

DATA PROTECTION: California may follow Europe's lead on privacy rules - **PAGE 4**

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**SPECIAL
REPORT**

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Entertainment venues struggle to manage active shooter, terrorism exposures after Las Vegas, Manchester tragedies

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COVER STORY

In the aftermath of the mass shooting at the Route 91 Harvest Festival in Las Vegas, underwriters and policyholders have focused on prevention and security to minimize potential losses at large entertainment venues. But determining coverage needs is complicated by the unpredictable nature of active-assailant attacks, which take many forms. **PAGE 15**

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Business Insurance's annual Agents & Brokers issue ranks the 10 largest insurance brokers worldwide and the top 100 brokers of U.S. business, highlights market trends and profiles the leading brokerages. **PAGE 27**

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TONY URSANO

Tony Ursano is the New York-based president of TigerRisk Partners L.L.C. He joined the firm in April 2015 from Willis Towers Watson P.L.C., where he was founder and CEO of Willis Capital Markets & Advisory for six years and a member of the Willis Towers Watson group executive committee. In this issue, Mr. Ursano discusses growth and changes in the insurance capital markets, including the influence of technology. **PAGE 14**



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A vial of moon dust from Neil Armstrong whips up a storm of controversy as matters go to court. **PAGE 44**



California may echo EU on data privacy

BY JUDY GREENWALD

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A proposition expected to be on California's ballot in November, while potentially less onerous for businesses, reflects many of the targets, if not the explicit provisions, of the European Union's wide-ranging General Data Protection Regulation.

If approved by voters, many experts say the California Right to Privacy Act of 2018 would be highly influential in other states, although its implementation would present challenges, particularly to smaller and medium-sized businesses.

The California proposition "brings GDPR to the U.S.," said Gamelah Palagonia, senior vice president and cyber risk specialist with Willis Towers Watson P.L.C. in New York.

The GDPR took effect May 25.

Supporters of the California measure say they have submitted 625,000 signatures, enough to qualify for its appearance on the November ballot.

Although it differs, "it's pretty much mirroring the major elements of GDPR, which basically gives individuals the right to know what businesses are doing with the information they collect, how it's secured, and gives them the right to object to the sale of that information," said Ms. Palagonia.

"It does sound a lot like the GDPR," said Max Perkins, London-based senior vice president for global cyber and technology, global professional and financial risks with Lockton Cos L.L.P.

"We're going to be talking about some really serious damages going forward, and also some really serious litigation costs," which has not been the case to date, he said.

"That's actually the biggest area of concern" about the proposition, said Annmarie Giblin, New York-based senior counselor for cyber liability with Chubb Ltd.

One key difference between the proposed California regulation and the GDPR is that under the latter, companies can be



fined up to 4% of annual revenue, or \$23.9 million, for the more serious breaches. A provision in the California proposition states violators may be liable for a civil penalty of up to \$7,500 for each violation. A spokesman for the group behind the proposition could not be reached for comment.

Annie O'Leary, Chicago-based senior broker with Aon P.L.C.'s professional risk solutions group, said the California proposition "is not as far-reaching as the GDPR, but there are some elements of it in terms of consumers having better control of and access to their data" that are common to both.

Matthew McCabe, New York-based senior vice president with Marsh L.L.C.'s cyber practice, said that "at the end of the day, the most relevant point is we're getting to more comprehensive data privacy regimes that are being mandated globally."

California led the nation with the first data breach legislation in 2002, and many experts expect that the proposition would be similarly influential should it pass. "One way or the other, the other states will follow suit," said Scott L. Vernick, a partner working on privacy and data security with Fox Rothschild L.L.P. in Philadelphia.

However, Joshua Gold, a shareholder and cyber insurance recovery attorney with policyholder law firm Anderson Kill P.C. in New York, said: "Other states will follow California's lead, but not a majority of states, and I think given our own (U.S.) systems here, you would have a real push by business to lobby against too much regulation in this space, given just how valuable big data has gotten."

"I would expect things to change gradually over time, but I don't think we'll see anything in terms of the scope of the GDPR in the near future," he said. "I think gradually we'll get to greater protection," but there will not be an immediate "sea change."

"I do think there is a greater sense of privacy rights that exists in Europe that simply does not exist in the United States," Mr. Gold said.

"We also have another big driver of keeping regulation limited" in California, Massachusetts and some other regions of the country, "where data-driven businesses are major heavyweights in the economic world and certainly in this country," he added.

There is an "uneasy co-existence between those business models and individual pri-

PRIVACY PROPOSITION

The proposed California Right to Privacy Act of 2018 would:

- Give California consumers the right to know what categories of personal information a business has collected about them and their children.
- Give them the right to know whether a business has sold their personal information or disclosed it for a business purpose, and to whom.
- Require a business to disclose to a consumer if it sells any of the consumer's personal information and allows a consumer to tell the business to stop selling this information.
- Prevent a business from charging more for a service if the consumer refuses to allow the business to sell personal information.
- Hold businesses accountable if consumers' personal information were compromised in a data breach because the business failed to take reasonable steps to protect it.

Source: The Consumer Right to Privacy Act of 2018

vacancy rights" with regard to regulation, Mr. Gold said.

Firms would "be subject to the proposition" to the extent they do business in California, said Scott N. Godes, a partner at Barnes & Thornburg L.L.P. in Washington and co-chair of the firm's cyber risk and data privacy group. The California standard will set a new baseline, he said.

While large companies that do business in Europe are already complying with the GDPR, passage of the California proposition would mean additional costs for smaller firms that do not operate internationally, said Mr. McCabe.

"You are undoubtedly putting in a scheme of compliance that is going to drain resources" for these businesses, he said, and there is still the unanswered question as to whether these provisions will protect data "any better than what we had before."

"For smaller and midsized businesses, dealing with this rapidly evolving issue could be more difficult" than for larger firms, Ms. Giblin said.

SLOW FEDERAL ACTION LIKELY ON CONSUMER DATA PROTECTION

California voters may approve a proposition in November that reflects some of the provisions of the European Union's General Data Protection Regulation, but most experts do not expect comparable federal legislation in the immediate future.

"I expect that you will see (legislation or regulation) more readily at the state level than at the federal level," which is more subject to gridlock, said Scott L. Vernick,

a partner with Fox Rothschild L.L.P. in Philadelphia.

"I would imagine we're going to see a lot more activity at the federal level," said Annie O'Leary, Chicago-based senior broker with Aon P.L.C.'s professional risk solutions group.

"There's been more conversations at that level, but from what we've seen" at Senate and House committees, "there's still a lot of education that needs to come

about first. States are better poised" to enact legislation based on what they have done over the past two decades when it comes to privacy legislation, she added.

The Senate has been trying to get some type of legislation through, she said.

While there is "often a lot of criticism these days of the federal government's inability to accomplish legislation, I'm not a very strong supporter of that criticism — I think a lot of it still gets done," said

Matthew McCabe, New York-based senior vice president with Marsh L.L.C.'s cyber practice.

"There's a lot of voices in favor of federal legislation around data privacy but there's also a lot of voices against it ... and as long as you have these strong voices speaking against it, then it's right for the government to be moving slowly on this issue," he said.

Judy Greenwald



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Shipping firms navigate new world of risk

BY ROB LENIHAN

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The maritime transportation industry has come a long way since the days when navigators used the stars to guide wooden sailing ships across the oceans, but future changes may be just as radical as the shipping industry embraces artificial intelligence to transport goods around the globe.

While the launch of fully autonomous oceangoing vessels may be years away, shipping firms already are implementing navigational and operational tools that rely on AI and more developments are expected.

As shipping firms rely more on technology, however, cyber exposures increase, potentially changing the risk profile of the vessels, insurance experts say.

The international shipping industry is responsible for transporting roughly 90% of world trade, according to the London-based International Chamber of Shipping, and, with the increased deployment of so-called megaships, transportation industry analysts said efficient delivery is critical because they bring more cargo into ports.

Collision avoidance technology, so-called smart containers that monitor the condition of their contents, and remote-controlled and autonomous vessels are some of the innovations that shipbuilders, transport companies and insurers are discussing as they look to make the industry more efficient.

“We are in a world where efficiency is the name of the game,” said Chris Maro, New York-based vice president, marine with JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C. “You’re



seeing firms become more and more under pressure to reduce costs, so the need for quantitative cost analysis and engaging AI systems has never been more prevalent.”

In April, Sea Machines Robotics Inc. of Boston said it had signed an agreement with Denmark-based A.P. Moller-Maersk Group to test computer vision, Light Detection and Ranging (LiDAR) and perception software on one of Maersk’s new ice-class container ships. The system uses AI to improve at-sea situational awareness, object identification and tracking, Sea Machines said.

In June, French container transportation and shipping company CMA CGM S.A. said it had collaborated with Shone, a San Francisco-based startup that specializes in the use of artificial intelligence for maritime transportation, to embed AI onboard ships.

“From an insurance standpoint, we welcome this approach because we believe it’s the right approach where they are utilizing

vessels and not re-engineering them,” said Andrew Kinsey, New York-based senior marine risk consultant for Allianz Global Corporate & Specialty S.E. “What we’re doing is we’re taking data collection, which has always been part and parcel to a marine operation, but now we are analyzing millions of data points and using AI to crunch those numbers.”

Others are looking at autonomous vessels. In a 2016 report, *Autonomous Ships: The Next Step*, British power systems manufacturing firm Rolls-Royce Holdings P.L.C. said that by 2035, the company “hopes that autonomous oceangoing vessels are a common sight on the ocean.”

Earlier this year, Rolls-Royce said it had signed a deal to supply its Autocrossing system to 13 ferries for the Norwegian transportation company Fjord1.

“The automatic crossing system provides safe, predictable and energy-efficient transit back and forth by automatically con-

trolling the vessel’s acceleration, deceleration, speed and track,” Rolls-Royce said in a statement.

In May, Rolls-Royce and Finnish shipowner Finferries agreed to jointly demonstrate remote and autonomous ferry operations.

Charles Fernandez, London-based head of marine liability and hull at Canopius Group A.G., said the increased connectivity of the shipping industry prompts concerns about cyber attacks, which he said, is “one of the biggest challenges we face on the insurance side.”

In June 2017, Maersk was hit by the NotPetya virus, which disrupted its container shipping operations for weeks. The company estimated the attack cost as much as \$300 million.

Mr. Maro of JLT Specialty said that owners and operators already are developing cyber security plans, “but the reality is that if autonomous vessels are going to be introduced, it is going to shift the need to build out an even greater cyber security management system.”

Niels Bruus, senior director, head of future solutions at Maersk Line, in Copenhagen, Denmark, said the company is using technology to assist crew members, not replace them.

“For us, it’s about using technology to make vessels safer, more efficient and more reliable,” he said. “I think the focus should be on the technology and how the technology can best support the people to operate the vessels in the most efficient way.”

Mr. Kinsey of Allianz said autonomous ships may one day sail across the world’s oceans, but there are obstacles to address.

“There are still many hurdles to get through from a legal and logistics and insurance point of view,” he said. “There are so many things that require human interaction on a vessel. When you sail from San Francisco to Hong Kong or New York to Rotterdam. You can’t go that whole trip without having to change over generators or have something break. We just don’t have the mechanical systems that are dependable enough to operate autonomous vessels.”

UNMANNED SHIP TIMELINE

Unmanned ships will most likely start with local applications



Source: Rolls-Royce

ALL SUPPLY CHAIN POINTS MUST ENGAGE IN AI UTILIZATION

Ships are using technology to become more efficient, and shipping experts say ports must keep up with them.

“There are a number of ports, where certain areas are completely automated,” said Charles Fernandez, London-based head of marine liability and hull at Canopius Group A.G. “And people aren’t allowed in that zone. Machines picking up containers

and taking them from Point A to Point B.”

Andrew Kinsey, New York-based senior marine risk consultant for Allianz Global Corporate & Specialty S.E., said addressing the entire supply chain is one of the most critical aspects of employing artificial intelligence in the shipping industry. Transportation is more than getting the container off the ship, he said, “we have to

get the container to its final destination.”

“We continue to hear about the accumulation of risk,” Mr. Kinsey said, “where we have so much cargo at port or on a vessel, what we need to do is start to utilize AI just like we have to utilize any technology available.”

Insurers want to see the entire supply chain, Mr. Kinsey said.

“In order to have that, you need transparency,” he said, “and that’s a challenge because everyone’s trying to use these efficiencies for their own, as well they should, but then we also need to see some transparency in the exchange of information to address all supply-chain efficiencies.”

Rob Lenihan

Deal surge drives demand for reps and warranties cover

BY MATTHEW LERNER AND ROB LENIHAN

The market for representations and warranty insurance in the mergers and acquisitions arena continues to grow as sellers seek to move buyers toward the coverage and away from traditional escrow arrangements.

Prices and terms have become more favorable as more insurers join the market, while increased merger and acquisition activity helps drive demand, experts say.

Worldwide M&A activity totaled \$1.2 trillion during the first quarter of 2018, up 60% from the first quarter of 2017 and the strongest first quarter for global M&A since records began in 1980, according to a Thomson Reuters Corp. analysis.

The M&A market is “skyrocketing,” according to Stephanie Hyde, executive director of PE Risk, a New York-based risk and insurance consulting firm. She was previously a managing director at Morgan Stanley as an internal risk and insurance consultant to its private funds division.

Representations and warranties insurance is used in merger and acquisitions transactions in place of the traditional seller-indemnity model, which required that funds up to 10% of the enterprise value of the deal be placed in escrow to cover future buyer claims of misrepresentation by the seller.

Buyers use the coverage to strengthen their position in a deal, said one expert.

“What savvy buyers realized 10 to 15 years ago was that if they offered a seller less than a 10% equity cap and get insurance for that portion that they are no longer seeking to get from the seller, they theoretically can look more attractive to the seller if competing against other bidders,” said Matthew Heinz, managing director for transaction solutions with Aon P.L.C. in New York.

Sellers then decided to take the initiative, according to Mr. Heinz said.

“What sellers realized was that they could pitch insurance to potential buyers and just tell them right out of the gate, ‘I’m not going to indemnify you beyond a minimal amount, or not at all. All reps expire at closing. There will be no seller indemnity here. Go to the insurance market and get insurance,’” Mr. Heinz said.

Many sellers will hire a broker to prepare a proposal, which is submitted to potential buyers, according to Mr. Heinz said. “Here’s your road map. Here’s your pathway to insurance in lieu of traditional indemnity.”

Reps and warranties insurance is used largely in private mergers and acquisitions as opposed to public deals, Mr. Heinz said. “Not exclusively but largely.”

Corporate buyers are more hesitant to



use reps and warranties, but when sellers started pitching insurance to buyers, corporate clients took notice, Mr. Heinz said.

“We’ve seen a huge uptick in corporate usage over the past two or three years,” he said.

Janet Oliver, San Diego-based counsel with MoginRubin L.L.P. who specializes in complex mergers, agreed, saying now more corporate buyers are using these policies and there seems to be a “drastic” increase in the use of these policies in the past two years, even though they have been around for a decade or more.

The market has enjoyed substantial growth, according to figures from sources.

In a report issued in May, Marsh L.L.C. said it placed 28% more transactional risk insurance policies globally in 2017 compared with 2016. Average limits placed also increased (see chart), driven by the size and number of transactions in which insurance is being used.

Mr. Heinz said when he joined Aon in 2010, there were perhaps only 20 to 25 reps and warranties placements annually.

“By 2013, we were doing 40 to 45 deals, and we did approximately 430 deals last year,” he said.

Richard Warren, Richmond, Virginia-based partner with Hunton Andrews Kurth L.L.P. who specializes in mergers and acquisitions, said there’s been an explosion in usage in the last four-to-five years, particularly in the private equity market.

The increased demand has helped attract more insurers, sources said.

Capacity has increased “meaningfully” in recent years with more than 25 insurers now offering transactional risk insurance globally, according to the Marsh report.

Five years ago, there were six insurers

writing R&W in a market that struggled to provide \$200 million to \$250 million in capacity for any one deal, Mr. Heinz said. Now, “we’ve got well over \$1 billion in capacity available in the marketplace.”

Such increased capacity and competition has made the market more favorable for buyers, experts say.

A purchaser of a R&W policy today for the exact same risks that existed 18 months ago would get broader coverage from the same carrier and a lower retention at about half the cost, Ms. Hyde said.

But risk managers should review the coverage and should also be “getting accustomed to the form prior to the transaction and understand how it interacts” with their programs, she said.

DUE DILIGENCE MANDATORY FOR M&A COVERAGE

A “due diligence” review is a core requirement for buyers of representations and warranties insurance.

Purchasing this type of insurance requires a thorough review of the target company’s operations and financial statements, experts say.

“One of the things underwriters really focus on is the diligence process,” said Stephanie Hyde, executive director of PE Risk, a New York-based risk and insurance consulting firm, and previously a managing director at Morgan Stanley.

Buyers must report their diligence findings to bind coverage.

“One of the things the reps and warranties process is contingent upon is buyers doing their diligence and presenting a diligence report,” Ms. Hyde said.

The diligence process associated with transactional risk insurance can make negotiations easier between the buyer and the seller, according to Brian Hamilton, New York-based partner in the mergers and acquisitions group with Sullivan & Cromwell L.L.P. The buyer does due diligence with full access from the seller and the two sides develop a set of representations and warranties in the agreement for the transaction, Mr. Hamilton said.

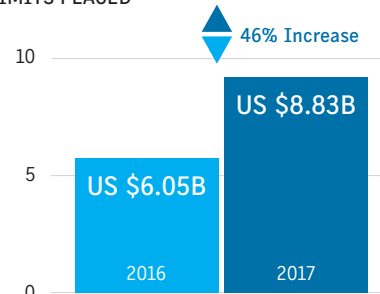
Emerging risks such as cyber present fresh challenges to the R&W market and may require additional examination during the diligence review.

“More and more often, depending on the industry we’re looking at with the target company, if there’s a cyber exposure there, the carriers like to see a cyber diligence report addressing these issues,” Ms. Hyde said.

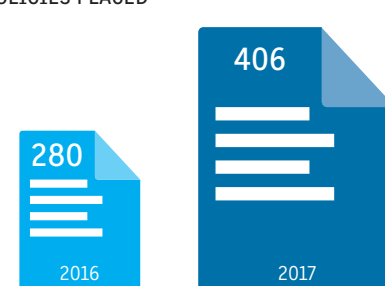
Matthew Lerner and Rob Lenihan

US & CANADA: HIGHEST LIMITS PLACED; MOST POLICIES

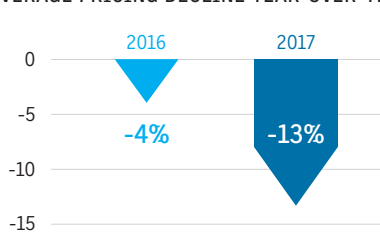
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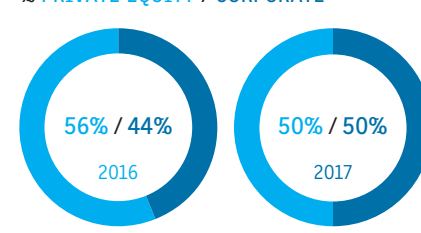
POLICIES PLACED



AVERAGE PRICING DECLINE YEAR-OVER-YEAR



% PRIVATE EQUITY / CORPORATE



Source: Marsh L.L.C.

Desk setup: To stand or not to stand?

BY LOUISE ESOLA

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Standing desks have become trendy in the workplace, but studies have cast doubt on their benefits to employee health and safety.

Most employers are not properly incorporating standing desks into the workspace, meaning these newer tools are not as effective in reducing workers comp claims as some may think, according to experts in the field of ergonomics.

When asked about standing desks — or the sit-stand workstations that permit a worker to alternate between the two positions — ergonomist Scott Smith tells the story of a towering former college football player-turned-lawyer who was using one in his office, a workplace Mr. Smith had been called to inspect in his work as director of ergonomics with Aon Risk Consulting.

“He was standing there, his feet 5 feet apart, doing the splits, his neck bent, his head down,” working at his computer, Mr. Smith said. The desk was too low, the man too tall, and he was leaning in and hunched over: all problematic, he said.

Ergonomists such as Mr. Smith, who works remotely in Laguna Niguel, California, but visits clients’ offices to ensure employee workstations — including the keyboard, mouse and chair — are set up correctly, work in loss prevention. Their goal is to help employers avoid claims that stem from the muscle strains and carpal tunnel issues that have long been commonplace in workers compensation, but they say employers and employees are not using standing desks effectively.

“Every office I have ever visited, I saw postural or equipment setup issues,” said Thomas Hilgen, a Charlotte, North Carolina-based ergonomist and senior vice president and vitality practice leader for integrated casualty consulting with Willis Towers Watson P.L.C.

Sitting is the new smoking

It doesn’t take long in a discussion with experts regarding standing desks for the relatively new adage to pop up: Sitting is the new smoking. Mounting concerns about sedentary workplace safety risks have contributed to the rise of the trend to work standing up, experts say.

Standing desks are marketed by several companies that say such alternative desks transfer weight and pressure from a person’s lower back to their legs, decreasing pain and injuries, according to marketing materials.

They cost \$500 to \$1,500 per desk, and offering the alternative has become a human resources tool for recruiting and retaining workers, experts say.

“We are seeing that universally everybody wants one,” said Mr. Hilgen. “I compare it to



the treadmill at home; at first we are gung-ho about using every day and then, in two weeks, it’s every other day. Two months later, we use it to hang up the jeans we wore that day.”

“Everybody wants something new, the latest, greatest sit-stand desk,” said Mr. Smith. “But does it help?”

Not always, experts say.

“They are a novelty,” said Mr. Smith, adding that when office chairs became more ergonomically sound and sophisticated — and expensive — workers failed to adjust them properly, as with the standing desks, and injuries continued.

“It’s amazing to me how many times people have the ability to adjust their space but don’t have the knowledge or time to find out how to set up their workstation,” said Lee Wendel, Bloomington, Minnesota-based loss prevention technical leader with SFM Mutual Insurance Co.

Few benefits found

But there is little proof standing desks are better for workers who sit in front of a computer all day, experts say.

A study published in the British Medical Journal in 2016 found “little evidence” that standing desks benefit health. A study published in 2017 in the International Journal of Networking and Virtual Organizations revealed the benefits of standing workstations to be “modest.”

“That doesn’t really surprise me,” said Wayne Maynard, Boston-based product director in workers compensation, with a specialty in ergonomics, for Liberty Mutual Insurance Co.



RIISING UP IN THE OFFICE

13%

of companies offered standing desks in 2013

44%

of companies offered standing desks in 2017

Source: Society for Human Resources Management, 2017

“I have not seen any studies that say (standing desks) reduce injuries,” said Mr. Smith. “This is not the end-all cure.”

Several workers compensation insurers said they do not track claim activity related to standing desks and that musculoskeletal injuries are typically not classified by cause.

