk but is limited in so-called Tier One cities such as New York and San Francisco, where about \$1 billion is the ceiling, sources say.

Reinsurance could become an issue with the expiry of TRIPRA, according to Marsh. With a limited amount of reinsurance available in the private market, particularly for nuclear, biological, chemical, and radiological exposures, a convergence of buying by clients seeking coverage may impact pricing, Marsh said, adding that insurers with terrorism exposures and less than \$300 million in surplus may need more private reinsurance market capacity to help protect capital and satisfy rating agencies and regulators.

Pricing is to some degree following increases in the property market, but to a lesser extent.

“What’s been going on in the property market with respect to catastrophe pricing, that has helped to firm the stand alone terrorism prices a little bit. We’re certainly not seeing the increases the property underwriters are seeing, but we’re able to retain a flat rate and push in certain circumstances in the Tier One cities for up to 5% increases,” Ms. Rubin said.

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## HIGHER TRIGGER COULD HAMPER SMALL INSURERS

The program trigger within the Terrorism Risk Insurance Program Reauthorization Act of 2015 and the federal share of insured losses exceeding deductible target have been moving each year of the legislation's existence (see chart).

"Over a period of time, they've increased by a fairly significant amount," said Robert Woody, vice president of policy at the American Property Casualty Insurance Association in Washington. "It started to some degree last year."

As those numbers go up, the federal backstop "becomes more and more remote," Mr. Woody said.

"The way the legislation was written, each year it's in force, the insurance company participation increased," said Jennifer Rubin, vice president for war, terrorism and political violence in New York for Hiscox Ltd.

Next year, the program includes a \$200 million insurance industry retention of a loss attributed to "violent Acts perpetrated by or on behalf of a foreign or domestic person or interest to coerce or influence U.S. policy" and a 20% share of losses above \$200 million, up to a maximum payment of \$100 billion.

Submissions for the 2019 TRIP Data Call were due on May 15, 2019, according to a notice from the U.S. Treasury Department, which collects data from the industry to support the legislation.

"I think the concern is that if the trigger were to be raised any more and the retention any higher, the smaller companies which really rely on the government backstop wouldn't be adequately protected," she said.

Despite concerns, however, sources noted that while the structure of the program has gone largely unchanged, it has been the numbers that moved.

"I don't think you'll see dramatic changes, but it's common sense to think the levers that have changed in the past are the more likely levers to be changed with any renewal," said Tarique Nageer, terrorism placement and advisory practice leader for Marsh USA Inc. in New York.

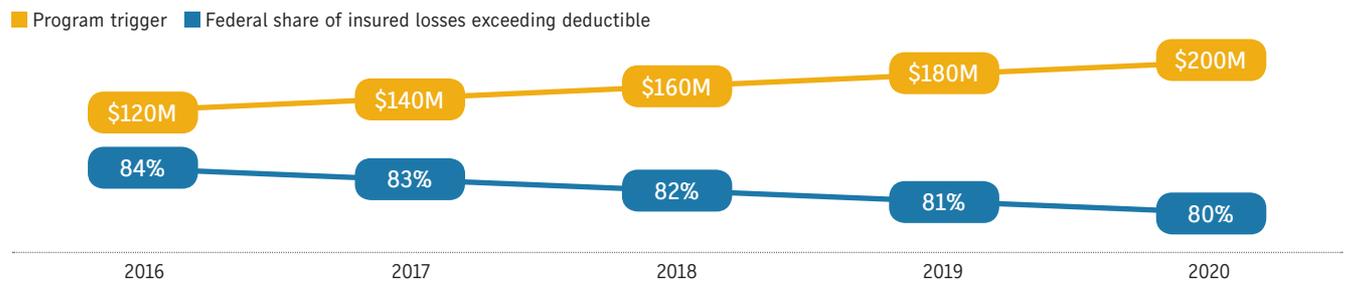
"Typically, the changes have been focused on market retention levels," said Wendy Peters, executive vice president of financial solutions-terrorism and political violence for Willis Towers Watson PLC in New York.

*Matthew Lerner*



## TRIPRA ACT OF 2015

The program trigger within the Terrorism Risk Insurance Program Reauthorization Act of 2015 has moved each year of its existence.



Source: Willis Towers Watson PLC

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# Modular construction trend may reduce risks

BY JUDY GREENWALD

jgreenwald@businessinsurance.com

**M**odular buildings, which are expected to account for a growing proportion of construction projects in the United States, will present few challenges to property underwriters because of superior quality controls, say experts.

The buildings may be less risky than traditionally built projects, assuming they are built to U.S. code requirements, and can be built more economically, according to some experts.

Modular construction refers to the process of taking prefabricated units manufactured in a factory, then moved to and assembled at a construction site.

Property underwriters say modular construction is not a concern during the underwriting process, experts say.

AmWINS Group Inc. “doesn’t necessarily ask whether it’s a modular built or built onsite,” said Harry Tucker, New York-based executive vice practice and national property practice leader. “The carrier would look at the construction itself. I don’t see there would be a lot of conversation back and forth” on the issue.

Modular construction facilities may even present less risk, according to many observers.

“In many respects, there are very, very similar property risks between traditional construction and modular construction,” said Rob McDonough, managing director and U.S. construction practice leader for Marsh LLC.



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The Driggs Pod is a 100,000-square-foot, mixed-use hotel and commercial development designed as a modular system with prefabricated components in Brooklyn, New York.

Modular construction “done right, can provide superior building inspections, more quality controls and higher productivity,” he said. “You could make the assertion there could be a superiorly constructed building.”

If anything, the risk is lower because the quality controls are better if it is factory constructed as opposed to being built on site, said Scott Nissen, Houston-based managing director, construction solutions, at Aon PLC.

“You’re not dealing with the elements”

such as heavy rain and “you have complete control over the environment,” he said.

“A lot of modular construction is done in kind of an assembly-type format, like you’re building a car,” Mr. Nissen added. “The quality of the product is good, much better than it was in the past and probably is equal to what can be built in the traditional manner.”

Workers are not scaling ladders to construct modular properties and the work is right in front of them “so it’s easier for them to produce quality workmanship than it is working on a live structure,” said Ron D. Ciotti, a partner with Hinckley Allen & Snyder LLP in Manchester, New Hampshire, who specializes in construction risks.

“The argument is, actually, there’s less risk because (projects) will be built in climate-controlled factories by more highly skilled workers, and can be inspected more readily,” said John Frank, Philadelphia-based senior vice president of the Risk Consulting Loss Prevention Center of Excellence for Axa XL, a division of Axa SA.

There is also more quality control for ele-

ments such as wiring, according to arguments in favor of modular construction, Mr. Frank said.

Most modular units are constructed of a noncombustible material such as steel so they are less likely to be damaged in the event of a fire and “will be attractive from that standpoint,” said Brian Hearst, Denver-based senior vice president and strategic leader for construction at Lockton Cos. Inc. LLC.

“I think they’re going to prove themselves out to be superior risks,” he said.

The underwriting community will eventually offer better rates because modular construction properties perform well, Mr. Hearst said. “I just think it’s going to help the property insurance market,” he said.

Once construction is finished, “it’s built to the exact same codes as traditional homes, so in theory I wouldn’t think it would be different,” said Tom Hardiman, executive director of the Charlottesville, Virginia-based Modular Building Institute, an industry group, which estimates modular construction accounts for 3.6% of construction in the U.S.

“There’s nothing I see in this construction process that makes them more hazardous or anything like that,” said Robert Solomon, director at the Quincy, Massachusetts-based National Fire Prevention Association. “The challenge really comes down to the inspection of the modular unit at the point of assembly.”

