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OCTOBER 2019



## SPECIAL REPORTS

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# DELIVERING MEDICAL SAFETY

As US maternal death rates climb, risk management plays urgent role

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## COVER STORY

The rate of maternal deaths in the United States, the highest of any developed country, is a growing concern. And while some contributing socioeconomic factors are outside of risk managers' control, they still have an important role to play in improving the quality of health care for at-risk women during childbirth. **PAGE 16**

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### VIEW FROM THE TOP

### BILL DIAZ

Bill Diaz, CEO of Atlanta-based RMIS provider Ventiv Technology Inc., has been in the risk and insurance technology business for more than 25 years. Before joining Ventiv, he was general manager, insurance, with Oracle Corp. Mr. Diaz was also with Marsh ClearSight LLC for 17 years, rising to CEO. In this issue, he discusses developments in the RMIS market and plans for growth. **PAGE 15**



### OFF BEAT

A vineyard owner has sued his neighboring pot grower over fears of contamination. **PAGE 41**



# Climate change puts building codes in focus

BY CLAIRE WILKINSON

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Strong and enforced building codes have proved valuable in mitigating hurricane and other disaster losses, but changes may be needed as communities prepare for climate-related risks, experts say.

With five Category 5 hurricanes in the Atlantic in the past four years, there are rising concerns over how to strengthen resilience and adjust to greater intensity and frequency of storms going forward, they say.

The entire state of Florida is susceptible to hurricanes and strong winds, but typically “hurricanes have been considered a sublimiting event for the Northeast” compared with the southern tri-county area of Miami-Dade, Broward and Palm Beach counties, which is in the traditional path of hurricanes, said Twane Duckworth, chief of insurance and risk management for the City of Jacksonville, Florida.

“That myth has recently been debunked insofar as we have more experience in the northeast part of Florida with hurricanes in the past three or four years with hurricanes Matthew, Irma and Hermine,” he said.

Hurricane Dorian, a Category 5 storm equal to the size of Florida, showed that “it doesn’t matter what part of the state you are in if a hurricane makes landfall,” Mr. Duckworth said.

As a result, changes are needed so that building codes in parts of Florida that traditionally have not seen high-velocity winds from hurricanes are strengthened, he said.

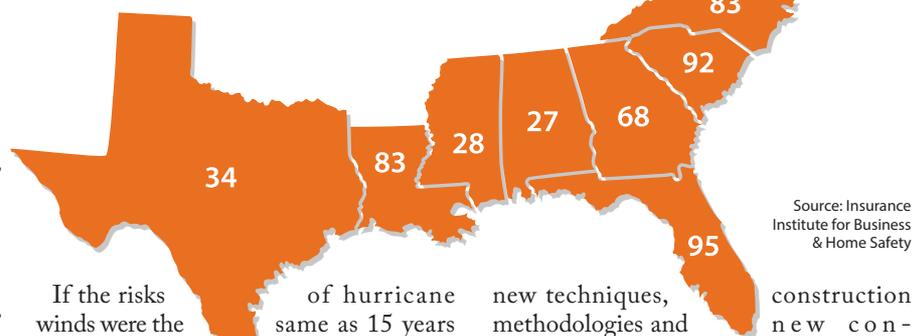
Building codes are dynamic, but they can be slow to change, said Peter Dailey, San Francisco-based vice president of model product management at catastrophe modeler Risk Management Solutions Inc.

For example, Florida’s building code is on a three-year cycle, so there is “a cycle of review and potential modification to the building code,” Mr. Dailey said.



## 2018 STATE SCORES

Based on state information available as of 2017



Source: Insurance Institute for Business & Home Safety

If the risks of hurricane winds were the same as 15 years ago, the three-year cycle would be enough, but given the influence of climate change on hurricanes, that may no longer be the case, he said.

“It may be pointing us in the direction of more frequent review of building codes,” Mr. Dailey said.

Evaluating the effectiveness of building codes in place today is important, said Lance Malcolm, U.S. president, contractor connection at Crawford & Co. in Jacksonville, Florida.

“There’s always opportunity for improvement, that’s why we have to be vigilant and make sure that we are keeping up with

new techniques, methodologies and new construction materials, and balance out how we apply those building codes to new construction and to rebuilding structures after loss,” Mr. Malcolm said.

Part of the challenge is that there is no universal approach to building codes across the United States, said Jim Breitreitz, Chicago-based vice president of property services, risk engineering U.S. at Zurich North America.