The U.S. Occupational Safety and Health Administration does not have specific standards that apply to computer workstations, but some state workplace safety regulators have weighed in on the sitting versus standing debate.

“Standing for long periods of time can cause health problems, too,” the Oregon Occupational Safety and Health Administration said on its website. “Maintaining the same standing posture for long periods of time places the muscles in a constant state of contraction. Standing for too long when you are working can stress your back because muscle groups in your legs, hips, back and neck are tensed.”

Standing has transferred the pain to legs, hips and feet, and if the height of the standing desk is incorrect, shoulder and neck pain ensue just as they would with a traditional seated desk setup, experts say.

“For the people who don’t use it properly, you will get the same musculoskeletal disorders and discomfort and pain and injuries (as with sitting),” said Mr. Hilgen.

“We see poor posture even when standing,” said Woody Dwyer, Hartford, Connecticut-based vice president for workers compensation risk control for Travelers Cos. Inc. “If you sit poorly with your wrists bent (or) you stand poorly with your wrists bent, it doesn’t matter if you are sitting or standing.”

TO REDUCE CLAIMS JUST MOVE, EXPERTS SAY

The new message in the sitting vs. standing debate is to not do either for too long.

Instead, it is important that employees move around, experts say.

“We say the best position is your next position,” said Thomas Hilgen, Charlotte, North Carolina-based senior vice president and vitality practice leader for integrated casualty consulting with Willis Towers Watson P.L.C.

That could mean alternating every hour between sitting or standing at 20-minute to one-hour intervals or walking around between tasks, experts say.

The sedentary lifestyle commonplace in office settings is a challenge to employee health and safety, said Wayne Maynard, Boston-based product director in workers compensation, with a specialty in ergonomics, for Liberty Mutual Insurance Co.

“Prolonged sitting isn’t good; prolonged standing isn’t good ... Sedentary lifestyles are acknowledged as the public health issue here,” he said.

In addition to training employees on setting up workstations, employers must end the productivity push to keep workers in cubicles all day, Mr. Maynard said.

“Overall research that has been done has shown that when people take breaks ... there is a reduction in discomfort,” he said.

Making movement part of the workplace culture will encourage employees to move more, Mr. Maynard said.

“Get out of your chair, take a break, walk down the hall, do some other task, go get something off the printer,” said Mr. Maynard.

“Movement is critical,” said Mr. Hilgen. “You will see people stand up and walk around their cubicle, and that’s critical. What we don’t want is people sitting or standing for two, three, four hours straight.”

Louise Esola



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Putting the welcome mat out for doctors

BY GLORIA GONZALEZ

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Physicians can play a crucial role in preventing workplace injuries and getting injured employees back to work, but managing employer-doctor interactions can be a delicate balancing act that requires constant attention.

Employers can and should be inviting medical professionals treating injured workers to workplaces before injuries actually occur, experts say.

"It's a really good practice, probably a best practice, for these companies to have a relationship with the treating physicians," said Don Martin, senior vice president with consultancy DEKRA North America Inc. in Marietta, Georgia. "They're certainly not directing the physician on how to care for the worker. But what they're doing in this relationship is making sure the doctor understands the operations where the employee works, what kind of equipment they work with, what the work environment is like. If the doctor understands the work situation and the exposure situation that the worker faces, then they're in a better position to treat the employee for a full and complete recovery."

Having medical professionals tour an employer's facilities can be helpful because the professionals can examine a site, see safety hazards that may not be visible to staffers who regularly work in the facilities, and suggest ergonomically friendly changes that can reduce injuries and prevent claims from materializing, experts say.

"You bring them into your environment," said Perry Hawkins, corporate director of environmental, health and safety and risk management with Circor International Inc. in Spartanburg, South Carolina. "I wholeheartedly support that. Until you actually bring them into the facility and walk them through the process and let them see it, they don't really get a good understanding."



ASKING THE RIGHT QUESTIONS



Employers communicating with medical professionals treating their injured workers should ask key questions after the employee is evaluated:

- If the doctor recommends prescription medication, are there over-the-counter treatment options that could work?
- If the doctor recommends restricted work, meaning no lifting, pushing or pulling, can the employee be released back to full duty if the employer has alternate work available meeting the employee's job description that does not place the employee at risk?
- If the doctor recommends days away from work, can the employee return to work if light duty is available?

Source: Perry Hawkins, corporate director of environmental, health and safety and risk management, Circor International Inc.

Physicians who have seen the worksite or are familiar with the employee's job duties can work with the employer to craft a return-to-work plan that does not aggravate the injury but gets the injured employee back to work more quickly, experts say. "If they have to come back to work in a

restricted duty capacity, the doctor knows what types of other work are available at the facility that would be safe for that worker to go back to and would be productive for that worker," Mr. Martin said.

This type of engagement can be particularly helpful in unique workplaces, said Coleman Brown, Baltimore-based vice president of loss control with CBIZ Insurance Services Inc. For example, the company has worked with the Baltimore Aquarium, which houses poisonous animals that could bite employees, with the local hospital reviewing the aquarium's risks and storing anti-venom treatments.

"If it's unique, share the information," Mr. Brown said. "Bring that doctor in and work with them."

But it is also useful in more typical worksites if employers are noticing trends such as multiple employees complaining about back pain. The physician may notice that the back pain is being caused by the arrangement of the equipment and "may be able to solve it before it becomes a big problem," he said.

The level of engagement between employers and physicians "really depends on the aggressiveness of the company," Mr.

Brown said. "In very active safety programs, you're going to find the employers or their safety person or claims management person will engage with the physicians."

But it is critical for employers not to become complacent in establishing and maintaining these relationships. "It's no different than dating," he said.

And the engagement should not just be with the physicians, but with nurses and triage professionals treating injured patients, experts say.

Many employers may have not engaged directly with treating physicians partly due to concern about violating employees' privacy, but they have the right to do so in the workers compensation context and should be more proactive in forming relationships with medical professionals, experts say.

"My experience has been that one of the reasons why (employers) don't engage that way is that they don't know that they can," Mr. Martin said.

Medical providers are covered entities under the Health Insurance Portability and Accountability Act and generally subject to its requirements to safeguard patients' personal health information. But HIPAA regulation on uses and disclosures allows physicians to share this information without authorization in certain circumstances, and workers comp falls into that category, said Krisa Benskin, a Houston-based senior associate with law firm Baker Botts L.L.P.

But the ability to engage medical professionals "all depends on the physician ... and their willingness to be open," Mr. Hawkins said.

"Getting them engaged and comfortable enough to want to have these conversations with us is great. Getting them comfortable enough to understand what the requirements are when it comes to work-related injuries versus HIPAA and ... that we all understand any condition of an employee that has to do with their personal medical history which is not directly related to the injury cannot be discussed," he said.

CONFUSION REIGNS OVER EMPLOYER HIPAA PRIVACY OBLIGATIONS

Lingering misconceptions or confusion about employer obligations under the Health Insurance Portability and Accountability Act may make them reluctant to interact with physicians treating their injured employees.

The 1996 law was enacted to safeguard individuals from the unauthorized use or disclosure of their protected health information and applies to covered entities: health plans, health care clearinghouses and health care providers who transmit

health information in electronic form.

But "the HIPAA regulation makes clear that they understand that workers comp is a whole separate animal, and to get it done, to make sure the injured party is compensated, to make sure the entire process runs somewhat smoothly, you have to be able to disclose protected health information when required by state law governing workers comp," said Nick Welle, Milwaukee-based senior counsel with Foley & Lardner L.L.P.

"Generally speaking, employers are

not subject to HIPAA when dealing with workers comp, but I think a lot of people get that confused" because physicians are subject to HIPAA, and employers are subject when they operate group health plans and their employees participating in the administration of those plans have access to personal health information, he said.

Krisa Benskin, a Houston-based senior associate with Baker Botts L.L.P., illustrated the distinction for employers using her law firm as a reference.

"Baker Botts as a company is not subject to HIPAA, but we sponsor a health plan for our employees, so any time an employee of Baker Botts is working with protected health information in the context of working on the plan, it is subject to HIPAA," she said. "That's a tricky thing for employers because you have the exact same person sitting at their same desk in (human resources) and seeing the same employee information."

Gloria Gonzalez

Focus on productivity drives up injuries as more workers suffer fatigue on the job

BY LOUISE ESOLA

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Employee fatigue is the root of nearly one-third of injuries and near-misses in the workplace and experts are calling on productivity-centered employers to do their part in helping curb the widespread problem.

“In this day and time, employers are trying to get the max efficiency out of the workforce,” said Bill Spiers, Charlotte, North Carolina-based vice president, unit manager and risk control strategies practice leader for Lockton Cos. L.L.C. “So we (have been) talking about fatigue.”

Tactics employers need to embrace to tackle fatigue include alternating tasks, limiting overtime shifts and rotating shift schedules to ensure no one is always on the night shift, according to experts who say part of the hurdle is convincing employers to put employees before production.

“I think there is a growing awareness (of fatigue), but I think productivity trumps (that),” said Lora Cavuoto, a Buffalo, New York-based researcher with the Park Ridge, Illinois-based American Society of Safety Professionals and associate industrial and systems engineering professor at the University at Buffalo.

“You have (management) saying, that’s just the way things are going to be,” she added.

“In my experience, many (companies) are not getting it,” said David L. Barry, Kansas City, Missouri-based national director of casualty risk control and senior vice president in the risk control and claims advocacy practice for Willis Towers Watson P.L.C. “It’s difficult for people in the C-suite to recognize that fatigue is a problem.”

A survey released by the National Safety Council on June 13 found



that 32% of reported injuries and near-misses are due to tired employees, and that 90% of employers want to understand the root causes of fatigue but that only 55% would adjust schedules or tasks to help curb the problem. The study also found that 74% of employers underestimate the prevalence of fatigue.

“Generally, we don’t focus on fatigue right away,” said Randy Klatt, a Portland, Maine-based director of loss control for MEMIC Group, which provides workers compensation insurance.

“If you have been using a knife for hours and hours (without incident) and then you cut yourself, we don’t think of fatigue,” he said. “But fatigue creeps up on you.”

The results of the recent study aren’t surprising, said Emily Whitcomb, senior program manager for the Itasca, Illinois-based National Safety Council, which has been studying workplace fatigue closely for nearly three years.

“One of the overarching themes is that we need to make sure fatigue is

understood as a hazard in the workplace,” she said, adding that other studies are helping to drive the point.

The National Safety Council surveyed 2,000 employees in 2017 and found that 27% of them admitted to falling asleep on the job — sleep coming after hours of exhaustion due to a troublesome schedule that affects natural, human circadian rhythms that call for rest when it is dark outside.

Enter the first fix: rotate shifts and give workers a break from the all-night work, said Ms. Whitcomb.

Many vocations, such as health care and public safety, call for 24-hour availability, as the U.S. National Institute for Occupational Safety and Health highlights in its literature on workplace fatigue. But other industries have also caught on, with workers on duty around the clock to serve a “24-hour society,” as NIOSH points out.

Yet workplace safety experts agree that subjecting an employee to the night shift indefinitely can be problematic.

“Circadian rhythms are real; your

body does not like to be awake at night,” said Mr. Klatt. “The human body is designed to be awake from sunrise to sunset.”

But Mr. Klatt warns that immediately switching from night work to day work can cause even more problems if workers are not well-rested.

Which is why Ms. Whitcomb said a good approach would be to give employees ample time between shift schedule changes. The National Safety Council recommends scheduling a worker for the night shift for two weeks and then giving them time off and then scheduling for day shifts for two weeks, she said.

Workdays that extend past the traditional eight-hour day have also been pegged as problematic when it comes to safety, experts say.

“We have this culture that sometimes (it) benefits employees to work long hours. And it’s really a hazard,” said Ms. Whitcomb. “We need to be worried about not rewarding employees to work until they burn out.”

Overtime, for example, was discovered to be a contributing factor for one Willis Towers Watson client that was experiencing a string of small incidents and near-misses, said Mr. Barry.

“I was visiting with a company a while back and they were having a lot of accidents and mistakes ... Turns out they were really busy (and) they were letting employees work 12-hour days, seven days a week. There is a pretty strong correlation” between the incidents and fatigue.

Controlling the boredom factor is another best practice, said Ms. Cavuoto.

“Make sure that you are not having monotonous work and tasks because (workers) are more susceptible to fatigue that way,” she said. “Make the work more varied.”



WORKING WHILE TIRED

50%

of employers surveyed say they have had an employee fall asleep on the job.

73%

of employers do not communicate to employees about fatigue.

61%

do not believe employees are comfortable telling them if they were too tired to perform their job safely.

51%

assign a night shift to an employee immediately before or after a day shift.

60%

lack a designated area for employees to rest.

57%

of employers have experienced absenteeism as the result of fatigue.

Source: National Safety Council survey of 2,010 employers, 2018

TURN A TIRED EMPLOYEE INTO AN ALERT ONE WITH SLEEP, DIET, EXERCISE

Employees must do their part to ensure they get enough rest to perform their work duties, experts say.

Fatigue is “not always the employer’s responsibility,” said Bill Spiers, Charlotte, North Carolina-based vice president, unit manager and risk control strategies practice leader for Lockton Cos. L.L.C.

Wellness initiatives have been catching on to that way of thinking,

helping to explain to employees the importance of sleep because much of the fatigue can be caused by factors outside of work, he said.

“The interesting thing is fatigue really hits that bridge between wellness and safety that companies have been struggling (to link) for many years,” said David L. Barry, Kansas City, Missouri-based national director of casualty risk control and senior vice president in the risk

control and claims advocacy practice for Willis Towers Watson P.L.C.

Fatigue awareness needs to be a part of employer culture, said Emily Whitcomb, senior program manager for the Itasca, Illinois-based National Safety Council. “You want to make sure your employees understand fatigue is a hazard... push them to prioritize seven hours of sleep.”

Other issues such as employee mental health and diet and exercise

also come into play when it comes to adequate rest, said Mr. Spiers.

“We are not robots — we are human beings,” he said. “With human beings, you have physical and mental things” occurring outside of work, he said. “You can’t just isolate one thing.”

“A lot of times it’s just having a good conversation” with employees, said Mr. Barry.

Louise Esola

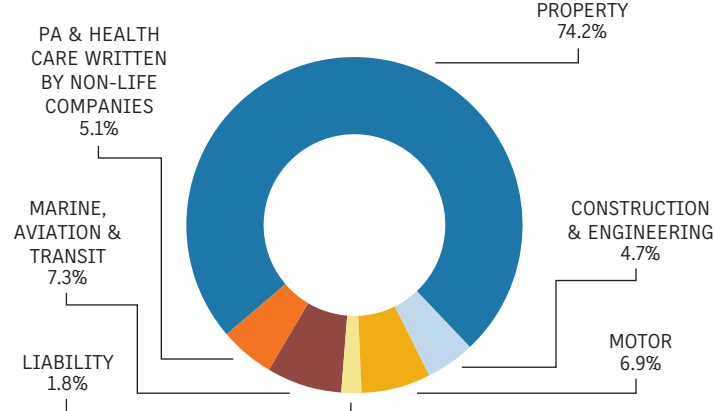
PROFILE: CUBA

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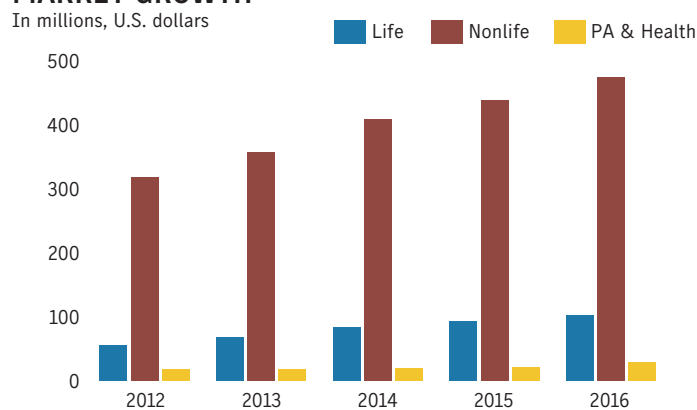
GLOBAL
P/C MARKET
RANKING

The underdeveloped Cuban property/casualty market is made up of just two insurers offering a range of basic products; the predominant financial interest in the Cuban insurance market is the state. The two operational insurers are ESICUBA and ESEN, both subsidiaries of state-owned insurance and financial services group OSDE Caudal S.A. ESEN was formed in 1978 to write coverage for nationally owned risks, notably agriculture, and offers the market's only life product. ESICUBA was formed in 1963 as a state-owned enterprise to handle coverage of foreign-currency operations such as marine and aviation risks; it also issues policies covering medical expenses. U.S. insurers and reinsurers are currently not allowed to be involved in the market. A significant rapprochement with the U.S. toward the end of the Obama administration was not maintained under President Donald Trump.

MARKET SHARE



MARKET GROWTH



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Workers compensation (state social security)
- Medical expenses insurance for visitors to Cuba or temporary residents
- Property/casualty risks for foreign and mixed investors, and concessionaires or users of the Mariel Special Development Zone.

NONADMITTED

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

INTERMEDIARIES

Intermediaries have to be authorized to handle insurance business. By definition, agents, bound by contract to one local insurer, would not be authorized to place business with any other company.

MARKET PRACTICE

It is said that the nonadmitted regulations are fully respected and there are no unauthorized insurance placements abroad. Authorization to place business overseas has been granted on several occasions but is an exceptional event. The local insurance companies do not engage in fronting activities.



AREA

41,097

square miles

POPULATION

11.5

million

MARKET CONCENTRATION

ESEN had roughly

18.4%

of premiums in 2016, and ESICUBA had about

81.6%

2018 GDP CHANGE (PROJECTED)

1.4%

MARKET DEVELOPMENTS

Updated May 2018

- In an active 2017 season, Cuba was hardest hit by Hurricane Irma, a Category 5 storm, Sept. 5-9. Although insurance losses were only a small proportion of the estimated economic loss to Cuba of \$13 billion, they were the highest by far this century with a total across the two market players of about \$440 million. The ESICUBA estimated loss was \$290 million, mostly hotels.
- For the first time at the annual International Business Fair in Havana in October 2017, two possible joint ventures in the insurance field were offered. With each predicting an investment of \$15 million, they were a joint venture with ESICUBA to write credit insurance and one with ESEN to develop long-term life products.
- There have been few other developments in recent years in the property/casualty market. Changes to the Cuban economic model since 2010, allowing some private enterprise, have had little effect on the insurance industry. Similarly, property/casualty insurance requirements for companies with an element of foreign investment and those operating in the Mariel Special Development Zone 28 miles west of Havana, with compulsory first right of refusal to Cuban insurers, have not yet produced a notable influx of new business.

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

Bill Cosby entitled to defense by AIG

■ American International Group Inc. has a duty to defend Bill Cosby in litigation charging him with defamation for denying several women's sexual assault charges under his homeowners and personal excess liability policies, says a federal appeals court.

In 2014 and 2015, nine women filed three separate actions claiming Mr. Cosby had defamed them by publicly denying their sexual assault allegations, said a ruling by the 1st U.S. Circuit Court of Appeals in Boston in *AIG Property Casualty Co. v. William H. Cosby Jr.*

New York-based AIG initially agreed to defend him subject to a reservation of rights, then filed suit in U.S. District Court in Springfield, Massachusetts, seeking a declaration that the policies' "sexual misconduct" exclusions barred coverage.

Mr. Cosby contended that "the source of the women's claimed injuries was not any alleged sexual misconduct, but rather the alleged defamatory statements," said the ruling.

After a close examination of the policies' language, a three-judge panel of the 1st Circuit agreed with the lower court and held AIG is obligated to defend Mr. Cosby based on the more broadly worded sexual misconduct exclusion in the umbrella policy.

It added, however, that "out of caution we also note that this appeal decides only the question of coverage in providing defense to the policyholder. Coverage for any damages that may be awarded if the defense is unsuccessful could turn on facts beyond those pertinent here."

Mr. Cosby was found guilty of three counts of aggravated indecent assault in April.

FTC action against LabMD vacated

■ In the latest development in a long-running case, the 11th U.S. Circuit Court of Appeals in Atlanta has vacated an enforcement action brought by the Federal Trade Commission against LabMD Inc., a now-defunct medical laboratory.

In its ruling in *LabMD Inc. v. Federal Trade Commission*, the 11th Circuit said the agency could not bring its enforcement action, which was based on the laboratory's security data practices, under the Federal Trade Commission Act.

The FTC had issued an opinion and final order in 2016 holding that the security practices of Atlanta-based LabMD, which stopped conducting lab tests and began winding down its business in January 2014, were unreasonable and lacked "even basic precautions."

One of the issues in the case, which was

discussed in the ruling, had been whether a cyber security firm, whose services the lab had declined, had given the government falsified information.

The unanimous three-judge appeals panel said that "assuming arguendo that LabMD's negligent failure to implement and maintain a reasonable data-security program constituted an unfair act or practice" under the FTC Act, "the Commission's cease and desist order is nonetheless unenforceable."



"It does not enjoin a specific act or practice. Instead, it mandates a complete overhaul of LabMD's data-security program and says precious little about how this is to be accomplished. Moreover, it effectually charges the district court with managing the overhaul. This is a scheme Congress could not have envisioned. We therefore grant LabMD's petition for review and vacate the Commission's order."

Arbitration pact invalid on appeal

■ An engineering and construction firm's former employee cannot be compelled to go through arbitration in her sexual harassment case because the company never signed the arbitration agreement, says the 5th U.S. Circuit Court of Appeals in New Orleans in overturning a lower court ruling.

Kimberly Huckaba sued her former employer, Odessa, Texas-based Ref-Chem L.P., in U.S. District Court in Midland, Texas, in 2016 charging she had been terminated after complaining of sexual harassment by a co-worker, according to court papers in *Kimberly Huckaba v. Ref-Chem L.P.*

The company moved to dismiss and compel arbitration, according to the 5th Circuit ruling.

To support its motion, Ref-Chem provided the court with an arbitration agreement that had been signed by Ms. Huckaba. "Next to Huckaba's signature is a signature block for Ref-Chem. Ref-

Chem, however, did not sign the agreement," said the ruling.

Based on the agreement, the District Court granted Ref-Chem's motion to compel arbitration and dismissed the case.

On appeal, a three-judge appeals court panel unanimously held the agreement was invalid. The arbitration agreement's "express language clearly indicates an intent for the parties to be bound to the arbitration agreement by signing the agreement," said the ruling.

While Ref-Chem points to evidence that it intended to be bound by the agreement without signing, such as creating the arbitration agreement, keeping it as a business record and moving to compel arbitration when Ms. Huckaba sued, "this evidence does not satisfy Ref-Chem's burden that it intended to be bound without signing the agreement."

Comp insurer can't collect on award

■ The Supreme Court of Texas ruled that a workers compensation insurer cannot collect pending settlement proceeds from an injured worker who won an award on a third-party claim stemming from a compensated injury.