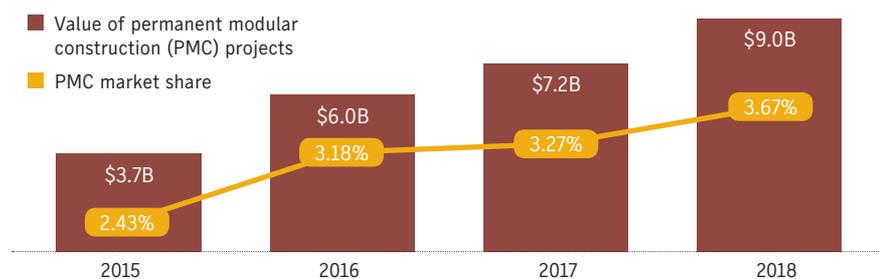
“When the building’s completed, the presumption is, it’s going to meet all the same code requirements, whether built on site” or constructed as modular units “built thousands of miles away and then put together at the end,” he added.

He pointed to an incident in Brazil in January, when 10 teenage boys died in a fire that swept through their modular dormitory at the Flamengo soccer club in Rio de Janeiro. But in that situation, the units were not built to the equivalent of the U.S. code, and apparently did not have fire or smoke alarms or sprinklers, Mr. Solomon said.

“Those are very fundamental” in the United States, he said.

## INDUSTRY GROWTH

More popular in Europe and Asia, modular construction is steadily expanding in the U.S.



Source: Modular Building Institute

## PREFAB ACCOUNTS FOR ONLY 4% OF US CONSTRUCTION, BUT INTEREST IS SHIFTING

**M**odular construction has long been popular in Europe and Asia although it has not gained much traction in the United States, experts say.

“It’s been around for 100 years here, easily, but it hasn’t gained acceptance quite as quickly here as it has in Europe and China and Japan, among other places,” said Tom Hardiman, executive director of the Charlottesville, Virginia-based Modular Building Institute, an industry group.

It is about an \$8 billion industry in the United States, and equates to about 4%

of construction, compared with 7.5% in England and 15% in Germany, he said. An outlier is Sweden, where it constitutes 85% of construction because “they have a lot of wood and they build a lot of prefab homes.”

But interest in the technique is growing in the United States, experts say.

“We’re seeing more firms really looking at modular construction,” said Rob McDonough, U.S.-based managing director and U.S. construction practice leader for Marsh LLC. “There are many firms that have attracted significant equity capital to-

wards the idea of off-site manufacturing.”

Over the next five years, “I think we’re going to see an immense shift” in the number of buildings using this technique in the United States, particularly for habitational construction such as apartments because they can be built less expensively, said Brian Hearst, Denver-based senior vice president and strategic leader for construction at Lockton Cos. Inc.

“Seventy-five percent or so of modular construction work can be done offsite, which dramatically lowers costs by

substituting moderately skilled factory workers vs. on-site specialty trade laborers who can cost twice as much or more on a per-hourly rate,” Ryan Scott, executive vice president, property, construction and marine at RT Specialty Chicago, a unit of RT Specialty Group LLC, said in a statement.

More modular construction will be driven by the need for affordable housing, said David Dow, executive vice president, property, for AmWINS Brokerage of California, an AmWINS Group Inc. unit.

Judy Greenwald

# 2019 property insurance trends



BY ANDY TOH  
 atoh@businessinsurance.com

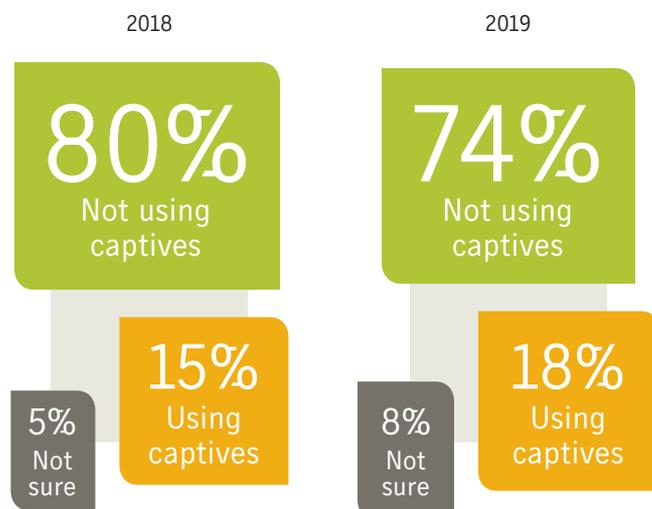
**M**any risk managers who switched property insurers in the past three years cited price-related reasons for the change, according to their open-ended responses to the 2019 *Business Insurance* survey of risk managers or decision-makers on their commercial property insurance programs.

When prompted, 69% picked price as one of the three most important factors that motivate them to change policies, followed by coverage at 66% and value-added services at 36%.

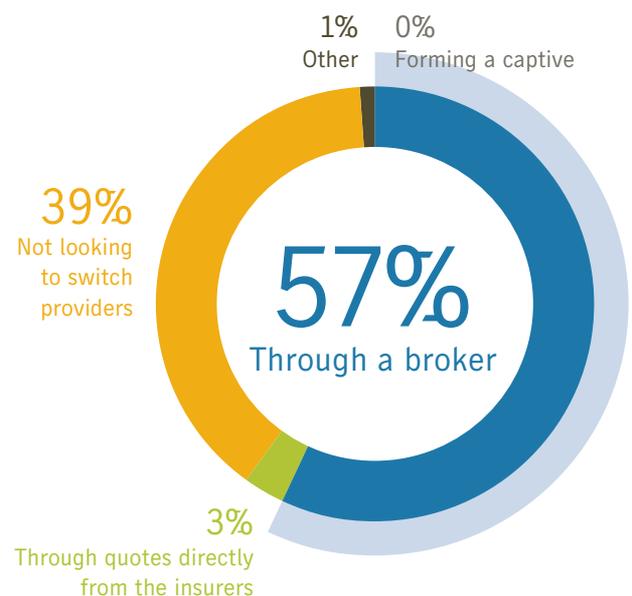
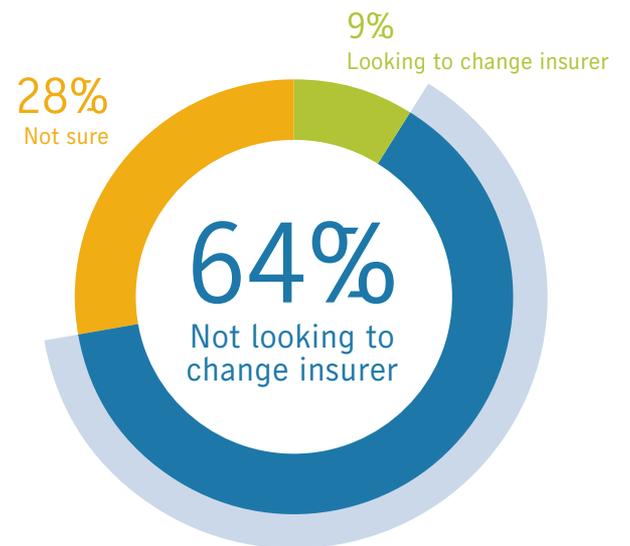
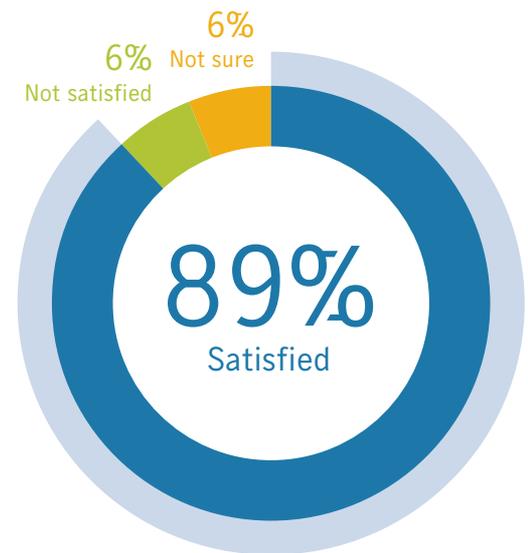
In this year's survey, results are based on 114 risk managers and/or insurance buyers who are involved with insurance purchase decisions for their organizations and whose organizations currently have an insurance program that covers property or property-related damages. The base used is the total answering each question.