“This is administered state-by-state and individual states delegate to local municipalities. There’s no universal treatment or adoption of building codes ... and there are areas in the country that are not cov-

ered by building codes at all,” Mr. Breitreitz said.

Rising costs associated with building structures that can withstand higher wind speeds and greater storm surges is another concern, experts say.

“The question is whether we should build to be resilient toward Category 5 storms. We don’t build for the storms we have today let alone what a warming climate might bring in the future,” said Mark Bove, natural catastrophe solutions manager at Princeton, New Jersey-based Munich Reinsurance America Inc.

“In areas where there are good building codes, the wind-designed standards are probably up to a maximum of up to 140 mph or so. What’s the cost-effectiveness of building even more resilient?” he said.

“The probability that an individual location will be impacted by a Category 5 storm is very small, so whether the economics, time, cost and to some extent aesthetics are all palatable or affordable is an open question,” he said.

For insurers, building to a more resilient standard and code compliance is a key consideration, experts say.

“When we go to insure a building, we will work with the customer, learn how a building was built, and that will have an impact on the way underwriters look on a particular risk,” Mr. Breitreitz said.

The City of Jacksonville purchases property insurance up to \$400 million in limits that covers approximately 1,000 structures, Mr. Duckworth said.

“Our total insurable value is over \$3 billion; we’re not going to have a checking account big enough to weather a storm that could cause significant damage to our portfolio,” he said.

“Meeting codes and giving insurers data to indicate we have structurally sound property enabled them to feel more comfortable in giving us a reduced premium,” Mr. Duckworth said. The rate was reduced somewhere between 5 to 10 cents per \$100 of value, he said.

## DORIAN, MARIA LOSSES SHOW WHAT HAPPENS WHEN CODES GO UNENFORCED

Enforcement of building codes is a crucial part of mitigating disaster losses, especially in an era of more intense storms, experts say.

With Hurricane Dorian, a lack of supervision and enforcement of good building codes played a role in the level of devastation seen in the Bahamas outside of the resort areas, said Jim Breitreitz, Chicago-based vice president of property services, risk engineering U.S., Zurich North America.

Hurricane Maria, which hit Puerto Rico and the U.S. Virgin Islands in 2017, was also “an example of what happens when you have poor building code enforcement,” he said.

“It was a terrible disaster, and so much misery and loss of life could have been avoided by building to a more resilient standard,” Mr. Breitreitz said.

Even in a state or territory where building codes are updated, it’s as important that the codes are enforced properly, experts say.

“Changing building codes today doesn’t necessarily mean that every building out there meets those codes,” said Lance Malcolm, U.S. president, contractor connection at Crawford & Co. in Jacksonville, Florida.

“Enforcement is huge; making sure we’re enforcing the codes we have and that the codes we create are enforced in the future,” Mr. Malcolm said.

While Florida tops the list of hurricane-

prone states with the strongest residential building codes, Delaware ranks at the bottom, according to a 2018 report published by the Richburg, South Carolina-based Insurance Institute for Business & Home Safety.

Some 50% of a state’s rating as assessed by the institute is based on statewide adoption and enforcement of building codes, the report states.

Claire Wilkinson

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# Fall injuries remain stubbornly high

BY ANGELA CHILDERS AND LOUISE ESOLA

Employers continue to struggle with fall prevention measures nearly three years after federal regulators updated workplace safety rules in an effort to reduce fall-related fatalities.

Fall protection has remained the most cited violation by the U.S. Occupational Safety and Health Administration since 2010, and with falls killing more workers than ever in recent years, employers should place a renewed focus on reevaluating and managing the risk, experts say.

“I think the rule change has the potential to make an impact (on injuries and workers compensation claims), but I’m not sure if we’re seeing it yet,” said Trevor Neuroth, attorney in the Reston, Virginia, office of Jackson Lewis P.C., who represents employers on OSHA compliance.

Established in 1971, fall prevention and protection regulations were revamped in late 2016, requiring employers to assess their worksites for fall hazards and to have documentation of compliance, among other changes.

Despite the updates, workplace fatalities from falls reached an all-time high of 887 in 2017 from a low of 651 in 1995, according to the U.S. Bureau of Labor Statistics.

“I think (employers) are still getting the updates to their facilities into their budgetary cycles,” said Thomas E. Kramer, managing principal of LJB Inc., a firm that provides engineering safety consulting out of its Miamisburg, Ohio, office.