The ruling in *Wausau Underwriters Insurance Co. v. James Wedel and Michele Wedel* affirms a 2017 Court of Appeals of Texas El Paso ruling that stated while Texas grants the right of an insurer to seek reimbursement after an injured worker collects after suing a third party related to the compensable injury, the insurer waived that right.

James Wedel, a truck driver for Cactus Transport Inc., was injured in 2012 while loading asphalt at an El Paso, Texas, terminal owned by Western Refining Co. L.P., according to court documents. Mr. Wedel, who suffered brain and spinal cord injuries, received workers comp benefits from Cactus' insurer, Wausau Underwriters Insurance Co. He separately sued Western Refining for alleged negligence contributing to his accident, according to court documents, but settlement negotiations came to a halt when Boston-based Wausau Underwriters announced its intention to seek reimbursement if Mr. Wedel won the case.

The Texas high court ruling highlights the insurer's specific policy with Cactus Transport: "The (workers compensation) policy in this case includes an endorsement waiving the carrier's right to recover from the third party sued by the employee. The carrier concedes it can't recover directly from the third party but insists it can recover indirectly from any settlement the third party pays to the employee. Standing on over 20 years of unanimous case law to the contrary, as well as Texas Department of Insurance rulings consistent with that case law, we disagree."

DOCKET



MASSACHUSETTS SUES OPIOID MAKER

Massachusetts filed a lawsuit in Suffolk County Superior Court against Purdue Pharma L.P., accusing the Stamford, Connecticut-based OxyContin maker of illegally promoting the use of opioids, and is the first state to sue the drugmaker's executives and directors to hold them responsible. The lawsuit brought by Massachusetts Attorney General Maura Healey alleges Purdue deceived doctors and patients by misrepresenting the risks of addiction and death.

Reuters

PRE-EMPLOYMENT TEST BIAS LAWSUIT SETTLED

Steel castings manufacturer Amsted Rail Co., Chicago, agreed to pay \$4.4 million to settle a U.S. Equal Employment Opportunity Commission class disability discrimination lawsuit for allegedly rejecting 40 job applicants based on a carpal tunnel syndrome test. The EEOC said Amsted had disqualified job applicants based on the result of a nerve conduction test for carpal tunnel syndrome rather than conducting an individualized assessment of each applicant's ability to do the job safely. The EEOC filed suit in U.S. District Court in Benton, Illinois, in 2014, which ruled in 2017 that use of the nerve conduction test was unlawful.

RAILROAD SETTLES STRENGTH-TEST SUIT

CSX Transportation Inc. has agreed to pay \$3.2 million to settle sex discrimination litigation filed against it by the U.S. Equal Employment Opportunity Commission in connection with strength testing that the agency said had a disparate impact on female job applicants. The Jacksonville, Florida-based railroad conducted isokinetic strength testing as a requirement for workers to be hired in various jobs. The EEOC said the IPCS Biodex test had an unlawful discriminatory impact on female workers seeking jobs as conductors, material handler/clerks and in other roles.



Tony Ursano is the New York-based president of TigerRisk Partners L.L.C. He joined the firm in April 2015 from Willis Towers Watson P.L.C., where he was founder and CEO of Willis Capital Markets & Advisory for six years and a member of the Willis Towers Watson group executive committee. Prior to joining Willis Towers Watson, he was vice chairman of the financial institutions group at Banc of America Securities L.L.C. Mr. Ursano recently spoke with *Business Insurance* Reporter Matthew Lerner about growth and changes in the insurance capital markets. Edited excerpts follow.

Tony Ursano

TIGERRISK PARTNERS

Q Can capital really be called “alternative” anymore, or has it become mainstream?

A I think we could rename alternative capital as core capital or aligned capital, because it’s now become a part of many or most catastrophe placements, it’s developing the same sort of strategic and long-term relationships the traditional market has had for some time, and it’s playing in size and on terms consistent with traditional capital. So I think the word core or aligned capital is a fair way to describe what it has evolved into.

Q Has TigerRisk increased its focus on such capital and its deployment? Why?

A We’ve always been focused on and committed to finding as much capacity as we can for the benefit of our clients. We were an early adopter in believing that this capital was available in size and something that should be accessed to maximize the reinsurance capacity available to our clients. We believe there is a mountain of capital on the sidelines, and so the third-party capital, or the core capital market, the aligned capital is a key part of our strategic positioning in the marketplace.

Q Does TigerRisk see increased opportunity in the deployment of such capital and the use of capital markets?

A Yes. We believe that this capital is going to be disruptive and that it offers a cost-effective alternative to traditional capital. We see it looking for ways to diversify and to participate in more and more diversified perils. We think it’s going to be available in size. We think it’s going to be cost-effective, and we think it’s going to be flexible in the way that it gets structured to meet client needs.

Q Are clients seeking solutions employing different types of capital in capital markets? And are they doing this for added flexibility entailing cover or other reasons?

A I think to some extent it’s the simple rule of supply and demand. This capital provides incremental capacity and, therefore, cedents are smart to seek out and participate in the capital markets in order to maximize the amount of capacity available to them. They view it as access to a new and deep market that has some of the largest institutional investors in the world behind it.



We think there are a select group of clients and cedents who now are contemplating direct access and direct relationships with the end investors. They’re looking for long-term, strategic-oriented relationships with investors who can deploy in size and on a long-term basis.

Q Are the structures utilizing such capital evolving? Are there more choices available now?

A I think the structures are definitely evolving, and the capital has become more flexible. The capital has been more creative in terms of how it participates. We’ve seen a number of [insurance-linked securities] funds

form Lloyd’s syndicates. We’ve seen a number of ILS funds form rated vehicles. We are seeing pension funds considering the same strategies. There are casualty side-car structures that now exist. So they’ve been evolving rapidly, and we expect them to continue to evolve in search of the ability to be competitive to the traditional market.

Q Is the client profile changing? Is it expanding? Are there more of them, more different types?

A We definitely see a trend towards emerging risks. Cyber is something that the third-party capital and ILS space has been thinking about and working on for some time. We also see more government sponsored risk solutions looking to or towards the ILS or core capital market. We think there will be more transfer of risk from the public to the private sector, and we think ILS will play a key role in that transition.

Q How is technology affecting or changing your business?

A I think we’re in the second inning of a nine-inning game in terms of the disruption and transformation that technology is going to impose on our industry. I think that the expense base of the industry has to be dramatically reduced and that technology is going to play a big role in assisting in driving that reduction, whether that’s through artificial intelligence, through data science, through robotics or otherwise. Technology is going to drive down costs. Technology is going to improve underwriting accuracy and will fundamentally, I think, transform the nature of the industry over the next 10 to 20 years. But we’re early, and I think those companies that get ahead of the curve, that start to change the type of talent that they have in their organization, that start to think more broadly, and that start to implement aggressively on technology, are going to emerge as the winners in the future.

“I think we’re in the second inning of a nine-inning game in terms of the disruption and transformation that technology is going to impose on our industry. I think that the expense base of the industry has to be dramatically reduced and that technology is going to play a big role in assisting in driving that reduction.”

RISK MITIGATION PLAYS CENTRAL ROLE IN EVENT COVERAGE

Mass casualty events cannot be predicted, but tight security, preventive measures influence entertainment sector underwriting

BY JUDY GREENWALD

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Prevention has become the focus of underwriters and policyholders in the entertainment sector in response to the Oct. 1, 2017, mass shooting during a Las Vegas country music festival.

Neither that incident, in which 59 people died and about 500 were injured, nor the May 2017 bombing in Manchester, England, in which 23 people were killed and 116 injured by a suicide bomber, has had a dramatic impact on the insurance market's rates or capacity, experts say.

Attention has been focused instead on how to avoid another such tragedy, although many also point out the sheer unpredictability of such an event.

In addition to a broad suite of property, liability and business interruption coverage available in the entertainment sector that would include coverage for violent acts, firms can also obtain stand-alone active

assailant programs, experts say. Policyholders can include promoters, venue owners, third-party vendors and security firms.

The scale of insured entertainment events can range from high school sporting events and community- and charity-sponsored 5K races to rock concerts and the Super Bowl, with a commensurate availability of resources to address any risk.

Planning should cover the period before, during and after an event, experts say.

But "there's only so much" that can be done to prevent these events from happening, said Kevin Topper, niche president for media and leisure with Morristown, New Jersey-based ProSight Specialty Insurance, a unit of ProSight Global Inc.

Steven A. Adelman, vice president of the Scottsdale, Arizona-based Event Safety Alliance, an association of live-event professionals, said incidents such as the Las Vegas shooting and Manchester bombing are "extremely rare. In many cases they don't actually yield many teachable moments."

But the effort should be made to learn

from past events nevertheless, experts say.

"From both an underwriting and entertainment perspective," there has to be understanding that "these types of catastrophic events are going to happen in our world ... and it's a matter of trying to assess that risk and deal with that risk as best as possible," said Cari Hernandez, Los Angeles-based senior vice president for entertainment and hospitality at JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C.

Brian Kingman, Los Angeles-based managing director for Arthur J. Gallagher & Co.'s entertainment practice group globally, said there are lone shooters or

See **ENTERTAINMENT** page 16

active assailants, there are acts of terrorism, “and there’s kind of gray areas between the two,” but “it doesn’t really matter what motivates them necessarily. What matters is how you control the risk.”

Everyone involved, including underwriters, risk control experts, promoters, safety professionals and brokers, “are all paying attention. They’re all always trying to learn about how to control risk,” he said. “Everybody’s learning, unfortunately, from every tragedy.”

Kevin Dougher, vice president of brokerage Johnson, Kendall & Johnson Inc. in Philadelphia, whose clients include the Philadelphia Eagles and the Prudential Center arena in Newark, New Jersey, said while underwriters have asked questions “a little bit differently, where I’ve seen most of the change is with the insureds themselves,” who are “trying to take an active role in changing security protocols to prevent these things from occurring.”

The insureds’ own loss prevention techniques “are much more intensive,” Mr. Dougher said.

more because of what happened in 2017. When you look at it, it was a pretty bad year for big events” such as Las Vegas and Manchester.”

But costs also have risen, he said.

“Generally speaking, it costs more for the higher liability limits,” which “may have been trading at a very low number,” he said. “The cost per million has gone up with clients that have exposure.”

Ben Tucker, New York-based head of U.S. terrorism and political violence underwriting for XL Group Ltd., which does business as XL Catlin, said: “We’ve been more cautious about aggregations” from contingent losses in certain cities.

These are cases where, for instance, an incident is in close proximity to an insured location and the police or military authority imposes a restriction on entering the area around where it occurred, Mr. Tucker said.

“Generally, the marketplace is becoming more cautious around those types of coverage retentions” because of some of the losses around the world, he said.

However, “If you have a well-informed operation,” rates potentially will be flat, said Ms. Hernandez, although there could be substantial increases “if you don’t necessarily have all the protocols in place.”

While limits vary, “you can get up to a half million,” she said.

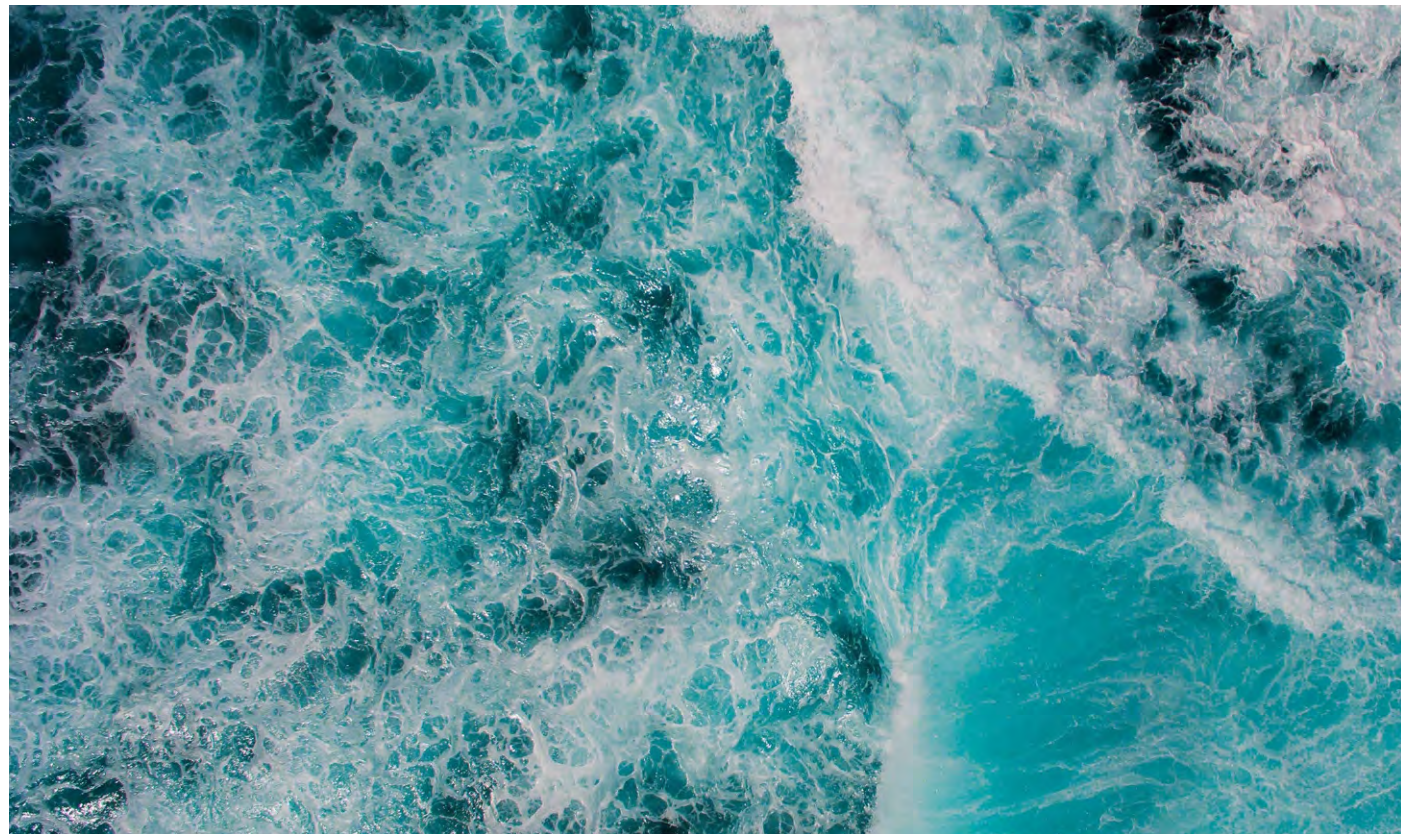
The focus now is on security, say experts.

DEATH AND INJURY TOLL

Entertainment venues worldwide have been the focus of violence by both lone assailants and terrorist groups over the years.

- ▶ **Las Vegas, October 2017:** Route 91 Harvest Music Festival, lone gunman, 58 killed, about 500 injured.
- ▶ **Manchester, England, May 2017:** Manchester Arena, suicide bomber, 23 killed, 116 injured.
- ▶ **Orlando, Florida, June 2016:** Pulse nightclub, lone gunman, 49 killed, 53 injured.
- ▶ **Paris, November 2015:** Bataclan concert hall, three terrorist gunmen, 90 killed in the concert hall, hundreds injured.
- ▶ **Boston, April 2013:** Boston Marathon, three killed, at least 264 injured.
- ▶ **Aurora, Colorado, July 2012:** Movie theater, lone gunman, 12 people killed, 70 injured.
- ▶ **Atlanta, July 1996:** Olympic Centennial Park, lone bomber, two dead, more than 100 injured.

Sources: News reports



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In entering the VIP parking lot when the Philadelphia Eagles have a game, for instance, it is no longer a matter of just showing a ticket to the attendant — the undersides of attendees’ cars are also checked, he said.

Policyholders “don’t want to be front page news. They’re doing everything in their power to mitigate and remove that risk before it ever happens,” Mr. Dougher said.

Christian Ryan, Dallas-based U.S. hospitality, sports and entertainment practice leader for Marsh L.L.C., said policyholders “have either maintained the same amount of insurance, or bought

Brian Cuden, market president of Brown & Brown Insurance of Nevada Inc. in Las Vegas, said, "There's been very little movement" in coverage in response to the Las Vegas shooting.

But underwriters will want to know what elements of security are in place. He pointed to the 1980 MGM Grand fire that killed 85 people, which, he said, continues to resonate in underwriting.

In the shooting case, "It wouldn't be unfeasible to assume this type of scenario

is going to resonate" in underwriting as well, he said.

Christian Phillips, Philadelphia-based contingency focus group leader for Beazley P.L.C., said: "There's a lot more questions that get asked in the underwriting process post an event like this," including the security behind it, and "then really it's just a matter" of whether or not to charge more, although "it's almost impossible to know where the next thing is."

Good additional security, though, can

"potentially mitigate any potential rate increase, because, obviously," events are being screened "much more vigorously than previously," he said.

Some underwriters may increase rates, but "I have made more underwriting decisions depending on the information you get around the security side of it," Mr. Phillips said.

While rate increases depend upon the

See **ENTERTAINMENT** page 18

MANAGING EVENT PERIMETERS HELPS REDUCE TERRORISM RISKS

As bad as it was, the death toll from the May 2017 Manchester, England, bombing that killed 22 people and injured hundreds — many of them children — could have been much higher.

The suicide bomber detonated a homemade bomb as people were leaving the Manchester arena following a concert by Ariana Grande.

But "as horrifying as that incident was," it could "have been far worse had that person been able to get into that event," said Joe Finnegan, customer group president at Morristown, New Jersey-based ProSight Specialty Insurance, a unit of ProSight Global Inc., who specializes in film and live media.

Since the event, which involved a single attacker, insurers have been working hard to understand and underwrite a risk that has no common pattern and can happen with no warning, experts say.

"At what point are we safe, and at what point is the vendor or a promoter responsible?" asked Cari Hernandez, Los Angeles-based senior vice president for entertainment and hospitality at JLT Specialty USA, a unit of Jardine Lloyd Thompson Group P.L.C.

After that incident, major event companies began conducting security and impact analyses within a 2- to 3-mile radius around an event, she said.

Manchester is a "pretty good example of how we've evolved in this space," said Mr. Finnegan. "There was a time when the general public could get relatively close in a live event." Now, though, good risk and safety management has "pushed that perimeter out."

Referring to Manchester, Christian Phillips, Philadelphia-based contingency focus group leader for specialty insurer Beazley P.L.C. said that as an insurer, Beazley assesses the risk regardless of the possible nature of the attack.

"It's very difficult to know where the next one's going to be. There's no common pattern. These things just spring up all over the place. The only thing you can do is be diligent as to where the event is, what security is and just underwrite the risk," whether it is similar to Las Vegas or Manchester, Mr. Phillips said.

Judy Greenwald



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circumstances, “We’re more focused on acceptability standards and what an insured is doing” or plans to do “to assure the safety of guests and patrons,” said David H. Harris, senior vice president with Carmel, Indiana-based Specialty Insurance Group, an affiliate of Everest Re Group Ltd.

Paul Marshall, managing director at

managing general underwriter McGowan Program Administrators in Fairview Park, Ohio, warned against policy exclusions, including those for post-traumatic stress disorder. “The buyers really have to be careful they’re getting everything they

should be,” he said.

Meanwhile, lawsuits have reportedly been filed on behalf of many of the Las Vegas victims and their families.

“The question is whether the promoters met their standard burden of care” when it comes to safety, security, risk prevention and control, “and that’s really the triable

issue,” Mr. Kingman said.

“Any time you have a mass casualty situation like that, there are going to be questions about the alleged negligence from a number of different parties,” including possibly those who provided the premises, the security and the concert promoters, Mr. Harris said.

PREPARING FOR THE WORST

Advice experts give to avoid or minimize the impact of a violent attack in an entertainment venue includes:

- Monitor social media and watch lists beforehand.
- Communicate with local authorities before, during and after the event.
- Properly train event personnel, including on being alert to suspicious activities.
- Use wands and metal detectors at the venue’s entry.
- Extend the event’s perimeters, if possible.
- Have watchers placed at height who are possibly armed themselves, to be on the lookout for snipers.
- Use “geofencing,” which creates a virtual fence around a perimeter, to deter a drone attack.
- Create an emergency response plan in the event of an incident, including an evacuation procedure.

ACTIVE SHOOTER POLICIES COVER EVOLVING THREAT

Active shooter or assailant policies are available in addition to the broader entertainment-related coverages that include property, liability and business interruption.

“We provide the coverage either on a stand-alone basis or as a supplement within a terrorism policy,” said Ben Tucker, New York-based head of U.S. terrorism and political violence underwriting for XL Group Ltd., which does business as XL Catlin.

If a vehicle is used to harm people, “we would cover that scenario” under that policy, said Mr. Tucker.

The policy is designed “to respond in the immediate aftermath of an event and to help the insureds recover very quickly,” including by providing for employee counseling, job relocation, retraining, public relations

costs and additional security.

“Our policy does not require physical loss or damages,” he said. Up to \$35 million in limits can be provided, he said.

London-based Beazley P.L.C. also has a deadly weapons protection package whose three core pillars are prevention services, crisis management services and insurance cover to indemnify losses, according to the insurer.

It covers a wide variety of weapons, including explosive devices and medical instruments and any road vehicle used by an assailant to deliberately cause death or injury, according to the company.

Crisis management services are activated even if a weapon is just brandished, not just actually used, according to the insurer. Beazley offers up to \$20 million capacity for its active shooter coverage, according to a spokeswoman.

Paul Marshall, managing director at managing general underwriter McGowan Program Administrators in Fairview Park, Ohio, whose firm underwrites these policies for both entertainment as well as workplace-related incidents, said his firm has underwriting arrangements with XL Catlin as well as with Lloyd’s of London under which it can provide up to \$100 million in coverage.

Mr. Marshall said his firm’s coverage is evolving. Before the Manchester suicide bombing, “we would only pick up attacks with firearms. Now, we’re picking up explosive devices.”

Municipalities are also seeking coverage for incidents such as a drone attack, Mr. Marshall said. “We wish we weren’t talking about this, but this is what keeps people up at night,” he said.

Judy Greenwald

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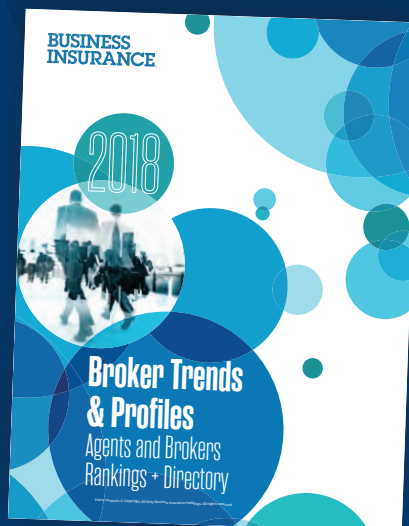
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INSURANCE IN BLACK AND WHITE

STUDY OF AFRICAN-AMERICAN CAREERS IDENTIFIES DIVERSITY SOLUTIONS

The insurance industry faces dual challenges in continuing to achieve growth and building its talent pool. In the people-driven business of insurance, these challenges are interrelated. For the industry to thrive, it must retain and develop diverse talent, and it must strengthen its relationships with communities of customers. A group in particular need of these efforts is African-Americans. With this in mind, Marsh and the National African-American Insurance Association (NAAIA) have collaborated on an extensive study, "The Journey of African-American Insurance Professionals: Past and Present."