In this year's survey, 18% of respondents use a captive to insure some or all of their property risks, compared with 15% last year.

This year, 89% of risk managers said they are satisfied with their current property insurance policies, compared with 93% last year.

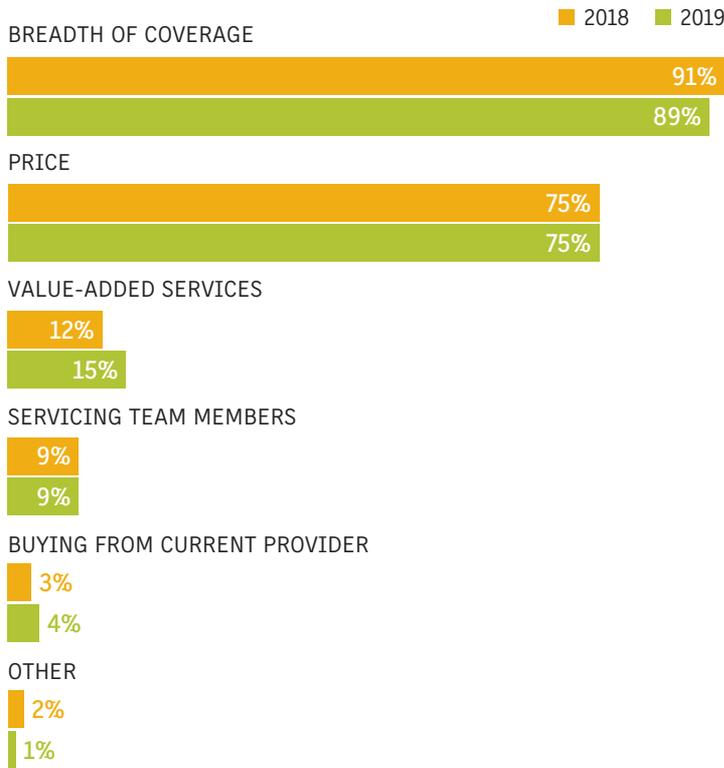


This year, 89% of risk managers said they are satisfied with their current property insurance policies, compared with 93% last year. About 9% said they will be looking to change their principal property insurance in the coming year, up from 3% in 2018, while 28% said they are not sure if they will change insurers. Most of those looking to change, will use a broker to find a new insurer.

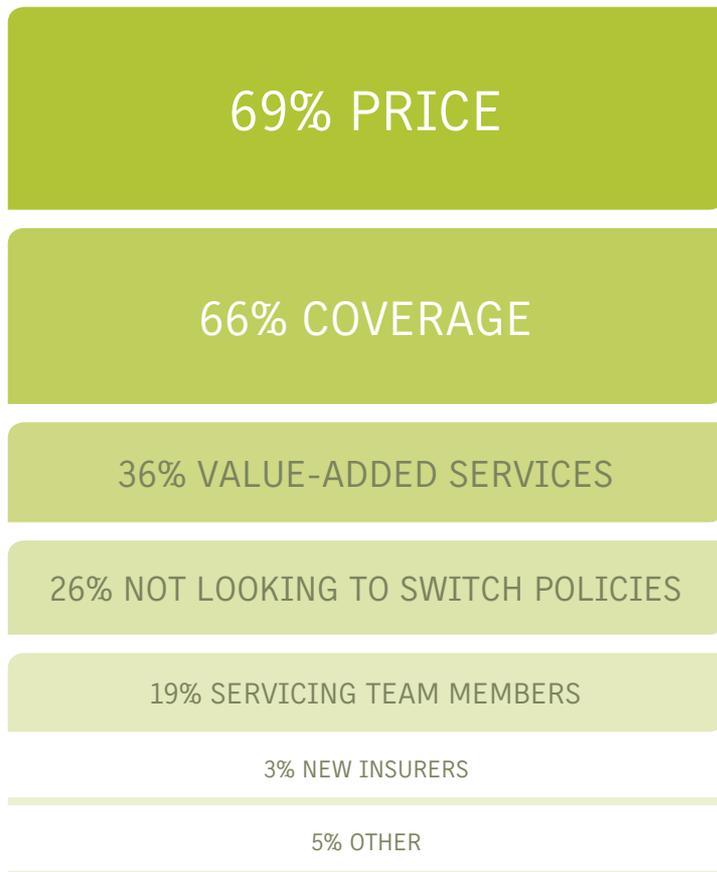


The top two factors determining which property insurer to use were breadth of coverage and price.

The last time respondents switched their property insurers was about 7.6 years ago on average. And the top two factors determining which property insurer to use were breadth of coverage and price, with value-added services and servicing team members ranking a distant third and fourth with 15% and 9%, respectively. There is no change in order from last year. Some 64% of the risk managers surveyed this year said their organizations' policy providers offered other value-added services, compared with 73% last year, and 55% said their providers do not require any online and/or on-site assessment before providing coverage.

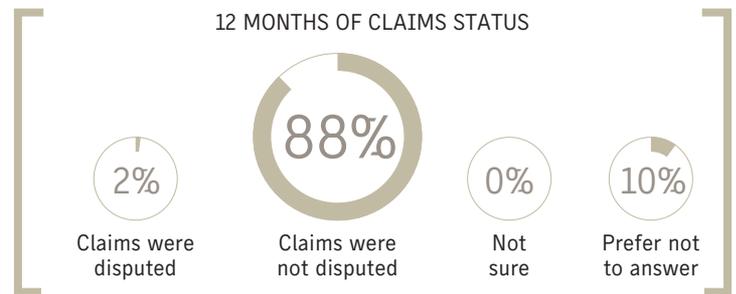
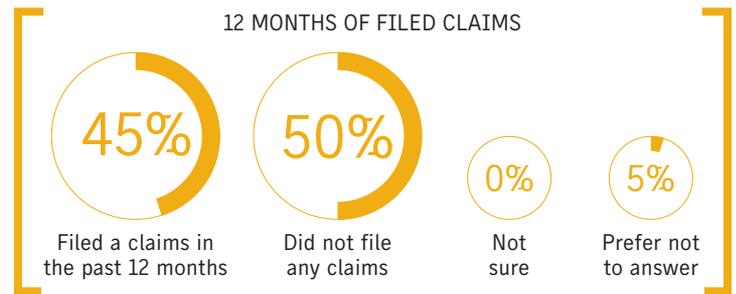


As mentioned, 69% of respondents said price was one of the top three most important factors that motivate them to switch their policies. Rounding out the responses for the top three motivating factors are:

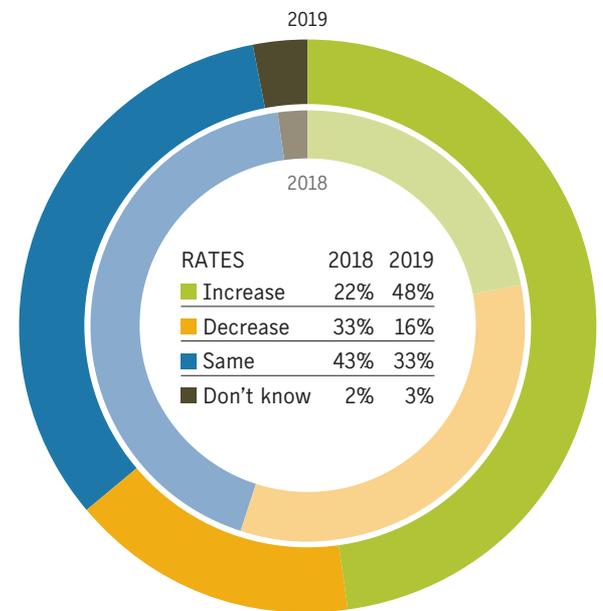


At their last renewal, 48% of the respondents said they saw rate increases compared with 22% last year.