“Plus, for roof fall hazards, the most economical time to address these issues is during a reroofing, so this may take a generation of roofs, 10 to 20 years, before we see significant changes,” he said.

The standards change was “meant to improve employers’ consistency between their operations, whether or not they are a fixed facility, construction site or combination of both,” said Steve Martino, Mission Viejo,



California-based senior loss control consultant for AmTrust Financial Services Inc.

One of the main changes is that work site assessment requirements now apply to fall protection, said Mr. Kramer. The “intent is for proactive hazard identification” as well as giving employers a chance to fix a growing problem.

The change helped bring awareness to fall hazards that may have been overlooked, such as skylights and single-story roofs, which aren’t always recognized as a fall hazard despite exceeding fall hazard height limits under OSHA standards, Mr. Martino said.

Improvements have also been made in the erection and maintenance of scaffolding and employers’ recognition of its importance during construction, he said.

Loading docks higher than 48 inches from the ground are another fall hazard that the new standards helped employers recognize and mitigate, said Mr. Neuroth.

Fall protection gear is readily available in the marketplace, but the industry leans too heavily on personal protective gear and not enough on other strategies, such as installing guardrails, said Mr. Kramer.

“It’s easy to buy some lanyards and harnesses and think everyone is safe,” he wrote in an email. “However, the stats ... tell a different story. This is obviously a complex situation with lots of failure modes and issues that contribute, which is why we need better processes in all of these areas.”

One strategy is to create a targeted list of issues that need to be addressed, Mr. Kramer said.

“A common approach is reactionary; you walk through your facility and you have this scattered approach,” discovering a multitude of problems, he said. “We try to say, think of it as strategic. Let’s have a risk management approach. OSHA realizes you can’t address every hazard overnight. You need to have some process in place.”

Training is also key, said Mr. Martino, noting that 80% of accidents are primarily related to some inattention or carelessness on behalf of a worker.

“You can do as much as you want to protect the employee, but people are still going to jump off the last rung of a ladder or not pay attention to whether or not they’re too high and need some type of fall protection,” he said. “It’s just one of those things that we have to really continue to reinforce with employees, that it’s very important to their health and well-being, and they need to be diligent themselves.”

Companies should also look at the costs of prevention, according to Mr. Martino.

“One accident for a \$25,000 premium is going to cost (an employer) probably \$75,000 to \$100,000 to their business” as well as the cost of treatment for the employee, the impact on future premiums and their insurability in the future, he said. “Employers need to understand the impact to the bottom line ... (and) realize what it takes to manage workers comp exposures. Their greatest asset is the people who work for them.”

## TOP SAFETY VIOLATION TABLE SHOWS PROBLEM AREAS

Fall protection remained the most cited violation by the U.S. Occupational Safety and Health Administration in fiscal year 2019, according to preliminary figures released by the agency in September.

Although the number of fall protection violations dropped to 6,010 in 2019 from 7,270 in 2018, fall protection has remained the top cited safety violation for nearly a decade, and inadequate fall protection training also remains an issue with a No. 8 spot on OSHA’s 2019 list.

“Obviously falls are one of the focus areas that we are trying to minimize,” said Patrick Kapust, deputy director of OSHA’s Directorate of Enforcement Programs, noting that a lack of fall protection where workers are exposed to unprotected sides or an edge and a lack of training for employees on how to protect themselves from fall hazards remains an issue.

“Employers aren’t doing retraining when an employee has not retained” fall protection knowledge, and many employers also lack written certification verifying the training of their employees, he said.

The complete top 10 list of OSHA violations for fiscal year 2019 includes:

1. **Fall protection:** 6,010 violations
2. **Hazard communication:** 3,671 violations
3. **Scaffolding:** 2,813 violations
4. **Lockout/tagout:** 2,606 violations
5. **Respiratory protection:** 2,450 violations
6. **Ladders:** 2,345 violations
7. **Powered industrial trucks:** 2,093 violations
8. **Fall protection training requirements:** 1,773 violations
9. **Machine guarding:** 1,743 violations
10. **Eye and face protection:** 1,411 violations

Angela Childers

### FALL-RELATED INJURIES AND DEATHS BY INDUSTRY

Fatal falls hit their highest level in 26 years, accounting for 17% of worker deaths.