Among the highlights of this study, presented in this special report, are that the industry struggles to attract and retain African-American talent. The study also identified areas where the industry can take action to solve those problems.

Why focus on these issues now? Inspiring this study was voluminous feedback from black employees, amid a politically divisive climate in the United States. In the past two years, the topics of gender equality and harassment have attracted increasing scrutiny and commentary from the public and business leaders, and employees noted that racial issues have not received similar attention.

In the context of the industry's looming talent shortage, focusing on the African-American experience is an important step in building a stronger, more diverse insurance industry. Numerous studies have shown a lack of diversity, in gender and race, in executive leadership generally. Although the insurance industry is not unique in being largely homogeneous in its senior management ranks, other industries are striving to improve their own diversity. Other industries' actions will

accelerate competition for diverse talent and increase pressure on the insurance industry to do similarly as a business partner. "The Journey of African-American Insurance Professionals" is intended to help the insurance industry avoid the consequences a lack of diversity can bring to business growth.

Focusing on the African-American experience is an important step in building a stronger, more diverse insurance industry.

Marsh and NAAIA are grateful for the groundbreaking work of the study's author, Dr. Leroy D. Nunery II, founder and principal of PlusUltré LLC. The quantitative analysis reflects data from a large number of survey respondents, representing many years of career experience in insurance. As the findings discussed on the following pages show, with regard to African-American employees and customers, the insurance industry has a clear opportunity.

OBSTACLES TO ENTRY

Quantitatively, African-Americans are underrepresented at nearly all levels of the insurance industry, regardless of organization — insurance and reinsurance companies, agencies and brokerage firms, and allied organizations such as law firms.

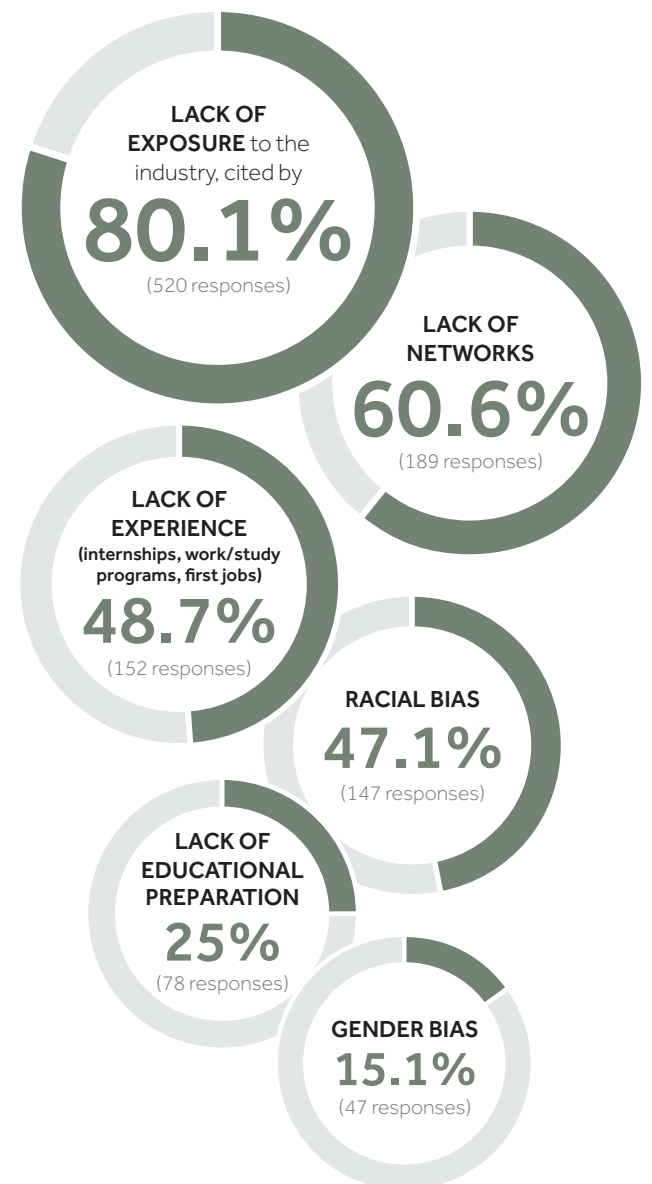
Bureau of Labor Statistics data show that African-Americans represent a small fraction of the total workforce of insurance carriers and related organizations. According to the BLS, in 2017, 12.6% of insurance industry employees were African-American. By comparison, 78.6% of employees were white, 10.3% were Hispanic or Latino, and 6.6% were Asian.¹ Among insurance agencies, 3% of principals or senior managers in 2016 were African-American, according to a biennial study by the Independent Insurance Agents and Brokers of America.²

African-American professionals participating in the Marsh/NAAIA study overwhelmingly expressed willingness to recommend the insurance industry to others — 94% said they would encourage others to enter the industry. Participants' overall satisfaction with careers in the industry is high, and they generally agree that insurance offers rewarding and well-paying careers. Why, then, is the insurance industry not attracting and retaining more African-American professionals?

Racial differences are commonly perceived as a major reason for underrepresentation in corporate settings, and participants in the Marsh/NAAIA study indicated that racial bias does exist. But other, non-racial barriers are encountered more often. The primary obstacles to African-Americans entering the insurance industry cited most were:

¹ "Labor Force Statistics from the Current Population Survey," Bureau of Labor Statistics, 2017 <https://www.bls.gov/cps/cpsaat18.htm>

² 2016 Agency Universe Study, Independent Insurance Agents and Brokers of America Inc. <https://www.independentagent.com/Resources/Research/AgencyUniverseStudy/agency-universe.aspx>

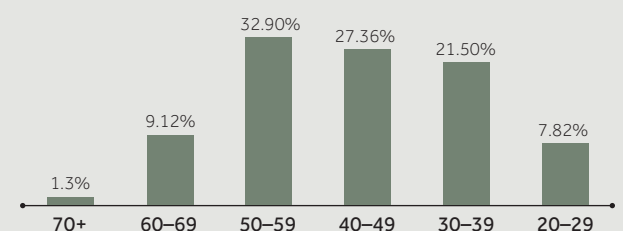


AWARENESS

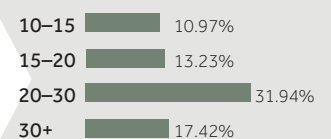
INSIDE THE STUDY

"The Journey of African-American Insurance Professionals: Past and Present" gathered in-depth primary data through more than **300 online surveys, interviews with 25 experienced professionals and seven focus groups**. Researchers collected data between July 2017 and February 2018. Notably, 50% of survey respondents requested to be contacted for follow-up discussions, which suggests a strong interest in the topic of African-Americans in insurance. In addition, the study applied secondary sources, such as other research, reports and presentations relating to African-Americans in insurance, diversity and inclusion, and gender and racial equity in corporate America.

AGES OF SURVEY PARTICIPANTS



YEARS OF EXPERIENCE IN THE INSURANCE INDUSTRY



The primary obstacles of lack of exposure to insurance, lack of networks and lack of experience in insurance roles appear to be related. They stem from, and perpetuate, the industry's lack of visibility among African-Americans. These barriers also suggest that conversations between African-American insurance professionals and potential entrants to the industry are not occurring.

Consider the example of a recent African-American college graduate who is looking at his or her career options. With few or no contacts in the insurance industry, very few African-Americans visible in leadership roles, and having no prior exposure to insurance industry jobs, the likelihood of that graduate seeking employment in the insurance industry is low indeed.

Study participants suggested several reasons for the insurance industry's lack of visibility in recruiting on college and university campuses:

- Insurance organizations seek graduates with insurance and/or risk management coursework.
- Risk management and insurance are not taught at most colleges and universities.
- Very few, if any, insurance industry organizations target historically black institutions.
- Insurance professionals tend to hire or promote friends.

Regardless of the underlying reasons, a lack of visibility and connection to the African-American community will continue to adversely affect the industry's business.

BUSINESS CONSEQUENCES

The consequences of these obstacles by African-Americans are far reaching and restrict the industry in several areas, including:

TALENT ACQUISITION. Fewer candidates of color will enter industries where they do not perceive an opportunity to build their careers.

TALENT DEVELOPMENT. The industry's lack of visibility and exposure combine to create an insidious problem. Insurance organizations may attract African-American talent, but they will struggle to cultivate, nurture and promote that talent — keeping African-Americans from being visible.

INNOVATION. Lack of diversity has been shown in other research to limit organizational innovation and development of better products and services. In a competitive marketplace, the insurance industry cannot afford to decelerate or reduce innovation.

GROWTH IN TARGET MARKETS. Minority communities and minority-owned businesses are increasing in size. To serve a more diverse customer base and boost market share, the insurance industry will need to become more diverse itself.



ACTIONS THE INDUSTRY CAN TAKE

The Marsh/NAAIA study participants offered ideas for actions the insurance industry can take to address the scarcity of African-American employee in their ranks. For instance, senior executive leadership can take a more active role in drawing African-American talent to the firms. Executives should not only talk about increasing diversity, but they should do more themselves to reach out to diverse talent.

“Usually, the top of the house (senior management) says all the right things, but it doesn't get practiced at the middle management level. Often, it's the middle management level that puts up the greatest barrier to entry through racial and gender bias.”

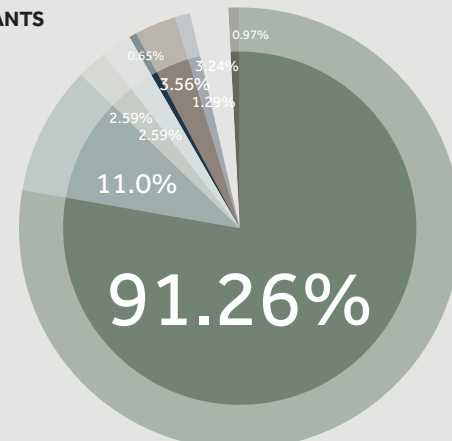
Similarly, organizations can promote middle managers' advocacy of African-American talent development. As one study participant said: “Rarely do I encounter overt racism. Most of the time it's people's implied biases that hold African-Americans, females, and people of color back. Usually, the top of the house (senior management) says all the right things, but it doesn't get practiced at the middle management level. Often, it's the middle management level that puts up the greatest barrier to entry through racial and gender bias.”

Companies can create opportunities for lateral as well as vertical movement, to enhance the career experience of African-American talent. Organizations should insist on accountability for diversity efforts. Another area where insurance industry companies can improve is being intentional about mentoring and coaching.

TITLE CATEGORIES	NUMBER	PERCENTAGE
Administrator/Asst.	17	5.50%
Analyst	32	10.36%
Asst. VP/2nd VP	32	10.36%
Broker/Underwriter	41	13.27%
Director	27	8.74%
Manager	66	21.36%
Managing Director	5	1.62%
President/CEO/EVP	18	5.83%
Senior VP Level	31	10.03%
Vice President	29	9.39%
Uncategorized	3	0.97%
Agency Owner	8	2.59%

RACE AND ETHNICITY OF SURVEY PARTICIPANTS

African-American/Black	91.26%
Caribbean-American/Caribbean	11.0%
Latino-American/Hispanic	2.59%
White-American/European American	2.59%
Middle-Eastern American	0.65%
Native-American	3.56%
Asian-American	1.29%
Multi-racial/Mixed Race	3.24%
Other	0.97%
Native Hawaiians or Other Pacific Islander	0%



OVERCOMING HURDLES

One of the key findings of “The Journey of African-American Insurance Professionals: Past and Present” is that various obstacles exist inside the insurance industry. These obstacles prevent the industry from attracting, retaining and nurturing more African-American talent.

“When I see an African-American in the C-suite or at a senior-level position within an organization, I wonder, ‘Who did they know?’...Apparently, it is all about your relationships and not necessarily how hard you work in your professional role.”

Understanding these obstacles and hurdles, as the survey respondents explained, is a first step in addressing recruitment and retention issues and unlocking the business benefits of greater diversity at all levels of the industry.

A principal problem that study participants cited is difficulty in acculturation, in which African-Americans and others struggle to “fit in.” The ability of employees to navigate an organization’s culture can mean the difference between success and failure, and career advancement or plateauing. Survey respondents and focus group members provided insights into the acculturation difficulties they have experienced. These include:

- Racism, favoritism and nepotism limiting access to opportunities.
- Being judged differently.
- Missing signals unique to the organizational culture.

Quotes from participants and secondary research in the study illustrate these factors.

One respondent wrote about encountering favoritism: “When I see an African American in the C-suite or at a senior-level position within an organization, I wonder, ‘Who did they know?’... Apparently, it is all about your relationships and not necessarily how hard you work in your professional role.”

Another suggested that individuals can overcome bias: “African-Americans are judged differently and therefore have fewer opportunities for mistakes. We cannot, however, use this as an excuse not to be excellent. We are descendants of the survivors of the middle passage. We must show our next generations that failures can be the breeding ground toward success and delays are usually still to our benefit, if we are in pursuit of something great and never quit.”

According to “Cracking the Corporate Code: The Revealing Success Stories of 32 African-American Executives,” by Price M. Cobbs and Judith L. Turnock: “One thing is certain: The more ambivalent you feel about the organization and your place in it, the harder it is to receive the correct signals.”

Inability to fit into the cultures of insurance industry organizations raises hurdles to opportunity and advancement. Access to leadership assignments, executive training and senior executive roles is limited for those who misunderstand the organizational culture. Similarly, access to mentorship and sponsorship programs also is limited. Study participants said African-American insurance professionals tend to have fewer chances to take on new responsibilities and fewer opportunities to fail, undermining their ability to advance.

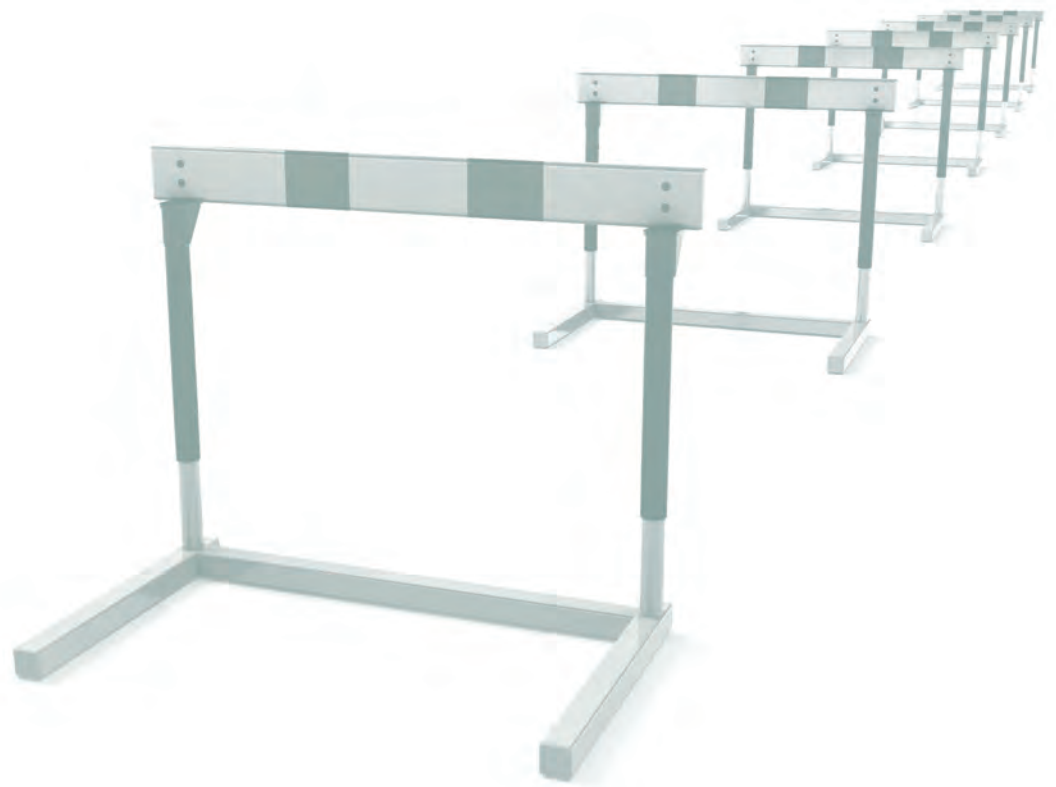
SMALLER MARGIN FOR MISTAKES OR FAILURES

Survey respondents were asked, “In your opinion, are African-American professionals allowed fewer opportunities to fail or make mistakes?”

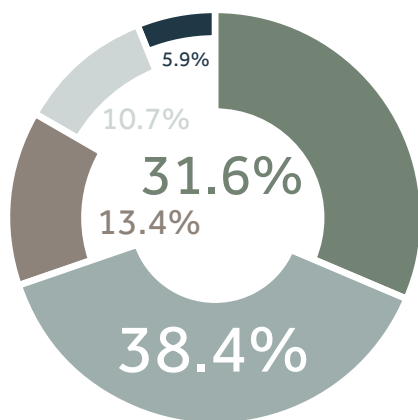
	Female	Male
Strongly agree	48.3%	53.0%
Somewhat agree	51.7%	47.0%
Neither agree nor disagree	0%	0%
Somewhat disagree	0%	0%
Strongly disagree	0%	0%

Total responses: 174 women, 134 men
(97% of all survey responses)





GREATER OBSTACLES THAN OTHER MINORITIES



Strongly agree	31.6%
Somewhat agree	38.4%
Neither agree nor disagree	13.4%
Somewhat disagree	10.7%
Strongly disagree	5.9%

Study participants stated that racism and bias exist in the insurance industry, at times overtly, but most of the time, these factors are not conscious. Nevertheless, an overwhelming majority of participants said African-Americans face greater obstacles than other minority groups.

The career hurdles and obstacles within the industry have both near-term and longer-term impacts, including that the industry:

- Fails to retain diverse talent.
- Struggles to reach the talent pool due to turnover.
- Loses the business benefits of diverse perspectives.

RECOMMENDATIONS TO ACCELERATE PROGRESS

Participants in the study made several recommendations for insurance organizations. The fundamentals are senior executive commitment, conversations about the business benefits of diversity, and support for employee resources groups. Building on these fundamentals are steps that can accelerate organizations' progress toward diversity. These steps include:

- **Strategic, integrated diversity and inclusion.** Organizations must understand and plan for the demand/supply imbalance. Companies also must identify, cultivate and develop talent to become more competitive.
- **Decisive action by senior leadership.** Study participants suggested that senior insurance leaders need commitment and engagement to enhance diversity. Senior management needs to be proactive, not reactive, when it comes to hiring and professional development. Participants added that mutual accountability for meeting diversity goals is necessary.
- **Intentional coaching, mentoring and sponsorship.** Mentoring was perceived as advantageous by nearly every study participant, regardless of job title. Yet only 37.6% had an active mentoring relationship; 62.4% had no current mentors. Sponsorship is defined as a higher level of professional relationship between an employee and a senior executive. As one participant put it, "Sponsorship by a senior executive or seasoned professional greatly increases the probability of an individual, especially an African-American or person of color, being given broader responsibilities and promoted to senior ranks."
- **Encourage employee resources groups (ERGs).** Participants advised organizations to conduct listening and learning tours with employees and to create ERGs that bring employees together to address real concerns. ERGs should be proactive, not reactive, entities where individuals can express themselves and obtain training to acquire technical and interpersonal skills.

"Sponsorship by a senior executive or seasoned professional greatly increases the probability of an individual, especially an African-American or person of color, being given broader responsibilities and promoted to senior ranks."

ACKNOWLEDGEMENT

ACCESS + EXECUTIVE COMMITMENT

- CEO, president commit to diversity
- Provide better access and exposure
- Support advocacy throughout organization

OPEN CONVERSATION ON RACE

- Real conversation needed
- Ask why organization is not more diverse
- How do societal issues influence workplace?

CORPORATE CULTURE

- Level playing field for measuring performance
- Leverage employee resource groups
- Be more welcoming
- Appreciate difficulties minorities experience

CONCRETE ACTIONS INSURERS CAN TAKE

PIPELINE DEVELOPMENT

- Build & support long-term pipeline
- Recruit for diversity
- Mandate diverse candidate slates
- Diversify traditional training programs

EDUCATION + BUILDING AWARENESS

- Create programs to give experience to outsiders
- Offer introductions and training for opportunities
- Structure programs targeted to industry

TALENT/PROFESSIONAL DEVELOPMENT

- Close gaps through early career programs
- Allow lateral and vertical movement
- Give more chances to succeed and fail
- Establish volunteer mentoring programs
- Encourage coaching by senior managers

SELECTED STARTING POINTS STUDY PARTICIPANTS PROPOSED

THE INDUSTRY'S FUTURE

A compelling question the insurance industry faces regarding diversity is “What does the future look like?” As “The Journey of African-American Insurance Professionals: Past and Present” reveals, the industry must acknowledge its challenges and ultimately take action to address them.

The study identified hurdles and obstacles to attaining diversity in the insurance industry. These include difficulty in acculturation, limited access to opportunities for leadership, paucity of mentorships and sponsorships, and unconscious bias. Overcoming these issues will require time, energy, and sustained focus on the part of industry executives and managers.

How long will it take the insurance industry to achieve racial and ethnic diversity that reflects the customer base the industry serves? This is a question with no easy answer. If little effort is made, it will take a long time indeed.

For example, on the global gender pay gap, the World Economic Forum estimates it will take 217 years for women to achieve pay equal to that of men.¹ Shortening the time to gender pay parity requires a multilateral solution, with accelerated changes in both the public and private sectors. It is reasonable to conclude that racial parity cannot be attained without a similar solution and ongoing discussion, accompanied by concrete actions.