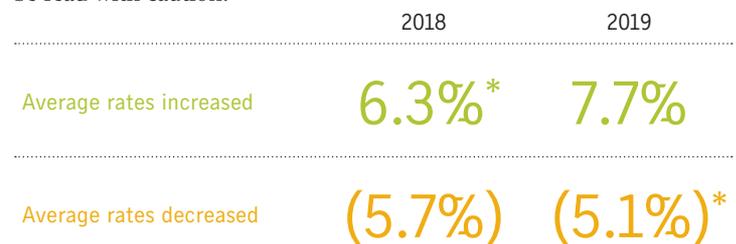
In the past 12 months, 45% of respondents said they have filed a claim, 88% of which were not disputed by their insurers. Only 2% said that their claims were disputed, but 10% preferred not to answer. This compared with 49% last year who said they have filed a claim with 7% of those claims being disputed.



At their last renewal, 48% of the respondents said they saw rate increases compared with 22% last year. Sixteen percent saw their rates decrease this year compared with 33% last year, while 33% stayed at the same rate compared with 43% in 2018.



Rates increased by an average of 7.7% in 2019 and decreased by an average of 5.1% for those who saw their rates decline on renewals. However, due to the low base answering the questions, these rates should be read with caution.



\*Low base answering question

For the 2019 survey, an average of 4.1 insurers participated in an organization's property insurance program, covering an average of \$3.1 billion in total asset value with an average total annual premium of \$2.4 million. This compared with 3.6 participating insurers covering \$2.2 billion in total asset value at \$2.3 million average total annual premium in 2018.

Sixty-five percent of this year's respondents used only one insurer to cover all of their properties. There were an average of 174 properties or facilities covered per property insurance program, with 93% of the covered properties located in the U.S. and 7% outside of the U.S.

**PERCENT**

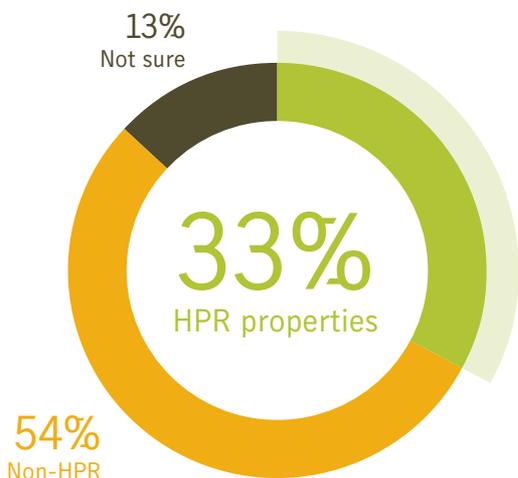
We use one insurer to cover all of our U.S. properties and we do not have non-U.S. properties	48%
We use multiple insurers to cover all of our U.S. properties and we do not have non-U.S. properties	20%
We use one insurer to cover all of our U.S. properties and non-U.S. properties	17%
We use one insurer to cover all of our U.S. properties and a different insurer or insurers to cover our non-U.S. properties	9%
We use multiple insurers to cover all of our U.S. properties and one insurer to cover all of our non-U.S. properties	5%
We use multiple insurers to cover all of our U.S. properties and multiple insurers to cover all of our non-U.S. properties	1%
Not sure	0%

For 2019, 52% and 49% of the covered properties are located in flood-prone and hurricane-prone areas, respectively. And 46% are in earthquake zones. Other results include:

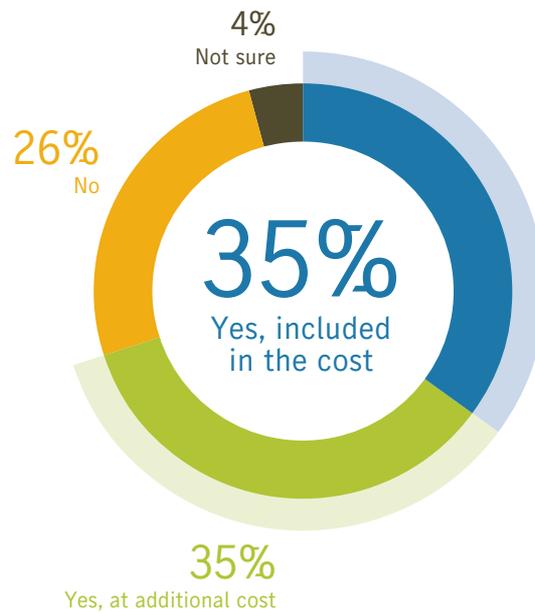


Floods	52%	Volcanic activities	8%
Hurricanes	49%	Tsunamis	6%
Earthquake	46%	Other	5%
Tornadoes	45%	None of the above	17%

Thirty-three percent of the covered properties qualify as highly protected risks or 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.



Seventy percent of the risk managers surveyed said their organizations have terrorism coverage, either included in the property insurance coverage or added to their coverage at additional cost. Organizations paid on average 2.2% in 2019, compared with 3.5% in 2018, in additional premium to add terrorism coverage.



There were an average of 174 properties or facilities covered per property insurance program, with 93% of the covered properties located in the U.S. and 7% outside of the U.S.

FM Global and Chubb Ltd. are the top two insurers serving as the main property insurance policy providers based on this year's survey.

FM Global	17%
Chubb Ltd.	11%
American International Group Inc.	8%
Zurich Insurance Group Ltd.	8%
Travelers Cos. Inc.	7%
Lloyd's of London	5%
Axa XL, a unit of Axa SA*	4%
CNA Financial Corp.	3%
Hartford Financial Services Group Inc.	3%
Berkshire Hathaway Inc.	2%
Hanover Insurance Group Inc.	2%
QBE Insurance Group Ltd.	2%
Liberty Mutual Insurance Co.	1%
Munich Reinsurance Co.	1%
Swiss Re Ltd.	1%
W.R. Berkley Corp.	1%
Other	23%
Don't know	1%

\*Formerly XL Group Ltd., which merged with Axa SA in September 2018.

## Locate right target on climate change

Climate change activists and sci-fi fans have long appreciated the foresight of the late Steve McQueen.

Uttering the final line of the 1958 classic “The Blob,” the then-young actor reflected that removing the movie’s warm weather-loving gelatinous alien from Pennsylvania to a more frigid environment would keep the expanding lifeform contained “as long as the Arctic stays cold.”

The qualifying phrase may be proving prescient, because as global temperatures continue to rise and sea ice melts at an alarming rate at the poles, we are all feeling the effects — although, hopefully, that won’t include the release of a people-dissolving creature from outer space.



**Gavin Souter**  
EDITOR

Given the rate of change, it’s understandable that people concerned about global warming are urgently pressing for action to reduce greenhouse gases, which most climate scientists say contribute to what is increasingly seen as a looming crisis for the planet.

Greenhouse gas producers — largely energy companies — have long been targeted by activists frustrated by a lack of government action on climate change. But insurers and other financial services firms also have been pulled into the debate as protesters urge insurers to

stop covering coal producers and other polluters.

Deprived of financial resources, the activists hope the coal companies will be forced to curtail their activities or at least be prevented from expanding.

Some insurers and reinsurers in Europe have adopted positions that they will stop offering coverage to and investing in the worst polluters, but many insurers in the United States take the view that as long as a commercial policyholder is engaged in legal activity, it is entitled to buy coverage.

Regardless of the rights and wrongs of the situation, from a practical point of view targeting insurers may prove an ineffective strategy for climate change activists. As insurers know to their detriment, when they step back from a market or sector, policyholders have a tendency to fill the coverage void on their own.

Whether it be captive insurers, policyholder-owned mutuals or plain self-insurance, commercial entities — especially some of the gigantic companies in the energy sector — have a long history of fending for themselves when it comes to protecting their assets.

Several entities formed during previous capacity crises have changed forms and are now major players in the traditional market, while others remain significant insurance providers in the alternative market.

While it may be exasperating given the gridlock in Washington, pressure on legislatures throughout the country would likely yield more lasting and effective results on climate change than diverting resources to target insurers.

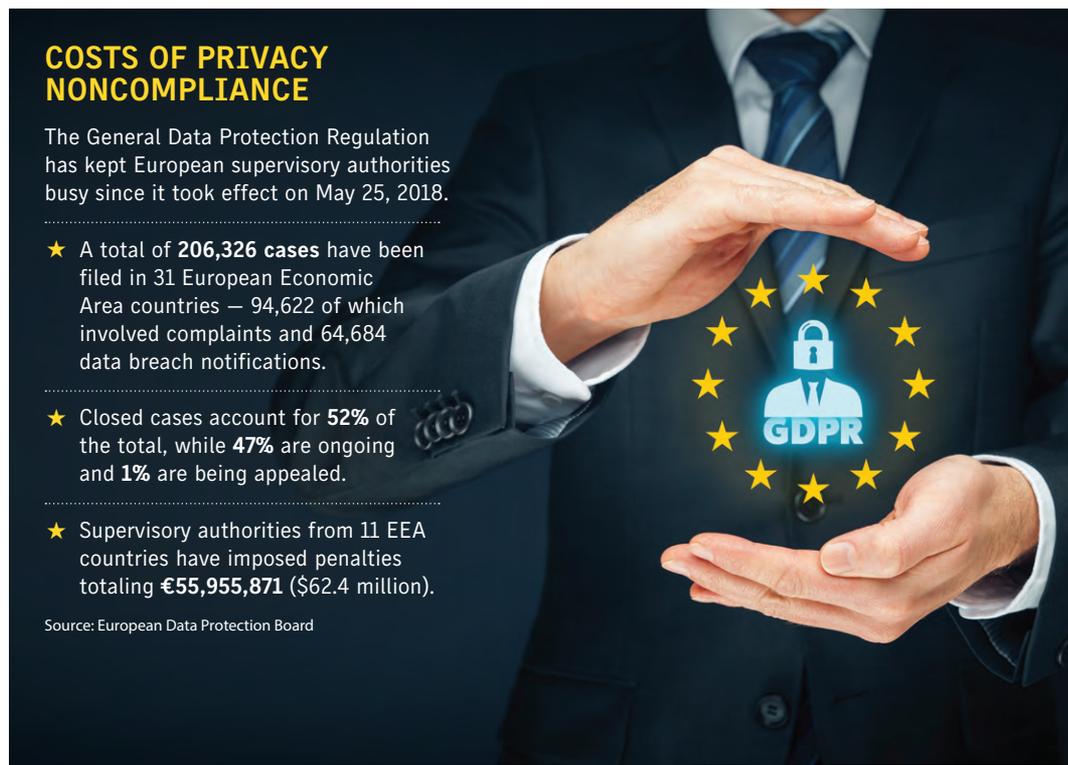
Many would argue that the existential threat posed by global warming warrants radical action, but efforts grounded in the realities of commerce have a better chance of avoiding the potential horror movie scenario of unabated climate change.

### COSTS OF PRIVACY NONCOMPLIANCE

The General Data Protection Regulation has kept European supervisory authorities busy since it took effect on May 25, 2018.

- ★ A total of **206,326 cases** have been filed in 31 European Economic Area countries — 94,622 of which involved complaints and 64,684 data breach notifications.
- ★ Closed cases account for **52%** of the total, while **47%** are ongoing and **1%** are being appealed.
- ★ Supervisory authorities from 11 EEA countries have imposed penalties totaling **€55,955,871** (\$62.4 million).

Source: European Data Protection Board



### VIEW FROM WASHINGTON

## Data privacy rules needed

Happy belated birthday to the General Data Protection Regulation.

The European Union’s GDPR, which not only applies to organizations within the bloc but all companies processing and holding the personal data of EU residents regardless of location, turned a year old on May 25.

The regulation requires that data controllers notify their jurisdiction’s data protection authority of a breach within 72 hours, and fines for breaches can be substantial — up to 4% of annual revenue for the most serious breaches. The GDPR fines are quickly becoming the bane of existence for companies, with regulators in 11 European countries fining companies \$62.4 million for data privacy-related violations in the first nine months since the GDPR took effect on May 25, 2018. And that is seen by some experts as the tip of the iceberg.

Other jurisdictions are following in the EU’s footsteps. California has adopted the California Consumer Privacy Act — often referred to as GDPR lite — a law that includes a broad definition of personal data and has adopted the GDPR’s right to be forgotten. California is often the first domino to fall at the state level, so other U.S. states are moving to follow suit but may take approaches that conflict with the European Union and California.

Despite the high cost for running afoul of the GDPR, what some U.S. companies apparently fear the most is not the mere existence of data privacy regulation — they seem to have made peace with its inevitability — but the current patchwork approach to such regulation.

This is where the U.S. Congress can step in. The federal legislature is considering proposals for a national data privacy law — something the Federal Trade Commission has implored Congress to pursue, in addition to asking the legislature to strengthen its enforcement authority and resources.

Major tech companies that are the most well-known targets of data privacy efforts are also asking for federal data privacy legislation.

“Like GDPR, this framework should uphold the fundamental right to privacy through rules that give people control over their data and require greater accountability and transparency in how companies use the personal information they collect,” Julie Brill, corporate vice president and deputy general counsel of Redmond, Washington-based Microsoft Corp., said in a May 20 blog post. But Microsoft



**Gloria Gonzalez**  
DEPUTY EDITOR

wants Congress to go even further than California in ensuring that companies act responsibly in handling consumers’ personal data, including finding a viable solution to replace that pesky opt-in/opt-out privacy model that consumers often pretend to pay attention to and agree to every time they sign up for a new app.

In February, the U.S. Chamber of Commerce released a model for federal privacy legislation that explicitly preempts state laws and that some fear could undermine consumer protections such as those featured in California’s legislation. But will Congress take the tough step of preempting state legislative and regulatory efforts on the data privacy front?

There doesn’t appear to much appetite for that in Washington, as the preemption issue has apparently stalled legislative efforts, meaning companies could continue to find themselves having to navigate a confusing and contradictory patchwork of data privacy rules for the foreseeable future.

# Rapid growth of marijuana industry creates array of hazards to manage

The “green wave” of marijuana legalization at the state level across the United States has triggered considerable buzz. A slew of state legislators and private citizens alike are eager to see marijuana products more readily available nationwide. Widely covered reports of Canada’s 2018 legalization of recreational marijuana have only elevated the conversation.

A study by BDS Analytics, which tracks the cannabis industry, recently quantified this enthusiasm, projecting that national marijuana sales in the U.S. could reach \$21 billion in 2021.

However, with increased reward comes increased risk. And the marijuana industry, which is blossoming in the midst of an environment of murkiness from an operational, health and regulatory perspective, has proven to be no exception.

## Marijuana cultivation

To maximize growth, cannabis plants typically need to be cultivated in an environment that is hot, humid and entrenched in a high-carbon-dioxide climate. These criteria can usually be met most effectively working indoors, which is how many growers choose to operate.

While optimal for growing these plants, a setting consisting of those prerequisites may inherently pose a risk of fire and explosions. After all, the most effective means to harness the conditions indoors require high-intensity lights and other equipment.