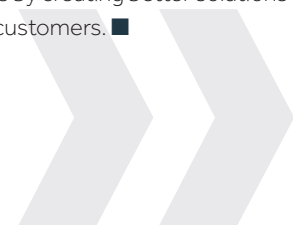
¹ “Women will wait 217 years for pay gap to close, WEF says,” The Guardian, Nov. 1, 2017; <https://www.theguardian.com/society/2017/nov/01/gender-pay-gap-217-years-to-close-world-economic-forum>

RECOMMENDED ACTIONS FOR INDIVIDUALS

Study participants acknowledged that both the insurance industry and individuals can take action to clear the cultural hurdles. In addition to the concrete actions that companies can take, individual employees should:

- **Practice self-advocacy.** This can take the form of self-directed career management, asking oneself whether he or she is bringing value to the organization and demonstrating that value.
- **Seek mentorships/sponsorships.** Survey respondents said sponsorship or mentorship was the most important way for African-Americans to propel their careers, cited by more than 73%; other ways were leadership development, 36.5%; on-the-job training, 10.6%; and joining a professional organization or club, 6.2%.
- **Excel in your role.** Participants advised individuals to fortify their technical proficiencies, seek exposure and enhance their professional networks.
- **Participate in ERGs and professional associations such as NAAIA.**

The insurance industry has different paths and possibilities for its future. Building stronger, more diverse and inclusive organizational cultures, will be an important step in attracting and retaining talent. It also will go a long way toward helping the insurance industry build its business by creating better solutions and delivering better service to its customers. ■





To learn more about the Marsh/NAAIA study, “The Journey of African-American Insurance Professionals: Past and Present,” and Marsh’s commitment to diversity and inclusion, visit [marsh.com](https://www.marsh.com) or contact:

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BROKER PROFILES & RANKINGS

Acquisitions fuel booming broker market

BY GAVIN SOUTER

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INSIDE

WORLD'S 10 LARGEST BROKERS

Most of the big brokers reported increased revenue but the rankings still changed from the prior year. **PAGE 28**

100 LARGEST U.S. BROKERS

Business Insurance's 2018 propriety survey of the 100 largest insurance brokers of U.S. business. **PAGE 30**

TOP 10 BROKER PROFILES

Learn more about the world's Top 10 brokers and how they view their successes and challenges. **PAGE 34**

The commercial insurance market saw some rate increases over the past year, which provided a slight tail wind for brokerages, but the brokers that saw the largest revenue increases mostly relied on acquisitions to drive their growth.

Among the world's largest insurance brokers, USI Insurance Services L.L.C. reported the biggest revenue increase with a 58.7% jump, largely due to its purchase of Wells Fargo Insurance Services USA Inc.

London-based Jardine Lloyd Thompson Group P.L.C., which benefited from a stronger British pound, saw brokerage revenue jump 20.3%; and Hub International Ltd., which bought more than 50 smaller brokers in 2017, reported a 13.5% increase.

Among the Top 10, only Aon P.L.C. reported lower revenue — down 14.1% —

which was due to the sale of its benefits outsourcing business to Blackstone Group L.P. last year. Despite the big divestiture, Aon, too, was on the acquisition trail, sealing more than 20 deals in 2017.

More examples of acquisition-fueled growth could be seen among private equity-owned brokers in the ranking of the largest brokers of U.S. business. Alliant Insurance Services Inc., NFP Corp., AssuredPartners Inc., Acrisure L.L.C., BroadStreet

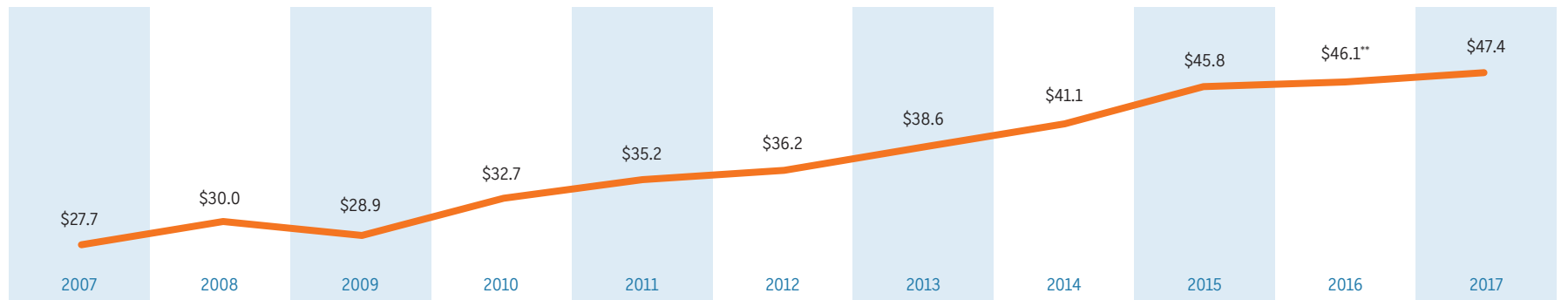
See **BROKERS** page 32

SPECIAL REPORT

A DECADE OF GROWTH*

The world's 10 largest insurance brokers posted only a small gain of \$1.3 billion, or 2.8%, growth as a group in 2017.

*In billions of dollars



**Restated
Source: BI survey

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2017 brokerage revenue

2018 rank	2017 rank	Company/office/website	Officers	2017 brokerage revenue	2016 brokerage revenue	% increase (decrease)	Employees	Offices	PERCENTAGE OF REVENUE*							
									Commercial	Wholesale	Reinsurance	Personal lines	Employee benefits	Services	Investments	Other
1	1	Marsh & McLennan Cos. Inc. New York www.mmc.com	Daniel S. Glaser, president/CEO	\$14,035,000,000	\$13,229,000,000	6.1%	64,000	685	45.6%	0%	8.5%	0%	32.3%	13.7%	0.3%	(0.4%)
2	2	Aon P.L.C. London www.aon.com	Gregory C. Case, CEO	\$9,966,000,000	\$11,605,000,000	(14.1%)	50,000	500	38.8%	0%	13.3%	0%	30.5%	6.5%	0.3%	10.6%
3	3	Willis Towers Watson P.L.C. London www.willistowerswatson.com	John Haley, CEO	\$8,116,000,000	\$7,778,000,000	4.3%	43,400	500	25.9%	4.1%	10.4%	0.8%	50.1%	7.7%	0%	1.0%
4	4	Arthur J. Gallagher & Co. Rolling Meadows, Illinois www.ajg.com	J. Patrick Gallagher Jr., chairman/ president/CEO	\$4,539,400,000	\$4,186,100,000	8.4%	26,783	610	31.0%	10.5%	0%	3.4%	16.4%	12.5%	26.3%	0%
5	5	BB&T Insurance Holdings Inc. ¹ Parsippany, New Jersey www.insurance.bbt.com	John Howard, chairman/CEO	\$1,918,256,000	\$1,876,708,000 ²	2.2% ²	6,700	107	28.6%	49.8%	0%	7.1%	10.2%	4.0%	0.3%	0%
6	7	Hub International Ltd. Chicago www.hubinternational.com	Martin P. Hughes, executive chairman; Marc Cohen, president/CEO	\$1,870,974,000	\$1,648,795,000	13.5%	10,138	435	50.7%	5.2%	0%	16.5%	26.7%	0.7%	0.2%	0%
7	8	Jardine Lloyd Thompson Group P.L.C. London www.jlt.com	Geoffrey Howe, chairman; Dominic Burke, group chief executive	\$1,865,107,940 ³	\$1,550,390,790 ⁴	20.3%	5,818	120	40.1%	6.6%	20.4%	1.0%	23.1%	8.1%	0.8%	0%
8	6	Brown & Brown Inc. Daytona Beach, Florida www.bbinsurance.com	J. Powell Brown, president/CEO	\$1,857,270,207	\$1,762,787,105	5.4%	8,491	242	55.2%	12.4%	0%	6.6%	15.7%	8.8%	0.1%	1.2%
9	10	USI Insurance Services L.L.C. ⁵ Valhalla, New York www.usi.com	Michael J. Sicard, chairman/CEO	\$1,635,038,677 ⁶	\$1,030,124,263	58.7%	7,155	150	51.5%	4.0%	0%	5.8%	36.3%	0%	0.5%	1.9%
10	9	Lockton Cos. L.L.C. ⁷ Kansas City, Missouri www.lockton.com	David Lockton, executive chairman; Ron Lockton, president/CEO	\$1,564,289,000	\$1,425,251,000	9.8%	7,000	93	60.7%	3.8%	2.5%	1.1%	31.1%	0%	0.8%	0%

*Percentage of revenue may not add up to 100% due to rounding; ¹Announced deal to buy Regions Insurance Group Inc. on April 6, 2018, which is expected to close in third quarter of 2018; ²Restated; ³British pound = \$1.3529; ⁴British pound = \$1.2337; ⁵Acquired Wells Fargo Insurance Services USA Inc. in November 2017 and Key Insurance & Benefits Services Inc. in May 2018; ⁶Pro forma to reflect acquisition of Wells Fargo Insurance Services USA Inc. in November 2017; ⁷Fiscal year ending April 30.
Source: BI survey

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SPECIAL REPORT

100 LARGEST BROKERS OF U.S. BUSINESS*

Ranked by 2017 brokerage revenue generated by U.S.-based clients

2018 rank	2017 rank	Company	2017 U.S. brokerage revenue	% increase (decrease)	2018 rank	2017 rank	Company	2017 U.S. brokerage revenue	% increase (decrease)
1	1	Marsh & McLennan Cos. Inc. ¹	\$6,877,150,000	4.0%	52	55	TrueNorth Cos. L.L.C. ¹	\$66,295,000	3.9%
2	2	Aon P.L.C. ¹	\$4,410,951,600	(27.3%)	53	61	ABD Insurance & Financial Services Inc.	\$64,358,668	23.2%
3	3	Willis Towers Watson P.L.C.	\$3,814,520,000	2.2%	54	56	Houchens Insurance Group Inc. ¹⁴	\$60,645,315	(3.4%)
4	4	Arthur J. Gallagher & Co. ¹	\$3,132,186,000	8.4%	55	60	M3 Insurance Solutions Inc.	\$60,078,051	10.8%
5	5	BB&T Insurance Holdings Inc. ¹²	\$1,918,256,000	2.2%**	56	59	Towne Insurance Agency L.L.C. ¹	\$59,891,015	10.4%
6	6	Brown & Brown Inc. ¹	\$1,857,270,207	5.4%	57	81	Baldwin Krystyn Sherman Partners L.L.C. ¹¹⁵	\$57,178,553	56.9%
7	9	USI Insurance Services L.L.C. ¹³	\$1,635,038,677 ⁴	58.7%	58	57	Huntington Insurance Inc.	\$56,374,560	(4.9%)
8	7	Hub International Ltd. ¹	\$1,459,359,720	13.5%	59	66	LMC Insurance & Risk Management Inc.	\$55,778,187	11.0%
9	8	Lockton Cos. L.L.C. ¹⁵	\$1,157,573,860	9.8%	60	67	Parker, Smith & Feek Inc.	\$55,514,000	11.2%
10	11	Alliant Insurance Services Inc. ¹⁶	\$1,123,600,000	16.2%	61	68	Starkweather & Shepley Insurance Brokerage Inc. ¹	\$55,197,960	11.3%
11	12	NFP Corp.	\$1,028,290,254	10.5%	62	62	Graham Co. ¹⁶	\$54,876,624	4.9%**
12	13	AssuredPartners Inc. ¹	\$1,019,446,480	24.2%	63	64	James A. Scott & Son Inc., dba Scott Insurance	\$54,338,000	6.3%
13	14	Acisire L.L.C. ¹	\$1,016,035,956	58.9%	64	63	Sterling & Sterling L.L.C dba SterlingRisk ¹	\$53,053,500	3.1%
14	15	BroadStreet Partners Inc.	\$478,400,000	13.0%	65	65	Bowen, Miclette & Britt Inc.	\$49,461,688	(2.3%)
15	17	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants ¹⁷	\$374,409,038	52.6%	66	72	Moreton & Co.	\$48,633,000	4.5%
16	16	Jardine Lloyd Thompson Group P.L.C. ¹⁸	\$361,830,940	45.9%	67	69	Frost Insurance Agency Inc.	\$46,817,469	(3.4%)
17	22	Risk Strategies Co. Inc. ¹	\$257,809,945	30.0%	68	73	Bolton & Co.	\$46,621,522	2.8%
18	18	Leavitt Group ¹	\$235,962,000	4.7%	69	NR	Rose & Kiernan Inc. ¹⁵	\$45,038,880	N/A
19	19	CBIZ Benefits & Insurance Services Inc.	\$232,000,000	4.2%	70	71	Riggs, Counselman, Michaels & Downes Inc.	\$44,647,271	(4.7%)
20	21	Paychex Insurance Agency Inc. ⁹	\$226,100,000	9.2%	71	75	The Mahoney Group	\$43,246,458	3.0%
21	20	Integro Group Holdings L.P.	\$205,401,750	4.8%**	72	98	Shepherd Insurance L.L.C. ¹	\$43,118,200	51.6%
22	23	Hays Group Inc., dba Hays Companies	\$197,600,000	2.2%	73	76	Gowrie Group	\$42,548,606	3.8%
23	24	Insurance Office of America Inc.	\$196,030,619	10.5%	74	77	Bouchard Insurance Inc., dba Roger Bouchard Insurance Inc.	\$42,465,200	5.3%
24	NR	Alera Group ¹	\$192,700,000	N/A	75	NR	Corporate Synergies Group L.L.C.	\$41,592,580	N/A
25	29	Digital Insurance Inc., dba OneDigital Health and Benefits ¹	\$189,241,355	27.9%	76	74	M&T Insurance Agency Inc.	\$41,071,000	(8.2%)
26	26	Holmes Murphy & Associates Inc.	\$176,157,219	10.7%	77	80	Lovitt & Touche Inc.	\$39,932,277	8.2%
27	27	Higginbotham ¹	\$172,606,000	11.3%	78	79	Robertson Ryan & Associates Inc.	\$39,793,563	2.8%
28	30	Cottingham & Butler Inc.	\$168,218,000	14.8%	79	82	Armfield, Harrison & Thomas Inc., dba AHT Insurance	\$39,526,934	8.6%
29	31	The IMA Financial Group Inc.	\$157,989,230	8.0%	80	NR	Fisher Brown Bottrell Insurance Inc.	\$38,167,543	3.8%
30	32	Cross Financial Corp., dba Cross Insurance ¹	\$157,000,000	9.0%	81	84	Charles L. Crane Agency Co.	\$37,627,000	7.2%
31	28	Ameritrust Group Inc. ¹⁰	\$149,846,000	(2.5%)**	82	83	James G. Parker Insurance Associates ⁹	\$37,266,000	4.1%
32	33	Regions Insurance Group Inc. ¹¹	\$136,834,029	(3.5%)	83	87	The Loomis Co.	\$36,135,000	8.1%
33	35	Wortham Insurance & Risk Management ¹	\$129,505,220	2.2%	84	86	Ansay & Associates L.L.C. ¹	\$35,704,000	3.5%
34	37	Woodruff-Sawyer & Co.	\$127,900,000	7.3%	85	91	Sterling Seacrest Partners Inc.	\$35,374,000	12.1%
35	36	Hylant Group Inc.	\$126,926,816	5.3%	86	89	SullivanCurtisMonroe Insurance Services L.L.C.	\$34,943,987	6.1%
36	39	PayneWest Insurance Inc. ¹	\$118,374,465	8.5%	87	90	R&R Insurance Services Inc.	\$33,700,000	6.6%
37	38	BXS Insurance Inc. ¹²	\$117,124,261	2.9%	88	88	Tolman & Wiker Insurance Services L.L.C.	\$32,807,946	(1.0%)
38	40	Heffernan Group	\$116,220,858	10.7%	89	NR	Christensen Group Inc.	\$32,104,951	8.1%
39	45	The Hilb Group	\$113,737,021	34.1%	90	105	Cobbs Allen	\$31,914,380	23.1%
40	44	Prime Risk Partners Inc. ¹	\$108,300,357	25.2%	91	93	Haylor, Freyer & Coon Inc. ¹⁷	\$31,433,228	2.0%
41	41	Assurance Agency Ltd.	\$104,858,216	5.3%	92	92	People's United Insurance Agency Inc.	\$31,239,000	(0.6%)
42	42	Relation Insurance Inc. ¹¹³	\$96,931,000	8.9%	93	95	PSA Insurance & Financial Services Inc. ⁵	\$31,217,499	5.2%
43	43	Insurica Inc. ¹	\$96,875,114	11.6%	94	104	The Partners Group Ltd.	\$30,955,575	18.7%
44	46	Insurors Group L.L.C.	\$84,900,000	4.0%	95	94	MJ Insurance Inc. ¹⁷	\$30,801,216	3.0%
45	49	Eastern Insurance Group L.L.C. ¹	\$83,563,295	11.7%	96	97	Rich & Cartmill Inc.	\$30,233,097	3.5%
46	47	Associated Benefits and Risk Consulting ¹	\$82,982,915	2.5%	97	NR	HNI Corp.	\$30,213,180	N/A
47	50	Oswald Cos.	\$82,833,300	14.5%	98	96	Tompkins Insurance Agencies Inc.	\$29,940,000	2.2%
48	51	Propel Insurance	\$77,062,750	8.8%	99	101	Tricor Inc. ¹	\$29,248,000	6.7%
49	53	Horton Group Inc. ¹	\$72,420,903	10.7%	100	NR	Acentria Insurance ¹	\$28,404,078	N/A
50	52	Marshall & Sterling Enterprises Inc. ¹	\$71,461,943	1.2%					
51	54	Lawley Service Inc.	\$71,388,925	9.6%					

*Companies that derive more than 49% of their gross revenues from personal lines are not ranked; **2016 restated; NR = Not ranked; N/A = Not available; ¹Reported U.S. acquisitions in 2017; ²Announced deal to buy Regions Insurance Group Inc. on April 6, 2018, which is expected to close in third quarter of 2018; ³Acquired Wells Fargo Insurance Services USA Inc. in November 2017 and Key Insurance & Benefits Services Inc. in May 2018; ⁴Pro forma to reflect acquisition of Wells Fargo Insurance Services USA Inc.; ⁵Fiscal year ending April 30; ⁶Has an agreement to acquire Crystal & Company in 2018; ⁷Acquired Frenkel & Co. in November 2017; ⁸British pound = \$1.3529; ⁹Fiscal year ending May 31; ¹⁰Formerly Meadowbrook Insurance Group Inc.; ¹¹Agreed to be acquired by BB&T Insurance Holdings Inc., deal expected to close in third quarter of 2018; ¹²Formerly BancorpSouth Insurance Services Inc.; ¹³Formerly Ascension Insurance Inc.; ¹⁴Fiscal year ending Sept. 30; ¹⁵Formerly Baldwin Risk Partners; acquired Cadence Insurance in May 2018; ¹⁶Formerly William A. Graham Co.; ¹⁷Fiscal year ending Aug 31.

Source: B/I survey

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Continued from page 27

LEADING U.S. COMMERCIAL RETAIL BROKERS

Ranked by 2017 commercial retail brokerage revenue from U.S. offices*

Rank	Company	2017 revenue	% increase (decrease)
1	Marsh & McLennan Cos. Inc.	\$3,322,000,000	9.2%
2	Aon P.L.C.	\$1,845,000,000	(28.2%)
3	Arthur J. Gallagher & Co.	\$1,239,295,000	13.3%
4	Brown & Brown Inc.	\$1,038,533,531	4.0%
5	Willis Towers Watson P.L.C.	\$970,000,000	1.4%
6	USI Insurance Services L.L.C.	\$863,294,160 ²	72.5%
7	Alliant Insurance Services Inc.	\$797,000,000	14.8%
8	Hub International Ltd.	\$757,050,000	2.3%
9	Lockton Cos. L.L.C. ¹	\$692,260,000	4.0%
10	Acrisure L.L.C.	\$589,953,784	46.6%

*Excludes revenue from placement of employee benefits; ¹Fiscal year ending April 30; ²Pro forma to reflect acquisition of Wells Fargo Insurance Services USA Inc.
Source: *BI* survey

LARGEST BENEFITS BROKERS

Ranked by 2017 global benefits revenue

Rank	Company	2017 employee benefits revenue	% increase (decrease)	% of 2017 gross revenue
1	Marsh & McLennan Cos. Inc.	\$4,528,000,000	4.7%	32.3%
2	Willis Towers Watson P.L.C.	\$4,106,000,000	5.1%	50.1%
3	Aon P.L.C.	\$3,270,000,000	18.4%	32.7%
4	Arthur J. Gallagher & Co.	\$1,007,914,000	12.8%	16.4%
5	USI Insurance Services L.L.C.	\$608,575,985 ³	53.7%*	36.3%
6	NFP Corp.	\$603,878,874	10.6%	56.4%
7	Hub International Ltd.	\$500,869,000	31.7%	26.7%
8	Lockton Cos. L.L.C. ¹	\$490,360,000	15.2%	31.1%
9	Jardine Lloyd Thompson Group P.L.C. ²	\$433,198,580	16.9%	23.1%
10	Alliant Insurance Services Inc.	\$314,200,000	19.2%	27.9%

*2016 restated; ¹Fiscal year ending April 30; ²British pound = \$1.3529; ³Pro forma to reflect acquisition of Wells Fargo Insurance Services USA Inc.
Source: *BI* survey

LARGEST PRIVATELY OWNED BROKERS*

Rank	Company	2017 brokerage revenue	% increase (decrease)
1	Hub International Ltd.	\$1,870,974,000	13.5%
2	USI Insurance Services L.L.C.	\$1,635,038,677 ²	58.7%
3	Lockton Cos. L.L.C. ¹	\$1,564,289,000	9.8%
4	Alliant Insurance Services Inc.	\$1,123,600,000	16.2%
5	NFP Corp.	\$1,071,135,681	10.5%
6	AssuredPartners Inc.	\$1,026,529,534	22.0%
7	Acrisure L.L.C.	\$1,026,298,945	60.5%
8	BroadStreet Partners Inc.	\$478,400,000	13.0%
9	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	\$386,387,036	49.6%
10	Integro Group Holdings L.P.	\$273,869,000	4.8%**

*Companies that derive more than 49% of revenue from personal lines are not ranked; **Restated; ¹Fiscal year ending April 30; ²Pro forma to reflect acquisition of Wells Fargo Insurance Services USA Inc.
Source: *BI* survey

Partners Inc. and EPIC Insurance Brokers & Consultants — ranked 10 through 15 on the Top 100 ranking, respectively — all reported significant growth as they rolled up smaller rivals. Several firms that were in the Top 100 last year were among those bought or are in the process of being bought by larger rivals, including Crystal & Company, Regions Insurance Group Inc., Frenkel & Co. and Key Insurance & Benefits Services Inc.

The strong demand for insurance brokers, particularly from private equity buyers, appears to be growing as their price continues to rise.

“There’s a lot of deal flow, and the valuations have gone up a little bit,” said Timothy J. Cunningham, managing director at Optis Partners L.L.C., a Chicago-based mergers and acquisitions advisory firm and consultancy.

“What’s driving it is that there’s more players, so there’s more competition for the good properties,” he said.

“We’re definitely seeing greater competition for good acquisition properties, which is basically raising the multiple that companies need to pay to win the property,” said Mark Dwelle, director of insurance equity research at RBC Capital Markets L.L.C. in Richmond, Virginia.

And more private equity money is flowing into the brokerage sector, creating start-ups, said Phil Trem, executive vice president at brokerage consulting firm Marsh, Berry & Co. Inc. in Woodmere, Ohio.

“There are still 24-25 viable private equity-backed brokers in the marketplace, and that number continues to grow. We could be into the high 20s by the end of the year,” he said.