Such an environment could be an issue for states that permit any household to grow cannabis. Given the scope of residences that would need to be monitored, ascertaining if private citizens are taking the appropriate precautions to mitigate fire risks may be unfeasible.

This potential issue appears to be omnipresent in states that permit recreational marijuana use. Only the state of Washington currently prohibits home-growing for recreational use (medical users are allowed).

## Concentrates and manufacturing risk

The process of producing marijuana concentrates also entails considerable risk. Marijuana concentrates contain undiluted dosages of cannabinoids, such as THC, found in marijuana plants. Multiple processes, including water-based, food-based and solvent-based methods, are used to produce concentrates, which can then be converted into edibles or beverages.

While cultivating marijuana does pose the risk of fire and explosion, these risks

could be exacerbated when producing concentrates. The hazards that correspond to extraction appear to have compelled the National Fire Protection Association to add a chapter to the 2018 edition of its Fire Code that applies to “facilities used for marijuana processing or extraction that utilize chemicals or equipment as regulated by the International Fire Code.”

One particularly perilous solvent-based method involves the extraction of THC using oils or chemical solvents known as “hash oil.” Of the various hash oils manufactured, the butane hash oil method appears particularly dangerous. A simple internet search of this term yields various reports referencing explosions or concerns of hazards that this extraction process could lead to.

Due to its highly explosive nature, butane has captured the attention of state agencies and government. For example, in response to multiple explosions, Colorado proceeded to ban private individuals from producing hash oils using butane, among other inflammable liquids.

Butane hash oil may also be dangerous to consume. According to one study, vaporizing hash oil through a popular method known as “dabbing” may lead to a “significant amount of toxic degradation” of terpenes, thereby releasing high levels of benzene and methacrolein — both known carcinogens.

## Distribution risks abound

For the retailer or any seller, no shortage of hurdles may need to be overcome as part of day-to-day operations. A particularly harsh pain point for state-licensed marijuana operators is often the difficulty in procuring an account with a bank — only one in about 30 banks or credit unions in the United States is willing to take on a cannabis-related company as a customer.

This reality has led to much of the marijuana industry emerging into a reportedly cash-intensive business, making it a target for increased theft both from external actors and the enterprises’ own employees.

Congress is reviewing a bill titled the Secure And Fair Enforcement Banking Act, which would deter federal agencies from being able to “prohibit, penalize or otherwise discourage a depository institution from providing financial services to a cannabis-related legitimate business or service provider.”

If enacted, this legislation could help mitigate the related issues that have potentially restricted further industry growth and contributed to burglary and employee dishonesty exposures.

Product liability exposures also loom. Contaminated marijuana products have

shown up for sale in both the United States and Canada and have triggered a slew of product recalls. For instance, a recall on a company that was distributing medical marijuana products into the market without being tested recently transpired in Michigan.

Other issues that have necessitated recalls include, but are not limited to, pesticide contamination, falsified test results and the presence of mold and bacteria. To address certain liability concerns related to the products being distributed, insurance for product recall and withdrawals may be a part of the playbook for marijuana businesses.

## Safe for consumption?

Complex issues pertaining to marijuana may remain even following safe consumption. A particularly confounding issue that permeates across various interests relates to the absence of any widely accepted conclusive mechanism to test for marijuana impairment in real time. The inability to test definitively for impairment could present complications in an employment-related context.

Recently, in Arizona, a holder of a medical marijuana card was reportedly terminated by her employer based on her positive test for marijuana metabolites, indicating past use of the substance. The employee subsequently sued her former employer for wrongful termination and discrimination. In court proceedings, the employer justified the firing by alleging that the employee was impaired at work. The court ultimately ruled in favor of the plaintiff via summary judgment, thus appearing to indicate that a drug test does not signal impairment at a particular juncture in time.

With an April study by Quest Diagnostics reporting a 10% jump in workers and job applicants testing positive for marijuana, this aspect could portend even more consequences. For example, if the absence of a drug test makes an employee more inclined to use marijuana at the workplace and such use leads to a subsequent reduction in attention to detail in a manufacturing context, could additional exposure arise from a potential defect in the consumer end product?

In addition to frustrating employers, the impairment quandary reportedly perplexes law enforcement officials who seek to keep impaired drivers off the road. While roadside tests are conducted through assessments from drug recognition experts, blood tests and other methods, a concrete tool akin to a breathalyzer that ascertains real-time impairment has yet to be fully realized.



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Further exacerbating the issue of impaired driving may be a lack of public awareness that driving while high could potentially lead to a deterioration of driving skills. For example, a Colorado Department of Transportation study released in April 2018 revealed that 40% of recreational users disagree with the notion that driving under the influence of marijuana affects their ability to drive safely. Additionally, 10% of all marijuana users believe that marijuana use makes them a better driver.

There’s little doubt that first- and third-party hazards are prevalent in this nascent yet burgeoning industry. As science and regulation attempt to catch up to the rate of expansion into new markets, it’s important to be cognizant of the hazards this product may pose moving forward.

## AmWINS offering property flood product

■ AmWINS Group Inc. has launched FloodFlex, an endorsement that increases the loss payable under coverage A-building coverage of a commercial flood policy from 10% to 100%.

A FloodFlex policyholder will receive two payments in the case of covered flood damage to a building: one payment for the covered flood loss, and a second payment equal to the selected percentage of the covered flood loss, Charlotte, North Carolina-based AmWINS said in a statement.

Features include first dollar primary building/contents coverage available up to \$10 million for properties located in A, X and V zones, including almost all coastal properties; \$5,000, \$50,000, \$100,000, \$250,000 and \$500,000 deductible options; a rate-lock element; and policies that are certified lender-compliant.

FloodFlex is being launched in conjunction with AmWINS' recent acquisition of The Flood Insurance Agency, AmWINS said in the statement. The companies have partnered with Lexington Insurance Co. to offer the product, which is available in 49 states.

## Drone insurance portal adds aviation brokers

■ SkyWatch.AI, a risk-assessment and insurtech platform for the drone industry, is partnering with nine U.S. aviation brokers to provide drone insurance on a monthly subscription basis from a dedicated web portal.

The brokers are Aviation Marine Insurance Services Inc., Falcon Insurance Agency Inc., Fields Group, Harpenau Insurance Agency LLC, Hill & Usher LLC (Aerial Pak), MFE Insurance Brokerage (InsureMyDrone), Plimsoll Specialty Markets LLC, Scott Sky Smith Insurance Agency and Skyvuze Technologies LLC.

The service allows drone pilots to purchase SkyWatch.AI's liability and hull insurance through their broker's web portal, Palo Alto, California-based SkyWatch said in a statement. Policies are underwritten by Starr Insurance Cos.

## Hub offers risk services to athletics organizations

■ Hub International Ltd. is partnering with Player's Health, a risk management firm specializing in amateur sports, to provide risk and compliance services to help organizations monitor and report injuries and abuse, establish protocols to mitigate risks, and improve the overall health and safety of athletes.



## Guy Carpenter, Aon team up on blockchain

■ The reinsurance solutions business of Aon PLC and Guy Carpenter & Co. LLC are teaming with The Institutes RiskStream Collaborative to use distributed ledger technology in reinsurance placements.

With partners including RenaissanceRe Holdings Ltd. and Everest Re Group Ltd., they have successfully tested a proof of concept to digitally and securely issue submissions and receive quotes using distributed ledger technology, Aon said in a statement. The project was built on RiskStream Collaborative's Canopy framework and uses ACORD data standards.

The project is moving to the next phase through a RiskStream working group aiming to digitize and streamline the reinsurance market by creating secure digital methods and processes for cedents, brokers and reinsurers to manage treaties, Aon said in the statement.