The average valuation for insurance brokerage firms sold in 2018 is just shy of eight times earnings before interest, taxes and amortization, Mr. Trem said. Such high valuations are unlikely to increase much more, but there is little sign of prices falling, he said.

Brokers have also seen some increases in commissions due to higher rates in some lines after the record catastrophe losses in 2017, but rates have changed little on average across all commercial lines.

“The effect on rate of 2017 storms has overall been minimal to this point,” said Marc Cohen, president and CEO of Hub International Ltd. in Chicago. Policyholders with catastrophe exposures have seen some increases, but the storms had little effect on pricing for policyholders in most regions, he said.

Ron Lockton, president and CEO of Kansas City, Missouri-based Lockton Cos. L.L.C., said the market is “fairly steady” and the “much-talked-about hardening of the property market that we heard about several months back sort of failed to materialize.”

“The overall direction of the market is still unclear, but what we are seeing today is the market is varying by line of coverage,” with rates ranging from single-digit decreases on certain lines of coverage to mid-single-digit increases for “more challenging” coverage lines, he said.

“If you’re up less than 1% and down less than 1%, you’re in a flat market,” said J. Patrick Gallagher Jr., chairman, president and CEO of Arthur J. Gallagher & Co. “I don’t see any signs of it changing.”

But increased economic activity is driving more insurance purchases.

“There’s rate in some particular lines, but in aggregate, if you look at what we’ve seen to date, exposure growth has had more impact than rate,” said Michael J. O’Connor, co-president of Aon P.L.C.

And general market forces are having less effect on insurance rates than in the past, he said. “The world is evolving to the point where — driven by data and analytics — it is a specific risk-by-risk evaluation,” Mr. O’Connor said.

Data and the technology used to evaluate it are driving more changes in the brokerage sector, said Elyse Greenspan, director of equity research for property/casualty insurance at Wells Fargo Securities L.L.C. in New York.

“There have been investments in the data side in being able to place the business faster,” she said. “That’s a reason some of these brokers have been able to see margin improvement. You continue to see more efficiency at the brokers.”

Technology will continue to drive more change in the sector, said J. Powell Brown, president and CEO of Daytona Beach, Florida-based Brown & Brown Inc. “Insurtech has the ability to automate highly repeatable tasks in our industry, and over time machine learning will add value to the insurance equation on the underwriting side and, potentially, on the broker side.”

But the disruptive power of technology has not been fully felt by insurance brokers because the insurtech sector is still small, said J. Paul Newsome, managing director for equity research at Sandler O’Neill & Partners in Chicago.

“A lot of these insurtech opportunities are really interesting and have a great chance of changing the industry, but it’s a ways off,” he said.

Judy Greenwald and Mark A. Hofmann contributed to this report.



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1 Marsh & McLennan Cos. Inc.



John Doyle

2017 brokerage revenue: **\$14.04 billion**

Percent increase (decrease): **6.1%**

Steady as she goes has been the major theme for Marsh & McLennan Cos. Inc. in recent years.

The New York-based brokerage's 2017 gross and brokerage revenues increased by 6.2% and 6.1%, respectively, with brokerage revenue of \$14.04 billion keeping it at the top of *Business Insurance's* broker rankings in 2018.

The brokerage achieved "good organic growth in various parts of the world" with its Victor managing general agency — recently rebranded from the Schinnerer

Group — and private equity and M&A services division performing well, said John Doyle, president and CEO of Marsh L.L.C., the firm's main brokerage unit.

The company also "continued to make inorganic investments that contribute to growth," he said, citing the acquisitions of middle-market firm J. Smith Lanier & Co. in January 2017 and International Catastrophe Insurance Managers L.L.C., announced in August.

"A solid year all around, decent organic growth, market expansion," said Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore.

"I would expect a consistent focus on small, relative to Marsh & McLennan," M&A activity, he added. "I don't expect anything transformational, and we probably will see a fair amount of international M&A just to take advantage of markets where there is growing insurance penetration in the broader economy."

The headline for 2017 was the catastrophe events that "dominated the conversation" in the second half of the year, Mr. Doyle said.

"A challenging year on the underwriting side because of the cat events, for sure," he said, adding that some clients recovered quickly while others will take another year or two.

Marsh has made major investments in claims and technology that had an impact in aiding this recovery, including the use of drones to quickly assess damage and work with insurers to help relieve their clients' financial pressures, Mr. Doyle said.

Cyber risk was the other major industry headline as the NotPetya malware and other incidents "changed the conversation with a lot of our clients and drove greater urgency around the insurance conversation," he said.

In addition, Europe was preparing for the advent of the General Data Protection Regulation, he noted. "Our clients are confronting getting compliant with GDPR at the moment, and that's created a lot of activity for us in Europe and in the U.K.," he said.

"A lot happened last year, and I expect that to continue throughout the rest of 2018 and much longer," he said.

In April, Marsh and other partners launched the first commercial blockchain solution for verification of insurance.

Insurtech investment grew in 2017 and likely will continue to grow, with the goals of improving efficiency, reducing transaction costs and improving the client experience, Mr. Doyle said.

"There is also the opportunity for us to use data in a way to match risk and capital in a more efficient way than we have as an industry historically," he said.

Marsh has "a big balance sheet," Mr. Doyle said. "We're not looking to take meaningful investment risk, but where it makes sense to partner or acquire some of these capabilities, we certainly will."

Mr. Doyle replaced former Marsh CEO Peter Zaffino, who left the brokerage last August to join Brian Duperreault at American International Group Inc. But analysts praised Marsh's bench strength and said departures were unlikely to result in any major strategy shifts.

"I think Marsh has demonstrated they've got a good management team, if not superior," said

Gretchen Roetzer, Chicago-based director of insurance and head of group operations at Fitch Ratings Inc. "There's inherent risk in this industry with broker teams leaving for other brokers and taking business with them, or litigation risk or reputation risk like what happened with Eliot Spitzer. But they've demonstrated in the past they can handle those qualitative risks and bounce back."

Marsh has recently begun an effort to simplify its organizational structure, resulting in fewer layers of management and aiming for greater consistency across its regional operations, as well as more focus on its three client segments: large risk management clients, the middle market and consumer, Mr. Doyle said during the company's 2018 first-quarter earnings conference call, according to a transcript.

In April, Fitch upgraded some of Marsh & McLennan's ratings because of its continued strong operating performance and credit metrics, Ms. Roetzer said. "It's just been a nice, consistent, stable uptick," she said.

Gloria Gonzalez

2 Aon P.L.C.



Michael J. O'Connor

2017 brokerage revenue: **\$9.97 billion**

Percent increase (decrease): **(14.1%)**

One year on from the sale of a significant portion of its business, Aon P.L.C. is resetting and rebranding its units and making changes to its upper management as it seeks to refocus its slimmed-down operations.

The restructuring, which Aon expects will include job cuts of up to 4,800 and deliver \$450 million in cumulative savings by 2019, will see the end of the Aon Benfield and Aon Risk Solutions names as all the brokerage's units operate under the Aon flag.

Aon Hewitt, the former name

of its benefits consulting business, was retired last year after the sale of its benefits outsourcing business to Blackstone Group L.P. for \$4.8 billion. The drop in revenue resulting from the sale outweighed organic growth and growth via acquisitions in 2017, but Aon continued to add revenue through a string of deals.

Aon reported brokerage revenue of \$9.97 billion in 2017, down 14.1% from 2016, but it retained its position as the world's second-largest brokerage in *Business Insurance's* 2018 ranking.

Organic revenue increased 4%, and Aon spent about \$1.2 billion completing 24 acquisitions last year. Most of the acquisitions — many in Europe, Australia and New Zealand — were "the tuck-in variety," said Michael J. O'Connor, co-president of Aon and former CEO of Aon Risk Solutions.

However, Aon did make several buys that brought in other expertise, such as Cleveland-based Townsend Group, a real estate investment consulting firm, and some smaller deals that focused on data and analytics, he said.

"It's really about how can we

find unique capabilities that fit in well" with Aon's strategy, he said.

Mr. O'Connor was named to his new position in May. He and fellow co-President Eric Andersen, previously CEO of Aon Benfield, report directly to Aon CEO Greg Case. Mr. Case, who previously also held the title of president, in April extended his employment contract with Aon until 2023.

Other management changes included naming John Zern, CEO of Aon's health solutions business, to the additional role of CEO for North America for commercial risk solutions. Cary Grace, CEO of retirement solutions, added the role of heading global M&A integration.

The changes in management and the realignment of the business units are designed to bring more focus to Aon's operations, Mr. O'Connor said. "We want to unite our firm internally, we want to work together in a more collaborative, seamless manner, and that will manifest itself in our ability to deliver for clients. We've moved to a single (profit and loss reporting structure) and dropped the brands in an effort

to try and create the best environment where we can work together as teammates."

Aon now has five "solution lines" reported: retirement solutions, commercial risk solutions, health solutions, data and analytics services, retirement and investment consulting. And dispensing with the insurance and reinsurance brokerage brand names should make it easier for staff to work together, Mr. O'Connor said.

"There are certain situations where bringing together insurance and reinsurance capabilities to think about what is the best solution for a client is truly the right answer for the client," he said.

Restructuring efforts to date appear to be successful, said J. Paul Newsome, managing director for equity research at Sandler O'Neill & Partners in Chicago.

"So far, so good. There's an enormous amount of change happening there. They are still adapting to the split that accompanied the sale of their administration business and trying to continue to boost profit margins through the cost-cutting," he said.

Aon has been through several

successful restructurings before, particularly after it has made a series of acquisitions, and should again be in a stronger position when it completes the current effort, said Gretchen Roetzer, director at Fitch Ratings Inc. in Chicago. "Aon has a proven track record in cleaning up their shop; they have a solid management team that is staying on for another four or five years," she said.

Looking forward, there are several areas where Aon expects to see rapid growth in the next few years, Mr. O'Connor said.

For example, health and benefits consulting will likely experience increased demand as life expectancy and health care costs increase, he said. "For us, that means clients need our help and individuals need our help."

And certain specialty areas on the property/casualty side are seeing increased demand, such as cyber insurance and insurance to cover risks for "gig economy" businesses. In addition, transactional insurance, such as representations and warranties coverage, is growing, Mr. O'Connor said.

Gavin Souter

3 Willis Towers Watson P.L.C.



Todd Jones

2017 brokerage revenue: **\$8.12 billion**

Percent increase (decrease): **4.3%**

Todd Jones says he doesn't hear the word "legacy" as often as he once did.

Mr. Jones, global head of corporate risk and broking at Willis Towers Watson P.L.C., said he believes the brokerage is moving on from the January 2016 completion of the \$18 billion deal that united London-based brokerage Willis Group Holdings P.L.C. and New York-based consulting firm Towers Watson & Co.

"I reflect on my time in 2016 and 2017," he said, "and we spent a lot of time using the word lega-

cy — 'legacy Willis this' or 'legacy Towers Watson that,' and I hear that reference a lot less nowadays than I did then, which I think is a sign of we're no longer thinking about the orientation of where we came and we're thinking about the company that we are today."

Mr. Jones acknowledged that 2016 was a challenging year as the two companies integrated. But he said 2017 turned out to be a "very good year."

"In 2017, I think we were quite happy with the momentum in the business that we saw," he said, "and some of it was the result of the new company that we had become, but also some of it was getting back to the basics and the discipline it takes to run a growing enterprise."

Willis Towers Watson reported \$8.12 billion in brokerage revenue in 2017, a 4.3% increase from the prior year, and it remains No. 3 in *Business Insurance's* 2018 ranking of the world's largest insurance brokers.

"Some of the questions about loss of business and loss of employees having a major impact on the company's ability to grow

its top line disappeared," said Elyse Greenspan, New York-based senior equity research analyst for Wells Fargo Securities L.L.C. "Obviously, 2018 is the year where you see the last of the integration in terms of charges and, as a broker, the biggest focus is the growth in their cash flow."

"Willis Towers Watson is making steady progress on integrating the two legacy firms," said Bruce Ballentine, lead analyst at Moody's Investor Services Inc. in New York. "The combined firm has achieved its targeted post-merger expense savings and is starting to see revenue benefits."

The brokerage "can now turn its attention to growth," he added.

Mr. Jones said he believes the positive momentum from 2017 has continued into the first quarter of 2018, when Willis Towers Watson reported revenue of \$2.29 billion, off 1% from \$2.32 billion in the year-ago quarter but up 10% to \$2.58 billion on an underlying basis, factoring in accounting changes.

Last year saw a changing of the financial guard at Willis Towers Watson as former Pricewater-

houseCoopers executive Michael J. Burwell succeeded Roger Millay as chief financial officer when Mr. Millay retired.

Mr. Jones said the brokerage valued Mr. Millay's "enormous contributions to the company, but at the same time we're really thrilled to have Mike in the role, kind of picking up that mantel and being a real strategic partner in our finance organization."

However, the hiring hit a speed bump when Aon P.L.C. sued Willis Towers Watson, alleging Mr. Burwell knew about Aon's trade secrets while working as a consultant for the firm. The dispute was resolved with a confidential settlement agreement.

Additionally, in March, Alexis Faber, global head of financial lines, was named to the newly created position of chief operating officer within its corporate risk and broking segment.

Mr. Jones said the firm is seeing growth everywhere it operates.

"We're seeing growth in our international business," he said. "We're seeing growth in Western Europe. We're seeing growth in our North American franchise.

Now certainly, as we report, there are businesses within those businesses that may not be experiencing the same growth as in other markets, but as a portfolio of businesses we're seeing growth all over the world."

Mr. Ballentine said the brokerage is in a good line of business.

"The insurance brokerage business continues to demonstrate value for insurance buyers and carriers," he said. "Brokers offer advice and solutions regarding property risks, liability risks and employee benefits, which are important and increasingly complex problems."

Mr. Jones believes now is a good time to be in the risk business.

"I think times like these, when you have a really dynamic changing marketplace, is the time to become closer to clients," he said, "to provide them much greater insight and transparency on how we see the world so they can make better informed buying decisions and be far more strategic within their own organizations, rather than simply being the insurance purchasing arm."

Rob Lenihan

4 Arthur J. Gallagher & Co.



J. Patrick Gallagher Jr.

2017 brokerage revenue: **\$4.54 billion**

Percent increase (decrease): **8.4%**

Arthur J. Gallagher & Co.'s tried and true strategy of growth through acquisition continued to pay off in 2017.

Gallagher made 36 brokerage acquisitions last year, accounting for about \$159 million in additional revenue, said J. Patrick Gallagher Jr., the brokerage's chairman, president and CEO. But whereas Gallagher went through a period earlier in the decade of acquiring some large operations, often international, this year's acquisitions tended to be smaller, said Mr. Gallagher, with a typical brokerage

averaging \$5 million to \$7 million in additional revenue. During the first quarter of 2018, Gallagher closed seven acquisitions that represented about \$30 million in additional revenue, he said.

"The pipeline is as robust as it has ever been," he said. "Our secret sauce is we select people who are going to sell their firm and stay. These are the folks that bring us the fresh ideas to help us continue to bring client solutions that we hadn't done in the past."

"2017 was another record year for us," said Mr. Gallagher. "We're making great progress. The thing that made it an outstanding year was that every division contributed. Fourth quarter was really a very strong quarter."

Analysts agreed with Mr. Gallagher's assessment.

"In general, they've done pretty well," said J. Paul Newsome, managing director at Sandler O'Neill & Partners L.P. in Chicago. "They went through a long period of time where they had to digest a number of large international acquisitions. What we've seen since then is a lot of stability in their business. Organic growth

has been reasonably strong, given the environment, and profit margins have continued to improve."

"On the whole, Gallagher had a pretty good year," said Mark Dwelle, director of insurance equity research at RBC Capital Markets L.L.C. in Richmond, Virginia. "They saw steady improvement in their brokerage margin and accelerating organic growth throughout the year. They remain committed to the acquisition strategy, and clearly that's translating into good organic growth."

Gallagher's 2017 brokerage revenue of \$4.54 billion — an increase of 8.4% year over year — put the brokerage in the No. 4 spot of *Business Insurance's* 2018 ranking of the world's largest brokerages, the same place it held in 2017.

Mr. Gallagher stressed the importance of technology in the brokerage's strategy.

"We're always working on new things," he said. "We have 16 products that are digital applications. We're seeing a lot of activity around digitalization, robotics and (artificial intelligence)."

An example of the brokerage's investment in technology is the

expansion of technology used in a cyber liability policy for small- to medium-sized accounts that binds 100 quotes a day without human involvement. The new digital applications of the technology include builders risk, umbrella, incidental professional indemnity, and errors and omissions, among others, he said.

"We're always trying to innovate, particularly in the practice/niche areas we have," adding that "80% of our new business will fall into those 32 practices or niches." He said the company's Gallagher Bassett Services Inc. operation has had strong organic growth across the board.

He added that the brokerage remains deeply involved in succession planning.

"We've essentially moved a new generation into leadership," he said. "The succession planning has been going on for 15 years."

Early in 2017, Gallagher announced that William F. Ziebell, who had served as a regional leader in the brokerage's benefits division, would become president of the division. That followed announcements in 2016 that Joel

D. Cavaness, president of Gallagher's Risk Placement Services Inc., would join the Gallagher executive management committee, and that Michael R. Pesch, previously leader of Gallagher's retail property/casualty brokerage operations in the Midwest, had been promoted to the newly created role of president of U.S. retail property/casualty brokerage operations.

Mr. Gallagher said the brokerage is also looking for the talent of the future through offering internships.

"I'm extremely pleased we have over 400 people on our internships," he said, adding that the company has offered internships since 1965. "It's clearly a war for talent."

The baby boomer generation is aging, said Mr. Gallagher.

"They've been able to keep their accounts through relationships," but now the drive is to have more information — and customers don't care if their fathers played golf with their brokers, he said. "A lot of these relationships will get fragmented."

Mark A. Hofmann

5 BB&T Insurance Holdings Inc.



John Howard

2017 brokerage revenue: **\$1.92 billion**

Percent increase (decrease): **2.2%**

Acquisitions continue to drive growth at BB&T Insurance Holdings Inc., as the broker saw its first full-year contribution from its 2016 purchase of Swett & Crawford Group Inc. and announced another key buy with rival bank-owned brokerage Regions Insurance Group Inc. in April.

BB&T also saw modest organic growth and benefited from increased customer retention in 2017 as well, its top executive said.

"The main driver in 2017 was completing the Swett & Crawford

integration and realizing a full year of results from Swett & Crawford," said John Howard, chairman and CEO of the brokerage. "Swett & Crawford has outperformed our expectations and has been a tremendous complement to our wholesale business."

Organic growth was about 2%, and 2017 also saw improvements in retention, he added.

BB&T reported brokerage revenue of \$1.92 billion, placing it No. 5 in *Business Insurance's* 2018 ranking of the world's largest brokerages, the same as last year.

"It's been a positive story," said Brian Klock, managing director for Keefe, Bruyette & Woods Inc. in Boston. "There's now some momentum around the Swett & Crawford acquisition," which accounted for much of BB&T's revenue increase last year, he said.

Building on the acquisition of a wholesaler, last year Mr. Howard said he wanted to execute a retail acquisition, which is what BB&T did with the deal to acquire Regions Insurance.

"I expect that we will have a nice balance between retail and wholesale following the completion of

the Regions Insurance acquisition, and I think both are very strong platforms," Mr. Howard said. "We will be focused in the near term on completing the integration of Regions."

After the announcement of the deal to buy Regions Insurance from Birmingham, Alabama-based Regions Financial Corp. in April, the former BB&T Insurance Services — part of BB&T Insurance Holdings Inc., which is a unit of BB&T Corp. — was rebranded as McGriff Insurance Services as of June 25, the brokerage said.

"The rebranding of McGriff is brilliant," said John Wepler, chairman and CEO of Marsh, Berry & Co. Inc. in Woodmere, Ohio, adding that McGriff has a strong reputation for handling large, sophisticated accounts. "This will really resonate well in the marketplace, and we believe it will be an impetus for growth."

"They have a time-proven strategy," he said. "They've been able to build an insurance operation alongside their bank operation that not only has independent leadership to run the company

but also works with the bank and collaborates with the bank."

"What investors like to see longer term is a better mix of revenues between spread-based revenues (such as lending) and fee-based revenues, and I think adding to the insurance business does take away from that interest rate risk investors are concerned about," Mr. Klock said. "It's a more stable part of the business and diversifies revenue stream."

With the rebalancing of retail and wholesale via the Regions deal, both sectors could see further growth.

"Both our divisions are candidates for continued building," Mr. Howard said. "I anticipate we will continue to invest in both our retail and wholesale operations."

"BB&T has a very long history in insurance and finds insurance brokerage really attractive," he said. "We are currently about 16% of BB&T Corporation's revenue, and BB&T has stated publicly that it would like to grow insurance revenue to 20%."

One potential headwind for acquisitions is the rich valuations now present in the brokerage

merger and acquisition market.

"The pricing on acquisitions has increased significantly, and I do believe there are limitations on what buyers are willing to pay," Mr. Howard said.

"Valuations for high-quality insurance brokers is at the highest point on record," Mr. Wepler said. "According to the information we track, valuations have never been higher than they are today."

Still, analysts are positive on the broker's position. "What we think is different about BB&T (is) they have a wide cross section of insureds including small commercial, large commercial and employee benefits," Mr. Wepler said. "They have a very broad offering and as a result, if you are a BB&T banking customer, I imagine they can serve any banking customer's insurance needs."

"With the rebound in pricing in the property/casualty market post-hurricanes and getting Regions Insurance in the numbers in the third quarter, management feels pretty good about the momentum they have there," Mr. Klock said.

Matthew Lerner

6 Hub International Ltd.



Marc Cohen

2017 brokerage revenue: **\$1.87 billion**

Percentage increase (decrease): **13.5%**

Hub International Ltd. continued to report robust revenue growth last year as the Chicago-based brokerage made changes in its upper management and built out specialty practices developing more structure around its operations.

While the changes are a natural progression for a broker that has seen significant acquisition-fueled growth over the past 10 years, they may also signal preparation for another change in ownership, observers say.

Hub reported brokerage revenue

of \$1.87 billion in 2017, a 13.5% increase over 2016, as it scooped up dozens of smaller brokerages in the United States and Canada. The growth boosted its standing in *Business Insurance's* 2018 ranking, as it became the world's sixth-largest brokerage compared with its No. 7 slot last year.

The brokerage finished 2017 with 52 acquisitions and has announced another 35 so far in 2018, said CEO Marc Cohen.

"The pipeline for the second half of the year is equally as strong as it was in the first half, so we expect to surpass the 2017 number of deals," he said.

Mr. Cohen took over the CEO role in January, succeeding longtime chief Martin Hughes, who remains executive chairman. Mr. Cohen, who was named president of Hub last year, joined the firm in 2001 when it bought Kaye Insurance Associates Inc., where he had worked since leaving college.

Hub's acquisition plan in 2017 was part of its strategy to open new opportunities and add expertise, Mr. Cohen said.