Player's Health's Circle of Care risk management suite is an interactive, digital risk management platform, Chicago-based Hub said in a statement. Circle of Care includes background check services; injury protocols; rehab assignments; training session monitoring; and private, anonymous abuse and misconduct reporting, and a HIPAA-compliant interface simplifying the flow of youth athlete health information among coaches, parents and health providers.

## Lloyd's insurers partner on reputational risk cover

■ Beazley PLC has partnered with other Lloyd's of London insurers to offer reputational risk coverage to firms experiencing crises.

Through coverage offered by the Custodian Consortium, policyholders could be entitled to crisis management advice worth up to \$1 million, Beazley said in a statement.

The first \$250,000 of the coverage is available on a preloss basis, regardless of whether a revenue loss is ultimately recorded, according to the statement. Limits of up to \$35 million are available, according to a spokeswoman.

The coverage is available to U.S.-domiciled organizations of all sizes, but is specifically targeted for companies with up to \$5 billion in revenue.

## Brit enhances global cyber coverage

■ Brit Ltd. has expanded its global cyber insurance policy to cover losses arising from physical damage due to cyber events as well as business interruption, data privacy and cyber liability risks.

Limits of up to \$150 million are available under the expanded Brit Cyber Attack Plus package, the London-based insurer and reinsurer said in a statement.

Brit will also offer businesses limits of up to \$100 million for stand-alone, non-physical damage cyber coverage, including business interruption, data privacy and first- and third-party cyber liability coverage, the statement said.

Certain industry sectors, such as energy, industrial, manufacturing, utility and similar businesses will have the option to buy physical damage coverage only, a Brit spokesman said.

## Axon launches reinsurance program for Latin America

■ Axon Underwriting Services LLC, a specialty lines program administrator, has formed Axon Re to offer its cargo and stock throughput reinsurance program in Latin America.

Axon Re will provide facultative and treaty reinsurance cover for cargo and stock throughput exposure, as well as for property and environmental lines for Latin American-based risks, initially in Chile, Panama and Ecuador, with plans to extend to other countries within the region in the coming year, Axon said in a statement.

Axon Re has secured financial backing through Asian partners to provide capacity of up to \$10 million, the statement said.

## DEALS & MOVES

### Ryan Specialty to buy Virginia wholesaler

Ryan Specialty Group LLC agreed to acquire Atlantic Specialty Lines Inc., a privately owned wholesale insurance brokerage headquartered in Richmond, Virginia. Terms of the deal were not disclosed.

Atlantic focuses on general liability, commercial property, commercial package, professional liability, and personal lines, Chicago-based Ryan Specialty said in a statement. The Atlantic team will become part of R-T Specialty LLC, Ryan Specialty's wholesale brokerage unit.

### Hub purchases health care specialist

Hub International Ltd. acquired Providence, Rhode Island-based health care specialist RIMS Insurance Brokerage Corp. Terms of the deal were not disclosed.

RIMS offers medical professional liability insurance as well as disability, workers compensation, business owners and other coverages, Chicago-based Hub said in a statement. Robert Anderson, president of RIMS Insurance Brokerage, will join Hub New England.

### Gallagher acquires Swiss brokerage

Arthur J. Gallagher & Co. acquired insurance broker Verbag Versicherungsberatungs AG, furthering its Swiss expansion. Terms of the deal were not disclosed.

Based in Zug, Switzerland, Verbag offers commercial lines, employee benefits, accident and health and high-net-worth personal lines brokerage and consulting services, with revenue of approximately \$2 million, Gallagher said in a statement. Thomas Renold and his associates will continue to operate from their current location.

### Former Catlin execs launch PE-backed insurer

Two former senior executives of Lloyd's of London insurer Catlin Group Ltd. have launched a new insurance firm with \$1.8 billion of capital, backed by Canadian private equity firm Onex Corp.

Stephen Catlin, founder of Catlin, and Paul Brand, Catlin's former chief underwriting officer, have set up London and Bermuda-based insurer and reinsurer Convex, the company said in a statement.

Reuters



“Within the cannabis space ... (t)here are going to be more and more players chomping at the bit, which can be really dangerous to insureds if the players do not have their best interest in mind and the market is not educated well enough.”

## UP CLOSE

### Jenna Keesey

**NEW JOB TITLE:** Cleveland-based senior underwriter, Cannasure Insurance Services LLC

**PREVIOUS POSITION:** Cleveland-based underwriter, AmTrust North America Inc.

**OUTLOOK FOR THE INDUSTRY:** For the insurance industry overall, I think a lot of signs are pointing toward a hardening market, but I don't think we're gearing up for the same increases we have seen in past cycles. There are a lot of electronic capabilities that are reducing costs and allowing for greater predictability ... Within the cannabis space specifically, we are looking at almost the opposite. There are going to be more and more players chomping at the bit, which can be really dangerous to insureds if the players do not have their best interest in mind and the market is not educated well enough to determine the deficiencies.

**GOALS FOR YOUR NEW POSITION:** I would like to see Cannasure continue to serve our insurer and retail partners as a leader in our space. I think the biggest goal would be to work with our partners to develop and provide coverages that are not yet available to cannabis-related risks.

**CHALLENGES FACING THE INDUSTRY:** It is challenging to get people to see past the term “cannabis.” We are still providing insurance coverage to businesses in need of protection for their hard-earned interests. There have been amazing advancements in quick pace to move regulators in the right direction, but there is still a strong stigma and heavy doubts.

**FIRST EXPERIENCE:** I started out as a temp in processing at Century Insurance Co., a small excess and surplus insurer based in Westerville, Ohio.

**ADVICE FOR A NEWCOMER:** Get your (Chartered Property/Casualty Underwriter designation)! I had an excellent teacher early on who pushed me to work hard for great things and to truly be a leader in the industry.

**DREAM JOB:** It's hard to imagine a job outside the industry, especially when my current job is already a dream job for me. I've always enjoyed working with people and food, so I could see myself in the restaurant industry, serving people and spreading happiness.

**LOOKING FORWARD TO:** I am looking forward to sharing my knowledge and experience with a marketplace that thirsts for educated solutions.

**COLLEGE MAJOR:** International studies with a specialization in security and intelligence. I held an internship with Ohio Homeland Security as well as a student position with Ohio State University, risk and emergency management.

**FAVORITE MEAL:** Jaegerschnitzel mit Bratkartoffeln. I spent my junior/senior year living in Germany (my father is a retired Army colonel, West Point grad, 1980). I really miss the food!

**BOOK:** I have always been a fan of the gritty, melancholy styling of Chuck Palahniuk. And “Harry Potter.”

**HOBBIES:** I enjoy knitting and crocheting. There is something comforting in the mathematical consistency through the creation of a project. I also enjoy cooking, and I rarely follow a recipe exactly.

**TV SHOW:** “The Good Place,” with Kristen Bell and Ted Danson. I love the wholesome, whimsical nature and I find the plot to be very thought-provoking.

**ON A SATURDAY AFTERNOON:** If I'm not outside enjoying some fresh air in a local park, I enjoy knitting at home with my Maine coon cat while my husband practices guitar, catching a break before heading out for festivities in downtown Cleveland.

## ON THE MOVE



Axis Capital Holdings Ltd. named **Tony Jordan** to be group chief actuary. Mr. Jordan replaces Eric Gesick, who became the company's group chief underwriting

officer in 2018. Mr. Jordan, based in London, was most recently chief actuary, Europe, Eurasia and Africa for Chubb Ltd.



The National Safety Council named **Lorraine M. Martin** to be president and CEO of the nonprofit organization. Ms. Martin, who is co-founder and

currently serving as president of the education nonprofit Pegasus Springs Foundation, will join the Itasca, Illinois-based organization on June 3, replacing Deborah A.P. Hersman, who left in January to become the chief safety officer at Waymo LLC.



Swiss Re Corporate Solutions named Windsor, Connecticut-based **Katie McGrath** to be head of accident and health, North America. Previously, Ms. McGrath was

head of specialty and sponsor solutions for American International Group Inc.