"For example, we've acquired a

number of employee benefit brokers in Canada to help us bring additional product to our Canadian clients and to our employees. We've started down the path of acquiring 401(k) planners in the United States, and we really started executing on a strategy to target managing general agents," he said.

Hub has strong commercial property/casualty and personal lines operations in Canada, and adding employee benefits capabilities will create more of a "one-stop shop" for businesses, Mr. Cohen said.

And MGAs bring "interesting and unique specialization to the organization. They typically have real expertise in an industry group ... and they have some exclusivity with carriers and product," he said.

Hub has a long history of acquisition-driven growth but also reports comparatively strong organic growth, said Phil Trem, executive vice president at brokerage consulting firm Marsh, Berry & Co. Inc. in Woodmere, Ohio.

"Hub has continued to be a top-three acquirer in both the United States and Canada," he said. "They are an organization, as we

view them, that is really aggressive in trying to continue to build and integrate their company, both through organic growth focus and (being) active in the M&A market place."

In addition to adding a significant number of acquisitions over the past year, in February Hub launched eight specialty practices: transportation, financial institutions, entertainment-sports, construction, agriculture, hospitality, real estate and health care.

The move is part of the brokerage's natural evolution as it continues to grow, said Timothy J. Cunningham, managing director at Optis Partners L.L.C., a Chicago-based M&A advisory firm and consultancy.

"They've solidified eight industry verticals, which some of their larger competitors have been doing for years, so that's a natural evolution. As they get bigger, they are building more structure around the company," he said.

Together with execution of its succession plan, the added structure will better position the firm if it goes through another ownership change soon, he said.

Private-equity firms often have three-to-five-year time frames for investments in insurance brokerages.

Mr. Cohen would not comment on whether Hub is preparing for a change in ownership, saying Hub and Hellman & Friedman have a strong relationship and "we look forward to working with them on whatever decisions are made in the future."

While private-equity interest in insurance brokerages remains strong and capital remains plentiful, Hub may be getting to the size where it will no longer be sold on to another private-equity investor, if Hellman & Friedman does look to sell, Mr. Trem said.

For example, it may be an attractive target for a more long-term investor, such as a pension fund or other sources of long-term capital, he said.

Such a structure may be attractive to Hub, as it would allow them to maintain their privately held status and avoid the costly and burdensome reporting requirements for public companies, Mr. Cunningham said.

Gavin Souter

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7 Jardine Lloyd Thompson Group P.L.C.



Dominic Burke

2017 brokerage revenue: **\$1.87 billion**

Percent increase (decrease): **20.3%**

Jardine Lloyd Thompson Group P.L.C. continued its push into the U.S. specialty market in 2017 and its focus on collaborating across three key business areas: specialty risk, reinsurance and employee benefits.

JLT saw brokerage revenue increase to £1.38 billion (\$1.87 billion) in 2017, a 20.3% increase over the prior year in dollar terms, reflecting in part a strengthening of the British pound. JLT moved up to No. 7 in *Business Insurance's* 2018 ranking of the world's largest brokerages from No. 8. Its risk

and insurance division's revenue grew 11% to £1.07 billion.

Last year saw the continuation of JLT's strategy, which began in 2014, of building out its specialty brokerage business in the United States, said Mr. Burke. The losses associated with setting up that business "passed the high-water mark in 2016," he said, and the business is slated to move into profitability next year. Mike Rice, as chairman, will help to negotiate strategic bolt-on acquisitions, Mr. Burke said, and the operation's head count has surpassed 350.

The U.S. operation recorded revenue of almost £100 million for 2017.

JLT also took steps to strengthen its position in continental Europe, in part to plan for the eventual departure of the U.K. from the European Union.

The uncertainty over the shape of the U.K.'s deal with Europe once it leaves the EU next year is a challenge, Mr. Burke said. But JLT's purchase in the summer of 2017 of Belgian specialty brokerage Belgibo B.V. had helped to strengthen the company's on-the-ground footing in continental

Europe and would serve as a hub for its EU operations, he said.

This acquisition, and others made during the course of the year in Europe, including the purchase of small marine brokers in Hamburg, Germany, will help JLT to manage the consequences of several different Brexit scenarios, the company said.

JLT's employee benefits division saw a 7% increase in revenue in 2017 to £320.2 million. The U.K. and Ireland employee benefits business saw revenue increase by 7% to £172.0 million.

There are three major drivers behind JLT's performance in 2017 and momentum for 2018, said Alan Devlin, who leads European insurance equity research at Barclays P.L.C. in London.

First, Mr. Devlin said, there is evidence of organic growth in JLT's business in the United Kingdom and a recovery of the U.K. employee benefits business. In addition, the U.S. specialty business is now over the "hump" of the original investment and is now set to grow, he said.

And these two areas of the business — the United Kingdom

and the United States — are the "cherry on the cake" of JLT's underlying business, which has performed solidly, he said.

The insurance rating environment continues to be a challenge for insurance brokerages, Mr. Burke said, and a rise in protectionism in certain countries also may create some hurdles.

In 2017, the Financial Conduct Authority, which regulates insurance brokerages in the United Kingdom, discontinued an investigation into the five largest aviation brokerages over alleged sharing of competitive information. The European Commission began an investigation which JLT said it was participating in.

While the brokerage is unable to comment further on the probe, it said it had a constructive relationship with the regulators.

During 2017, JLT carried out an examination of its strategy, which Mr. Burke said reaffirmed the benefits of collaboration across the areas in which JLT operates.

As a result, in February, JLT announced a restructuring, effective April 1, that more formally aligns the business along three

tracks: specialty, reinsurance and employee benefits.

As part of this restructuring, fresh leadership was brought in, Mr. Burke said.

Lucy Clarke, previously deputy CEO of JLT Specialty, was appointed to the newly created role of global CEO of JLT Specialty in April.

Mike Reynolds continues as CEO of JLT's reinsurance business on a global basis, with added responsibility for the group's Latin American reinsurance operations.

And in February 2017, Bala Viswanathan, CEO of JLT's U.K. and Ireland employee benefits business, was also named international chairman of employee benefits across the group.

JLT also examined the operational processes across each of its divisions and has initiated a global transformation program that from 2020 envisages all three divisions using a consistent set of processes and core operating platforms. The program is expected to deliver annualized cost savings of £40 million by 2020 after a one-off cost of £45 million.

Sarah Veysey

8 Brown & Brown Inc.



J. Powell Brown

2017 brokerage revenue: **\$1.86 billion**

Percent increase (decrease): **5.4%**

A healthy middle-market economy and generally favorable organic growth made 2017 a "good year" for Daytona Beach, Florida-based Brown & Brown Inc., according to J. Powell Brown, the brokerage's president and CEO.

"We grew the business 4.4% organically in all four of our divisions," said Mr. Brown. Organic growth for the retail segment grew 2.9%, national programs by 6.1%, wholesale brokerage by 6.6% and services by 5.1%.

"This organic growth in all

divisions is one of the benefits of our diversified insurance program," said Mr. Brown. "It is also a byproduct of having diversity within the organization. We expect growth and profitability in all four divisions going forward, and we are excited about the future."

But Brown & Brown's \$1.86 billion in 2017 brokerage revenue, a 5.4% increase over last year, was not enough to keep the company from slipping to No. 8 on *Business Insurance's* 2018 rating of the world's largest brokerages, down from No. 6 last year.

Outside analysts noted its generally healthy organic growth.

Brown & Brown "had an OK year," said Mark Dwelle, director of insurance equity research at RBC Capital Markets L.L.C. in Richmond, Virginia. "Their margins experienced a little bit of pressure, but they did see improved organic growth. Their acquisitions also have slowed down a little bit. On the whole, they continue to position well for continued earnings growth in 2018."

"When you look on an organic basis, the results for Brown

& Brown have been relatively disappointing in their retail, but growth in other operations have put them in line with peers," said Elyse Greenspan, director of equity research for property/casualty insurance at Wells Fargo Securities L.L.C. in New York.

Brown & Brown has been making internal investments in technology and a new compensation system for producers, Ms. Greenspan said. "Those two factors had an impact on their margins," she said. "They see it as a trade-off."

She added that "back into 2017 and even a couple years before that, the level of acquired revenue has been below their target. Acquired revenue has been lighter than expected, but they've been disciplined about not paying too high a price."

"On the acquisition front, we look for businesses that fit culturally and make sense financially," said Mr. Brown. "We are always looking to expand our capabilities and invest in all four divisions of our business."

Brown & Brown made 11 acquisitions generating \$17.5 million in additional revenue in

2017, said Mr. Brown. "It was not a significant acquisition year for us," he said.

In the first quarter of this year, the brokerage closed two acquisitions generating \$9.5 million in additional revenue.

Mr. Brown said generally favorable economic conditions are helping the brokerage despite flat insurance rates.

"Generally speaking, most communities throughout the country are doing well economically," he said. "We are seeing generally flat insurance rates. Again, that's not the biggest driver for our business — we are seeing more growth in exposure units for our insureds as the economy expands. That is good for them and good for our business, too ... Brown & Brown is really a proxy for the health of the middle-market economy."

The hurricanes of 2017 had a minimal impact on the brokerage's operations, he said.

"During Hurricane Irma, our offices in South Florida closed for one to three days," said Mr. Brown. All phone calls were routed to other offices around the country, meaning there was no

interruption of service to customers, he said. "Hurricane Harvey in Houston did not force our office to close, but we had teammates who could not get to the office because of floodwaters. It took up to three days to have everyone back in the office in Houston."

Mr. Brown noted that the brokerage is actively engaged in insurtech. "Our company participates in an insurtech incubator — Plug-and-Play," he said. "We are constantly beta-testing technology that we think can advance our business strategy going forward. We also are following opportunities in emerging technologies within a number of our large trading partners."

"We are in the solutions business," said Mr. Brown. "We must constantly and consistently provide options for our customers. We must also look to the future and recognize that some of our solutions and options for customers will be delivered through new or existing technology platforms."

"We think beyond each quarter and look at how our investments pay off in future years," he said.

Mark A. Hofmann

9 USI Insurance Services L.L.C.



Mike Sicard

2017 brokerage revenue: **\$1.64 billion**

Percent increase (decrease): **58.7%**

USI Insurance Services L.L.C. roughly doubled in size in 2017 after closing on its acquisition of Wells Fargo Insurance Services USA Inc. from Wells Fargo & Co. on Dec. 1.

The broker's \$1.64 billion in 2017 revenue was enough to push it to No. 9 in *Business Insurance's* 2018 ranking from 10th place last year.

"This past 12-month period has been a transformational one for us," said Mike Sicard, chairman and CEO of USI. "At this time last year, we had about \$1 billion

of revenue, rounded. We're now approximately \$2 billion of revenue as a firm."

"We view this very much as a merger as opposed to an acquisition," Mr. Sicard said of the Wells Fargo deal, for which the integration began earlier this year.

"We started in the first quarter with a series of orientation summits" for business leaders in both companies, Mr. Sicard said, along with aligning resources in cities where USI and Wells Fargo offices overlapped geographically, which will continue "through the quarter and into the balance of the year."

"There isn't a clock on us," Mr. Sicard said, adding USI will move on the integration of Wells Fargo "as fast as possible but as slow as necessary."

Skill with integrating acquisitions is a key strength for USI, analysts say.

"Their ability to integrate immediately was probably huge in getting that deal," said Timothy J. Cunningham, managing director of Optis Partners L.L.C., a Chicago-based investment banking and financial consulting firm.

"USI has certainly demonstrated a great ability to do that."

Meanwhile, USI continued its growth march, announcing the completion of acquisitions of both agribusiness broker CHS Insurance Services L.L.C. and Key Insurance & Benefits Services Inc., formerly part of Key-Bank, in the first half of 2018.

"Sometimes they come in bunches," Mr. Sicard said of acquisition opportunities.

"They've done this so much that I think they're certainly more than capable of pulling it off," Mr. Cunningham said of the overlapping acquisitions.

"USI has historically been good at partnering with holding companies or banks that are exiting their insurance operations," said Phil Trem, an executive vice president with Marsh, Berry & Co. Inc., a Woodmere, Ohio-based merger and acquisition advisory and consulting firm to the insurance sector. "Certainly, the Key Bank, CHS and the Wells Fargo transactions all require a unique approach to integration that USI has gotten quite good at."

One of the keys to the USI

approach, he said, is the way the company treats employees of an acquired firm.

"USI puts a lot of focus and energy and effort into making sure the employees have a soft landing spot and not just a job but a career," Mr. Trem said. "They do a really good job of making those employees feel welcome and part of the USI team. It's a really important approach, which helps make transactions successful."

The CHS and Key Bank deals add to USI's industry expertise and geographical footprint, respectively, Mr. Sicard said.

"Industry vertical expertise is a critical component of USI, particularly on the property/casualty side, and CHS is a specialist in the commercial ag vertical," Mr. Sicard said, calling the acquisition a "great growth opportunity."

The Key Bank deal allows USI "to expand into places we did not have a significant presence, such as upstate New York," Mr. Sicard said, as well as western Pennsylvania and parts of Connecticut.

And the market abounds with further opportunities, according to Mr. Sicard. "There are a tre-

mendous number of gems and they vary in both location and size," Mr. Sicard said of acquisition targets. Other aggregators represent one class of opportunity, he said, along with strong regional players.

Valuations have been relatively stable over some 30 years, Mr. Sicard said, but are "probably on the high end on an industry basis for the last couple of years."

"One of the challenges in a public company environment can be the quarterly earnings approach and focus," he said. "For the types of investments, the types of innovations that we need to be making in our industry, we need to be thinking out years, not quarters."

The improving economy "helps everybody because so much premium and, correspondingly, commission revenue in commercial property and casualty is driven by payroll and sales, and employee benefits is driven by headcount," Mr. Cunningham said.

The broker merger and acquisition market remains "frothy," and valuations are steady, Mr. Cunningham said.

Matthew Lerner

10 Lockton Cos. L.L.C.



Ron Lockton David Lockton

2017 brokerage revenue: **\$1.56 billion**

Percent increase (decrease): **9.8%**

Lockton Cos. L.L.C. continues to flourish as not only one of the largest privately held brokers, but as a family business as well.

Last year, Ron Lockton, who had served as the Kansas City, Missouri-based brokerage's vice chairman for the previous two years, became president and CEO after Glenn Spencer, who had briefly served in that position, resigned for personal reasons. His father, Jack Lockton, who died in 2004, was the company's founder, and Chairman

David Lockton is his uncle.

Ron Lockton is well qualified, according to David Lockton. "He brings to the table 27 years at Lockton, so he's intimately in touch with the Lockton culture. He knows all of our associates, and he enjoys our trust," he said.

It has "been a smooth transition," Mr. Lockton said. "I'm sure pleased with the great job he's been doing."

Meanwhile, Lockton remains the only privately held broker among *Business Insurance's* top 10 commercial brokerages not backed by private equity firm.

"They're distinctive," said Kevin Stipe, president of Atlanta-based Regan Consulting Inc. "They are a privately held company that really operates similarly to a global broker in terms of the size and sophistication of the accounts they go after."

In addition, "They are probably the most producer-centric broker in the top 10," with "a very strong sales culture," he said.

For its part, Lockton's executives have no plans to change what has worked so well for them. Its privately held status "is fun-

damental to our success in client service," Mr. Lockton said.

Lockton reported \$1.56 billion in 2017 brokerage revenue, a 9.8% increase from a year earlier, putting it in the No. 10 position in *Business Insurance's* ranking of the world's largest commercial insurance brokers, a notch down from its ranking last year.

"In general, we had a really good year financially, with a 9.9% growth globally," Mr. Lockton said. "Our goal was double digits, so we fell slightly short of our goal, but we far surpassed our peers in the industry and we feel ... good about the future" because of Lockton's "great talent," he said.

He said other personnel moves during the year included the recruitment of Said Taiym as executive vice president-chief digital officer. Mr. Taiym previously served as senior vice president and chief information officer for Lansing, Michigan-based AF Group, a unit of Blue Cross Blue Shield of Michigan. "We're really looking forward to the impact he's going to have on our technology efforts," Mr. Lockton said.

Among other awards, for the

second year in a row Lockton was named the highest-ranking broker in risk management professionals' estimation, according to a survey by J.D. Power, the Costa Mesa, California-based marketing information services firm.

The brokerage is also expanding. In addition to opening an office in Cairo, thanks to recruitment efforts, the brokerage has also opened new offices in Naples, Florida, Sacramento and Sonoma, California, and Portland, Oregon.

Other successful recruitment efforts include that of four former Aon P.L.C. brokers based around the country who joined Lockton's Houston-based global energy and power business as senior vice presidents earlier this year.

A major acquisition this year was of Denver-based E3 Solutions, an enrollment and benefits administration firm. Mr. Lockton said, "We've always focused on organic growth, and we've not done a lot in the acquisition area yet have still been able to maintain double-digit growth."

He added, however, that now "we're more open to acquisitions than we have been in the past for

the right small broker who recognizes the opportunity to grow."

Ron Lockton said, "There are certain areas of the U.S. where we don't have a physical presence, and we're actively looking at talking to different insurance brokers about expanding into those areas."

One possible new area for the brokerage is alternative capital, said David Lockton. "I'm not sure exactly what we'll do, but it's an area we're looking at with a great deal of interest," he said.

Additionally, "We are really strong in political risk in our international operation, mostly out of London, and we are considering expanding that in the U.S. market," he said.

In May, the National Rifle Association sued Lockton, charging the broker breached its agreement to run an NRA-branded insurance program. This followed Lockton's agreement to pay \$7 million to New York regulators to settle charges its "Carry Guard" program violated state law and breached excess and surplus lines placement rules. Company officials had no comment on the matter.

Judy Greenwald

COMMENTARY

Brokers set course for future growth

There's a lot of change going on in the world of insurance broking as the brokers themselves adapt to a changing world.

As we report in our annual review of the broking sector, beginning on page 27, mergers and acquisitions in the sector have continued at an electric pace over the past year. Private equity-backed brokerages in particular have seen rapid growth as they've gobbled up scores of rivals. In just the past three years, the number of firms reporting more than \$1 billion in U.S. brokerage revenue has nearly doubled from seven to 13.

Driven in part by a sluggish rating environment — where brokers cannot grow simply by holding on to existing business —

but also by the attractive revenue flow and other benefits that brokers offer private equity investors, growth by acquisition is showing no signs of slowing.

And the firms are growing more sophisticated as they expand, putting in new layers of management, establishing specialty practices and investing in technology to increase efficiency and improve service.

The technological innovations should be particularly interesting to commercial insurance buyers. While developments in insurtech have often been concentrated in

the personal lines and small commercial sector, tech developments including electronic placements that require no human interaction are creeping up in size and expanding in reach.

Of course, brokers are not just introducing technology-based improvements to their processes and offerings. The world's largest brokers also are investing heavily in data and analytics and insurtech innovations, both through their existing operations and via investments in third-party firms.

Together with developments at insurers, insurance buyers are more frequently dealing with insurance market companies finding better, faster ways to deal with mundane tasks, which potentially allows their experts to concentrate on more complex issues.

And the expertise is going to be needed. The complexities of the risks facing policyholders are growing more evident — whether it be autonomous cars and ships, increased use of artificial intelligence in industry or regulatory developments governing cyber risks — and risk managers and their companies are facing a dizzying array of potential new exposures.

Insurance will likely only be a partial answer to addressing the evolving risks. As we have seen with the cyber market, insurers themselves are wary of taking on risks they don't understand and offer only incremental coverage as they seek to fully comprehend the new risks they are being asked to cover.

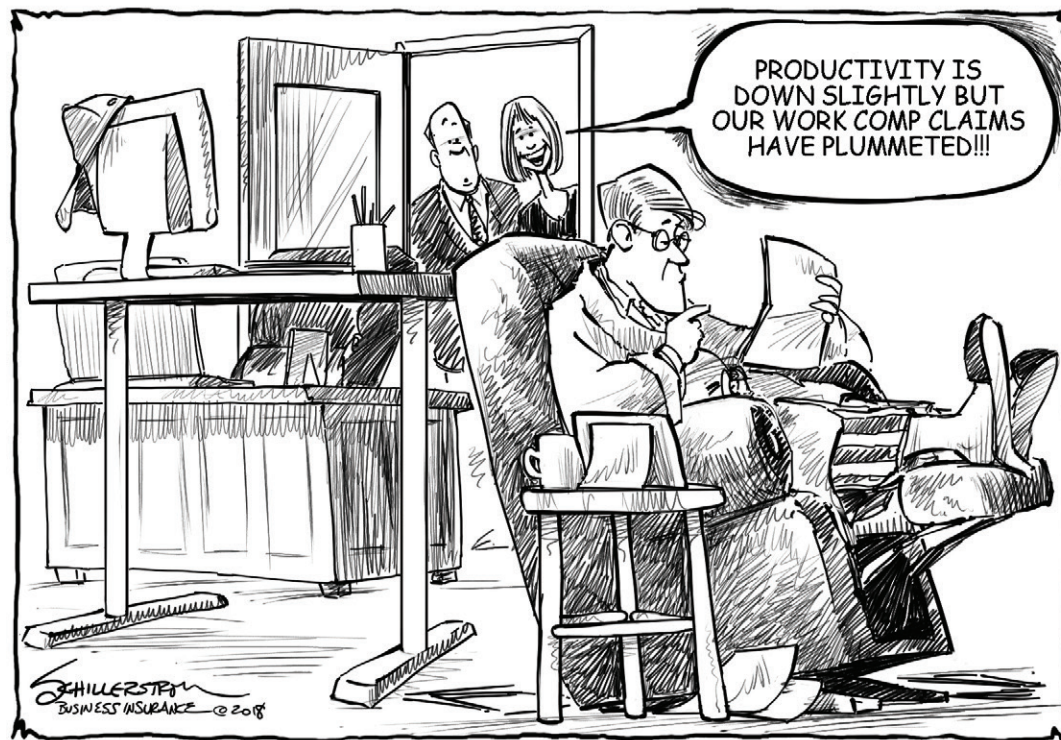
Other technological developments may help insurers to accelerate their own understanding of the exposures, but brokers will likely be increasingly asked to find alternative ways to mitigate risks and, in the process, increase their own value to their clients.

Brokers have long been the key partners of risk managers, and rather than be disintermediated by technology, they have the opportunity to embrace it and take on an even more important role for their clients.



Gavin Souter
EDITOR

SCHILLERSTROM



VIEW FROM WASHINGTON

Unbridgeable divides

I was starting to think things couldn't possibly get any uglier in Washington, D.C. Silly me.

President Donald Trump finally backed off of his insidious policy of separating more than 2,000 children from their parents. But the furor over the policy will likely create more ill will between the parties and stymie other legislative efforts, including several that are priorities of risk managers and insurers.

The argument over the child separations goes along these lines: These people are breaking the law by illegally immigrating into the United States and must be held accountable. But in no other context do we hold children responsible for the illegal actions of their parents. Make no mistake: That's what happened here. These children were being punished for the decisions of their parents.

The Trump administration tried to spin the policy as a deterrent against illegal immigration, but in reality the administration was trying to use the separation policy as a bargaining chip to secure funding for President Trump's border wall. Holding thousands of children hostage represents a new low for this administration. And it backfired horribly, as even fellow Republicans urged the president to abandon the policy and began a legislative process to undo it. The president finally did so after realizing that this was a losing battle.

Aside from the damage and downright cruelty of the separations, another major problem with the separation policy is that it became so incredibly divisive that it cast a long shadow over everything else in Washington.

Congress was just beginning to get a sense of the need for federal action on data privacy, and productive conversations have been had. But lingering bad feelings over the treatment of these immigrant children could drive people deeper into the corners and

forestall any hope of compromise. California, as it often does, may end up paving the way for legislative and regulatory action on data privacy, with a proposition likely to be voted on by California voters in November. The proposition reflects some provisions of the European Union's General Data Protection Regulation and, if approved, could lead to a data protection framework that could be adopted by other states. But then companies would find themselves again dealing with a patchwork of state laws.

And the National Flood Insurance Program is yet again in danger of expiring. The NFIP was



Gloria Gonzalez
DEPUTY EDITOR

extended to July 31 in the last omnibus funding bill and separated from other program deadlines in what was seen as an effort to force the federal legislature to finally tackle a comprehensive program overhaul this summer. A recent study co-authored by Zurich Insurance Group Ltd. recommended the NFIP be revamped to limit or prevent coverage of new properties in flood zones and to mandate buyouts or mitigation to repeated loss properties to prepare for and reduce the risk of devastating floods such as those caused by Hurricane Harvey in Houston and ensure the program does not fall deeper into debt. But there has been little to no movement to date, meaning risk managers are staring down another short-term as-is extension or expiration.

Congress isn't going to get much of anything done on cyber, flood or any other key risks faced by risk managers with crying children dominating the headlines.

Will insurance cover cryptocurrency claims?



Brian Scarbrough, a partner and co-chair of Jenner & Block's insurance recovery and counseling practice, and Justin Steffen, a partner with Jenner & Block's complex commercial litigation practice, are members of the firm's fintech group. Mr. Scarbrough counsels on insurance issues raised by cryptocurrencies, initial coin offerings, blockchain and other distributed ledger technologies. He can be reached at 202-637-6306 and bscarbrough@jenner.com. Mr. Steffen is focused on the intersection of technology and the financial services industry, including issues pertaining to marketplace lending, cryptocurrency and blockchain, and payments. He can be reached at 312-840-7262 and jsteffen@jenner.com

For years, the cryptocurrency boom continued without regulatory reprisal, but the era of a digital Wild West and unregulated initial coin offerings may have come to an abrupt end.

In July 2017, the U.S. Securities and Exchange Commission issued a report indicating that tokens can be securities in certain circumstances. In the months that followed, the SEC and other regulators issued public statements repeatedly warning industry participants that ICOs may violate securities and other laws. Regulatory actions and subpoenas followed — targeting the companies that sold virtual currencies or tokens, the lawyers and advisers that facilitated those sales, and the exchanges.

Those left to deal with the consequences may incur serious legal fees in the months to come, but how will they pay for those fees?

Insurance policies may provide an answer.

Generally, cryptocurrency refers to a decentralized, digital or virtual currency that utilizes cryptography for security. Cryptocurrency's origins can be traced to Satoshi Nakamoto's 2008 whitepaper on bitcoin. Today, a decade later, there are well over 1,000 different coins, tokens or cryptocurrencies with a combined market cap in the hundreds of billions of dollars. Many new coins or tokens are created in connection with an initial coin offering in which a certain percentage of a new coin or token is often sold to early investors to complete or fund a project.

In 2017, there were approximately 210 ICOs taking in billions of dollars. By mid-April 2018, more money had been raised through ICOs in 2018 than in all of 2017.

The DAO report

Although regulators initially took a wait-and-see approach with ICOs, in July 2017 the SEC issued its decentralized autonomous organization, or DAO report. In the report, the SEC examined The DAO, an unincorporated organization with the objective of operating a for-profit entity that would fund projects through tokens. Notably, the SEC concluded that The DAO token sales violated federal securities laws and warned industry participants that tokens can be subject to securities laws.

On Sept. 25, 2017, the SEC announced the creation of a cyber unit that would focus on “targeting cyber-related misconduct,” including misconduct involving ICOs. The formation of that unit was joined by a flurry of enforcement activity, including:

- In September 2017, the SEC filed suit in the Eastern District of New York alleging that two ICOs were frauds.

- In January 2018, the SEC brought a complaint in the Northern District of Texas that halted an allegedly fraudulent ICO by AriseBank, which claimed to be the first “decentralized bank.”

- According to news reports, on Feb. 28, 2018, the SEC issued subpoenas to as many as 80 entities and individuals involved in the virtual currency space — including companies engaged in ICOs and the lawyers and advisers who facilitated ICOs.

- On March 1, 2018, Overstock.com Inc.'s shares fell as much as 10% after the company's subsidiary, tZero, revealed that the SEC had requested information on tZero's ICO back in December.

- In April, the SEC filed a complaint against the co-founders of a financial services startup for an allegedly fraudulent ICO that raised more than \$32 million and obtained a court order freezing more than \$27 million in trading proceeds associated with a Delaware-based financial technology company.

Does insurance respond?

Entities or individuals receiving subpoenas or lawsuits should consider whether insurance may provide coverage for the likely significant defense costs to be incurred. There are two coverages that are most likely to be relevant: directors and officers liability insurance and professional liability insurance.

D&O generally provides coverage for claims for a wrongful act first made against an insured during the policy period. Coverage usually is provided in three instances: to an insured individual when he or she is not indemnified by the company; to the company to reimburse it for the indemnification it provides to an insured individual; and to the company to the extent the company is subject to a securities claim or any type of nonexcluded claim.

When faced with an SEC subpoena or a lawsuit, the definition of “claim” in a D&O insurance policy will be important. A claim should include at least written demands, a civil or criminal proceeding (lawsuit), an administrative or regulatory proceeding, and a governmental investigation commenced by a written notice identifying the individual as a person against whom a proceeding may be brought. The policy also will require that the claim be for a “wrongful act.” That term should be broadly defined to include at least any error, misstatement, misleading statement, act, omission, neglect, or breach of duty actually or allegedly committed by the insured in his, her or its insured capacity or any other matter claimed against the insured individual or company in an insured capacity.

D&O policies also may provide so-called inquiry coverage or pre-claim coverage when, for example, a governmental agency has requested that an individual appear to provide testimony or produce documents in that individual's insured capacity. Importantly, this expanded coverage usually does not require any allegation of a wrongful act

by the insured individual, but coverage will be dependent on the particular request for information and policy language.

In determining if an individual or company has coverage, attention should be made to the policy definition of insured individuals and the types of claim covered for the company. Private company D&O policies may extend coverage to all employees while also extending coverage to many types of claims against the company, but there may be exclusions for certain types of securities claims. This will depend on the specific policy wording and the circumstances of whether an ICO lawsuit or investigation concerns “securities.” Unlike private company D&O policies, public company D&O policies generally limit coverage for a company only to securities claims. And as to individuals, public company D&O policies generally limit coverage to only selected positions, such as members of the company's board of directors, company officers and other key corporate positions, such as general counsel or risk managers.

D&O policies contain policy exclusions and limit the scope of covered losses or damages. These provisions should be examined carefully. For example, electronic data or similar exclusions; exclusions for criminal conduct or gaining illegal profit triggered only by a final, nonappealable adjudication; and the definition of covered loss may preclude coverage for civil or criminal fines or penalties or matters which may be deemed uninsurable.

Errors and omissions and professional liability insurance also could be relevant if a subpoena or lawsuit targets the lawyers or other advisers that facilitated ICOs. These types of policies cover companies and individuals to the extent that a third party makes claims against them for providing or failing to provide professional services.

Whether professional liability policies are relevant will depend on the type of claim at issue and the specific policy language. But much of the same discussion likely will be relevant with professional liability policies as with D&O policies. Lawyers and other advisers to ICOs should strongly keep such policies in mind.

Provide notice

Whether or not there is a claim or coverage is triggered, companies and individuals would be well served to consider notifying their insurers if they are faced with a claim or even the possibility of a claim. At the very least, a notice of circumstances could be made, meaning that a company or individual is aware of circumstances that may lead to a claim or liability and is reporting it now to the insurer. A notice of circumstances can serve as a placeholder for coverage in the event that a claim subsequently develops.

AmWINS, Liberty team on medical cover

■ AmWINS Program Underwriters, a managing general agent within Charlotte, North Carolina-based AmWINS Group Inc.'s underwriting division, has formed a partnership with Liberty Mutual Insurance Co. in its home health care and medical facilities programs.

The programs, which have been offered for more than 40 years, are being written nationally on a nonadmitted basis by Boston-based Liberty Mutual, AmWINS said in a statement.

Several updates to the programs are being offered as a result of the Liberty Mutual partnership, including a coverage form that packages several coverages under one policy, according to the statement.

American International Group Inc. was the previous insurer, according to an AmWINS spokeswoman.

Corvus introduces smart cyber insurance

■ Corvus Insurance Holdings Inc. is releasing a smart cyber insurance policy that offers coverage to organizations with up to \$1 billion in annual revenue.

The coverage features ongoing information technology security scanning and scoring designed to help predict and mitigate exposures, the Boston-based company said in a statement. Corvus will create a risk score for each account.

The insurance covers contingent business interruption, system failure, social engineering attacks, ransomware, reputational loss and multimedia liability.

Smart cyber insurance policies are distributed by Corvus on a managing general agency basis with its partner, Hudson Insurance Group, the statement said. Hudson is a unit of Fairfax Financial Holdings Ltd.

XL Catlin updates pollution policy

■ The North American environmental unit of XL Group Ltd., which does business as XL Catlin, has updated its professional and pollution coverage for contractors and environmental consultants.

Matt O'Malley, president of XL Catlin's North American Environmental insurance business, said in a statement that the insurer has "made our coverage more inclusive, addressing more of the professional and pollution risks our clients are facing day-to-day, in one policy form."

Among the additions to the policy are green building materials expense in the restoration of property damaged as a result of a pollution condition; rectifica-



Big I Markets, MGA partner on cyber E&O

■ Independent Insurance Agents and Brokers of America Inc. members will offer cyber and technology errors and omissions coverage under a partnering arrangement its online market access system, Big I Markets, has made with managing general agent Coalition Inc.

Under the arrangement, any Big I member agency can quote and bind insurance online through the Big I Markets platform, according to a statement from Big I Advantage, a for-profit subsidiary of the Alexandria, Virginia-based IIABA and San Francisco-based Coalition.

Coalition, which provides companies with up to \$10 million of cyber and technology insurance coverage, is backed by Swiss Re Corporate Solutions Ltd. and Argo Group International Holdings Ltd.

tion expense to correct actual damages or prevent potential damages resulting from negligent acts, errors or omissions in covered professional services; protective loss coverage that provides indemnity in excess of the design professional's insurance resulting from a negligent act, error or omission in DP services; and protective loss/pollution protective loss bankruptcy litigation expense indemnity for fees and expenses related to retaining bankruptcy counsel in the making of a protective claim or a pollution protective claim against a DP or subcontractor, according to the statement.

Everest to offer discount for cyber security

■ Everest National Insurance Co., a unit of Hamilton, Bermuda-based Everest Re Group Ltd., said it will offer a premium discount on its Everest Cyber Elevation Policy to eligible members of the Center for Internet Security's SecureSuite members.

The East Greenbush, New York-based CIS is a nonprofit entity that safeguards private and public organizations against cyber threats.

Its SecureSuite membership provides organizations with access to multiple cybersecurity resources.

The Everest Insurance Cyber Elevation Insurance Policy, which was announced in March, provides cyber coverage and risk mitigation and remediation services to companies across all industry classes. Premium discounts will be of up to 10%, according to a spokesman.

Hanover revamps architects coverage

■ The Hanover Insurance Group Inc. is updating its Architects and Engineers Advantage professional liability policy to offer broader protection against the financial impact of claims or lawsuits resulting from allegations of negligence, malpractice or errors and omissions.

Supplemental endorsements include remediation expense, withheld client fee assistance, reputation protection expense, crisis event expense, peer review expense, disciplinary proceedings expense, and cyber privacy, security and media liability coverage, the Worcester, Massachusetts-based insurer said in a statement.

Beazley adds coverage to cyber risk policy

■ Beazley P.L.C. has updated its Beazley InfoSec cyber policy, which now offers coverage for some first-party risks as part of its standard package.

These include cyber extortion, data recovery costs, business interruption costs arising from security breaches and related systems failures, contingent business interruption costs arising from breaches at the policyholder's vendors or suppliers; and scams involving criminals impersonating trusted individuals or entities who direct funds to be wired to their own bank accounts, according to a Beazley statement.

These coverages had previously been offered by endorsement but are now in the base policy, according to a spokeswoman.

The policy also includes access to Beazley's dedicated in-house breach unit, Beazley Breach Response Services.

DEALS & MOVES

Gallagher enters Swiss market with Hesse stake

Arthur J. Gallagher & Co. acquired a 65% stake in Zurich-based Hesse & Partner A.G. and Hesse Consulting GmbH, marking its entry into Switzerland.

Terms of the deal were not disclosed.

Hesse specializes in developing customized coverage for industrial, manufacturing and construction clients, with a particular focus on the waste-to-energy industry, Gallagher said in a statement.

Private equity firm invests in Ryan Specialty

Ryan Specialty Group L.L.C. entered into a long-term strategic relationship with New York-based private equity firm Onex Corp., which is investing \$175 million in the Chicago-based wholesaler.

The investment consists of \$150 million of preferred equity and \$25 million of common equity, which is intended to provide capital to continue Ryan's growth and merger and acquisition strategy, Ryan Specialty said in a statement.

A Ryan Specialty spokeswoman said the group has made 31 acquisitions and 13 new formations since its founding in 2010.

Brown & Brown buys Hawaii, Pacific broker

Brown & Brown Inc. has bought Pacific Coast brokerage Servco Pacific Insurance.

Terms of the deal were not disclosed. SPI has annual revenue of \$24 million, Daytona Beach, Florida-based Brown & Brown said in a statement.

SPI's Hawaii operations will become Brown & Brown's primary retail presence in that state, and SPI's Pacific Northwest operations will merge with Brown & Brown's existing office in Seattle.

Specialty Program Group acquires cannabis agency

Specialty Program Group L.L.C., a holding company for specialty brokerages and underwriting facilities, acquired Novato, California-based Professional Program Insurance Brokerage, a managing general agency whose specialties include cannabis.

Terms of the deal were not disclosed.

Summit, New Jersey-based Specialty Program said in a statement that the company's president, Susan Preston, will continue to run the operation after the transaction closes.



“Seize every opportunity to learn. Even if it is not your particular area or specialty, take the leap to do more — get involved in projects, attend meetings, volunteer.”

UP CLOSE

Lainie R. Dorneker

NEW JOB TITLE: Chicago-based president of IronHealth, the health care professional liability unit of Ironshore Inc.

PREVIOUS POSITION: Chief operating officer and custom accounts product manager for IronHealth

LOOKING FORWARD TO: The excitement of working alongside the next generation of leaders within IronHealth. We have had excellent role models and mentors, but now it's our time to seize upon the lessons we've learned and empower the next generation.

GOALS FOR NEW POSITION: Building upon IronHealth's foundation of the best people with the best products in close proximity to our customers. I am committed to motivating our team and elevating our culture of transparency, accountability, and innovation.

ON LEADERSHIP: If you want people to work hard, you have to lead with enthusiasm and set a good example ... Hard work and enthusiasm should go hand-in-hand.

CHALLENGES FACING INDUSTRY: Challenges faced by health care liability insurance carriers have remained constant over the past several years, including poor investment returns, decreasing premiums, eroding rate structure, and expanding coverage demands. At the same time, health care systems are experiencing unprecedented change to remain relevant and competitive.

FIRST INDUSTRY JOB: I was an attorney in private practice. My firm provided insurance advice and represented policyholders in insurance disputes. I later worked at Zurich as professional liability counsel, and then in underwriting.

WHAT SURPRISED ME: It's not boring! And every day is different. Now, my days are a variety of making it easier for brokers to do business with us, meeting with insureds to understand their unique business challenges ... and helping our employees further their career paths.

ADVICE: Seize every opportunity to learn. Even if it is not your particular area or specialty, take the leap to do more — get involved in projects, attend meetings, volunteer. Also, my advice would be to network, network, network. The people you play softball with today will be tomorrow's CEOs.

HOBBIES: Fitness — running, biking, hiking, Orange Theory. I am an avid reader and love to travel.

PETS: Two long-haired kittens. But I have been pining for a golden retriever my entire life. It is finally part of my five-year plan!

THING MOST PEOPLE DON'T KNOW ABOUT ME: I minored in Spanish at the University of California-Berkeley. After graduation and before attending law school, I lived in South America for six months to become fluent. It worked!

FAVORITE MEAL: Anything made by my husband. My favorite: pounded chicken giardiniera (the spicier, the better), crispy sliced roasted potatoes and copious amounts of broccoli.

FAVORITE BOOK: “100 Years of Solitude” by Gabriel Garcia Marquez

ON MUSIC: I'm obsessed with the “Hamilton” soundtrack. I can't get enough of it, and I get something more from it every time I listen, which is a lot!

ON A SATURDAY AFTERNOON: Spending time with my family — my husband and two children Amanda, 9, and Noah, 7.

MONDAYS: Run at 5:00 am, followed by waking up and kissing/tickling the kids.

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ON THE MOVE



Aon P.L.C. named **Andrew Marcell** CEO of reinsurance solutions, replacing Eric Andersen, who was named co-president of Aon. Previously he was president of Aon Benfield. He is based in New York.



Lockton Cos. L.L.C. named **Sallie Giblin** president of its San Diego operations. She succeeds Jim Skeen, founding president of Lockton's San Diego office. Previously, she was the office's executive vice president.



Grahame Chilton will step down as CEO of Arthur J. Gallagher & Co.'s international brokerage division, a position he has held since February 2015. He resumes his former role as founder and chairman of London-based Capsicum Reinsurance Brokers L.L.P.



The Oklahoma Workers' Compensation Commission hired **Sarah Greenwalt**, former senior counsel to U.S. Environmental Protection Agency Administrator Scott Pruitt, as general counsel. She is based in Oklahoma City.



Chubb Ltd. named **Steven F. Goldman** executive vice president, financial lines, for overseas general insurance. Previously, he was U.S. executive vice president, financial lines.

He is based in New York.



USI Insurance Services L.L.C. named **Danette Beck** national construction practice leader. She succeeds interim practice leader Bill Scott. Previously, she was West zone construction practice leader for Marsh L.L.C. She is based in Valhalla, New York.

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XL Group Ltd. named **Donnacha Smyth** president of global excess casualty. He replaces Barbara Luck, who joined American International Group Inc. Previously, he was with Aspen Insurance Holdings Ltd. He is based in Dublin.

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SEE MORE ONLINE



A license to joke about drunk driving

I'm drunk" vanity license plates in British Columbia are turning heads on the road as the Canadian province's public auto insurer fails to flag them as offensive.

Why? Because such declarations making their way on Insurance Corporation of B.C.-issued license plates are scribed in Punjabi slang: PK-TUNN, the CBC News reported this spring.

Regulators are calling the failure to catch offending plates "disappointing and upsetting," as the public insurance agency is now aiming to crack down on motorists who drink and drive, the network reported.

"I was like, seriously, is this happening in Canada?" said onlooker Raj Saini, who contacted CBC News about the plates.

Similar plates have also been spotted in Alberta, Saskatchewan, Manitoba and Ontario and posted to social media sites: Another example from British Columbia reads PK3PEG, translated as "drink three shots" or "after three drinks" in Punjabi slang, CBC News reported.

Pet coverage rolling in Japan

Pets in Japan are living longer thanks to advances in medical science, and the threat of soaring veterinary bills is a boon for the pet insurance market, The Japan Times reported in June.

The market, which covers cats and dogs, has seen annual growth of nearly 20% and was worth roughly \$450 million at the end of March last year, according to a private survey reported in the Japan Times.

The Japan Pet Food Association estimates there were 8.92 million pet dogs and 9.52 million pet cats in 2017, according to the article.

"Considering their pets as part of the family, owners who seek proper treatment for their pets are increasing," an official of ipet Insurance Co. Ltd., a Tokyo-based pet insurer, told a reporter.



MOON DUST GROUNDED IN COURT



Here's a lawsuit that's out of this world: A woman in Tennessee filed a suit in federal court last month against the National Aeronautics and Space Administration, claiming that a vial of moon dust man-on-the-moon Neil Armstrong gave to her late father as a gift is hers and they cannot have it. The lawsuit was a pre-emptive strike over the controversy of who owns the moon dust — NASA has not asked for it, but has a longstanding position that all lunar materials belong to the federal agency, according to multiple media outlets.

Laura Murray Cicco's lawyer told reporters she phoned him a few months ago to ask what she could do to keep her vial of moon dust. "There is no law against private persons owning lunar material," the lawsuit states, according to ABC News. "Lunar material is not contraband. It is not illegal to own or possess," adding "she is the rightful and legal owner of the vial and its contents."

A NASA spokesman said in a statement: "Since the issue has gone to court, it wouldn't be appropriate for NASA to discuss details related to the claim just yet."



Insurance building survives crash test

Nothing brings insurance to mind like a car crash. And if that doesn't work, driving into an insurance building might.

A 61-year-old Massillon, Ohio, woman demonstrated this concept this spring when she backed her Ford Mustang into the building of A.A. Hammersmith Insurance Inc., where she was a customer, CatonRep.com reported.

She was not injured, according to a police officer, who told a reporter that the woman appeared to have mistakenly pressed the gas pedal instead of the brake while attempting to leave the premises.

The building, too, is still standing — though hopefully its commercial property insurance is up-to-date.



Reality show in a fix over lead paint risks


The stars of the hit HGTV show "Fixer Upper" need to fix up their message about lead paint in old houses.

So says the U.S. Environmental Protection Agency, which fined Chip and Johanna Gaines \$40,000 in June and called for the couple to talk about lead paint on their show and to spend \$160,000 educating their own community of Waco, Texas, about lead-paint dangers, according to media reports.

"Fixer Upper" is a popular show that documents the revival of old, dilapidated homes into Pinterest-worthy dreams. As Vox.com reported, the reality is that some of the renovations in several seasons of the show "did not depict the lead-safe work practices," the agency said.

The parent company of "Fixer Upper," Magnolia Waco Properties L.L.C., reached a settlement last month. The Gaineses, meanwhile, announced the upcoming fifth season will be the final for HGTV.

Though "Fixer Upper" is ending, they wrote on their website that "we aren't done renovating homes."



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