Hiscox Ltd. named **Melissa Hill** to be head of claims in the U.S. Previously, Ms. Hill was chief claims officer at Blackboard Insurance Co. Ms. Hill is based in Atlanta.



Talbot Group appointed **David Batchelor** as nonexecutive chairman, replacing Rupert Atkin, a founder of Talbot who is stepping down after 28 years. Mr. Batchelor

retired from Marsh LLC this year.



Aon PLC named New York-based **Jay Demeusy** to be U.S. vice chairman of its reinsurance solutions business. Mr. Demeusy will continue to chair the

newly formed global construction and inland marine practice group and lead reinsurance solutions' U.S. retrocessional solutions team.

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## Putting the brakes on party buses

Insurance is a buzzkill for New Orleans' rowdy and festive party bus business. Faced with a crackdown on unregulated buses, 18 operators have yet to apply for a permit, according to a report posted last month on Nola.com. The \$4,000-per-month premium for the insurance required for the permit appears to be the reason, according to the article. Misinformation is another hurdle, as at least one operator said he assumed he could get partygoers to sign a liability waiver to avoid insurance. Another problem is that "policies for vehicles with stripper poles aren't exactly a widely available product," the article stated.

## Tomatoes ripe for lawsuit

**T**omayto, tomahto: A trio of home cooks are suing the makers of canned San Marzano tomatoes, claiming the famous Italian cooking staple does not come from the rich volcanic soil of Mount Vesuvius. The San Marzano tomato is loved for its low acidity and vibrant red skin, the Bay Area News Group reported. Yet a lawsuit filed in federal court in Northern California in May says America's most popular brand of the canned tomatoes aren't true San Marzanos. The suit accuses West Deptford, New Jersey-based Cento Fine Foods Inc. of "false, misleading and deceptive advertising" on cans labeled as San Marzano tomatoes.



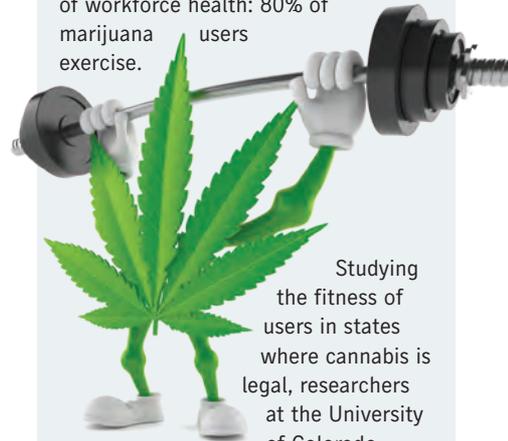
# CLIMBER'S KIDS SCALE HEIGHTS OF MANAGING RISK



**C**anadian ice climber and paraglider pilot Will Gadd, known for dangerous feats such as climbing frozen Niagara Falls, says it's never too early to teach children risk management. That's why he takes his two children, 8-year-old Rose and 11-year-old Marie, on similar adventures up the Canadian Rockies with traction-building crampons and a harness, as reported in a spring issue of *Outside* magazine. "Gadd and his kids try to go on one adventure every weekend, not only because they love it, but also because it teaches the girls how to assess and manage risk in the outdoors, a skill that Gadd hopes they will carry over to everyday life," the article states. "Risk management, however, isn't about eliminating risk altogether — an impossibility in any facet of life — but recognizing potential hazards and mitigating the consequences, or knowing when to bail." The girls even came up with their own three levels of risk, according to the article: "Bumps and bruises, hospital, and death."

## Marijuana users high on exercise

**E**mployers weighing the pros and cons of workplace drug policies just received a nudge in the area of workforce health: 80% of marijuana users exercise.



Studying the fitness of users in states where cannabis is legal, researchers at the University of Colorado in Boulder found that most partake in the drug shortly before or after exercise, and most report it motivates them to work out, countering the stereotype that cannabis use promotes laziness, said a paper published in May in *Frontiers in Public Health*.



## Social media brag upends vacation

**S**omeone won't be posting photos from her European vacation after all. Following her father's \$80,000 settlement with his former employer — a private school in Miami — Dana Snay, a young lady from the looks of her Facebook photo, posted: "Mama and Papa Snay won the case ... (the school) is now officially paying for my vacation to Europe this summer," The *Epoch Times* newspaper reported. Too bad she didn't read the fine print: There was a nondisclosure agreement attached to the settlement. The post went viral, causing a state court to toss the lawsuit. The judge wrote: "His daughter then did precisely what the confidentiality agreement was designed to prevent."

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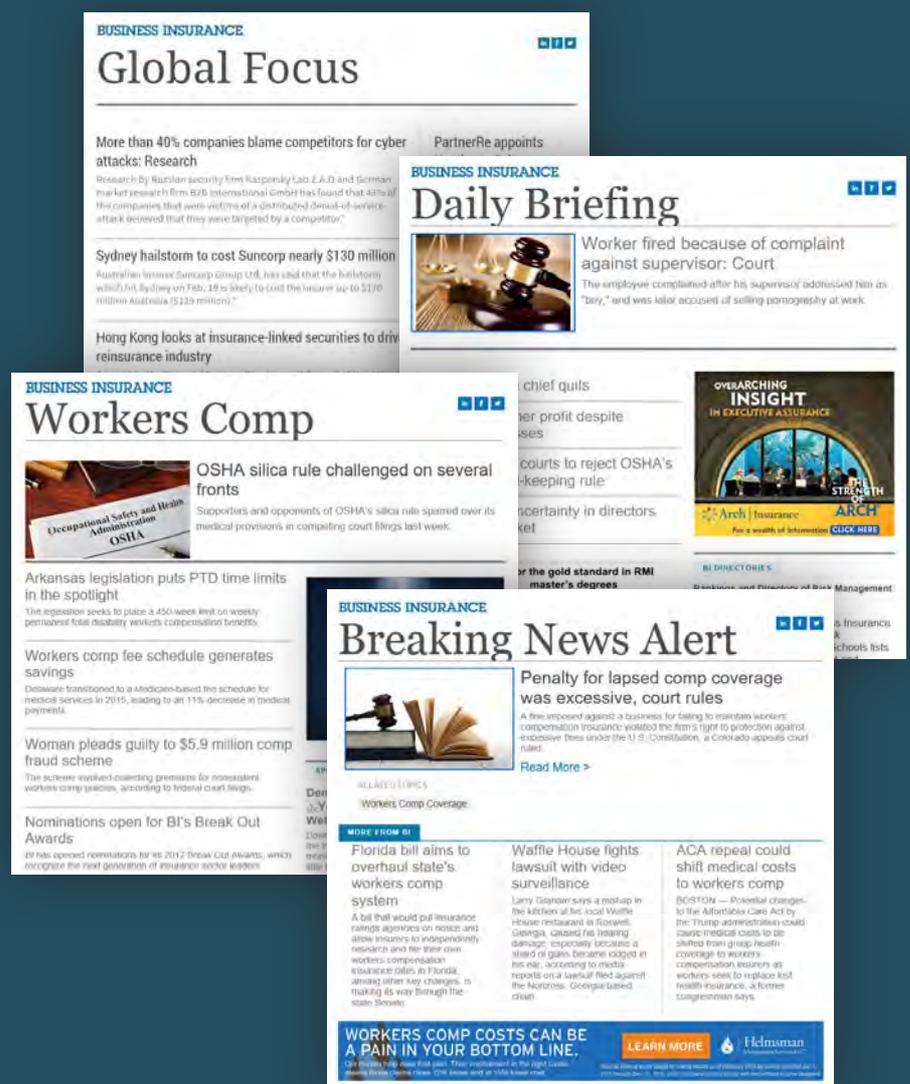
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