■ Injuries ■ Deaths

Industry	Injuries	Deaths
Construction	24,700	384
Manufacturing	22,040	49
Wholesale trade	10,250	21
Retail trade	29,830	29
Transportation and warehousing	23,490	46
Professional and business services	22,090	111
Education and health services	43,660	18
Government	63,350	44

Source: U.S. Bureau of Labor Statistics, 2017



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# Robots, humans can create dangerous mix

BY ANGELA CHILDERS

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Companies are installing robots at a pace faster than ever, and while the technology may eliminate dangerous work or reduce soft-tissue injuries among employees, the interaction between live workers and robots presents its own set of challenges.

Less frequent but more severe injuries will likely result from the introduction of robots more widely in workplaces, experts say.

To respond to the accelerated use of robotics, safety regulators are developing robot-related standards (see related story).

Robots have been used in manufacturing industries since the 1980s, but earlier versions were physically separated from workers, said Dawn Castillo, head of the National Institute of Occupational Safety and Health's Center for Occupational Robotics Research in Morgantown, West Virginia.

"Around 2010 and moving forward, we saw some pretty rapid advancement of robot technology, with manufacturers designing robots that wouldn't operate separate from workers," she said. "These new types of technology are very exciting and hold tremendous promise for doing work that's especially dangerous for humans. But there is the potential for injury if a human or robot unintentionally come together."

Robots are being ordered by and shipped to North American companies in record numbers, according to the Ann Arbor, Michigan-based Robotic Industries



Association, which said robot shipments to automotive companies were up 7% in 2018, compared with 2017, and shipments to nonautomotive companies were up 41%. In the second quarter of 2019, companies ordered more than 8,500 robots valued at \$446 million, said the organization, representing a growth of 19.2% over the same quarter in 2018.

At Steelcase Inc., in Grand Rapids, Michigan, robots have been on the floor in welding operations since the early 2000s. Their widespread adoption has reduced the company's leading causes of workplace injuries — sprains and strains — because the robot can take over tasks that would require the employee to lift and twist, said Tim Martin, the company's global health and safety supervisor.

Robots have moved beyond just the manufacturing floor, and the company is testing real-time interaction with autonomous robots in its 5G-connected workplace, and is also working on the use of robotic exoskeleton suits that employees can wear to assist with lifting and overhead work and enable them to continue to perform without the "aches and pains from normal job demands," he said.

Robots can increase efficiencies and reduce the likelihood of sprains, strains and repetitive motion injuries suffered by workers who perform that repetitive, high-frequency work, but their introduction into the workplace could increase the severity of an injury, said Laurence Pearlman, Chicago-based senior vice president for Marsh Risk Consulting's workforce strategies practice.

"If you get injured by a robot, it's not going to be a sprain or strain, you're going to have bone breakage or a fatality," he said. "We seem to have shifted from frequency to severity when we talk about robots. The reality is, while (a robot-related injury) doesn't happen frequently, the consequences can be really bad."

In 2015, a warehouse dock worker was crushed by the elevated forks of a laser-guided forklift; investigators think

he tried to remove some plastic wrap stuck in the machinery without initiating an emergency stop. In 2017, an automotive technician died when a manufacturing robot unexpectedly dropped a trailer hitch assembly. More recently in Washington state, a contractor's chest was crushed between a demolition robot and a wall during an HVAC demolition, and another worker's foot was crushed during a generator installation project.

"You really need to think about the unintended consequences and be proactive about understanding how the user interfaces with (the robot)," said Mr. Pearlman. "Things will get more automated and more autonomous ... and we have to manage those risks."

And as robots continue to enter the workforce, the risks will change, said Brad Wilkins, Clearwater, Florida-based loss control manager for AmTrust Financial Services Inc.

"Sometimes (a robot) reduces hazards, risk and payroll," he said. "If you replace workers with a robot, you also obviate the insurance. But I think what we're going to be seeing as robots evolve is that one risk might lessen, but another emerges."

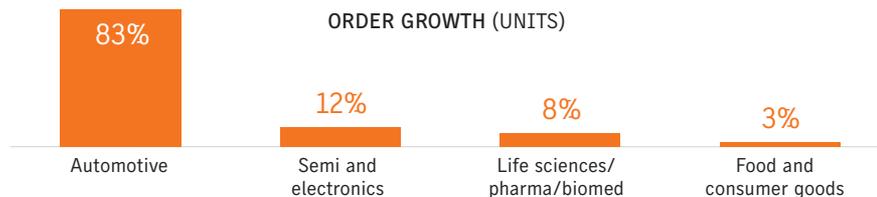
Workers compensation costs for injury frequency and overall premium may decrease with more jobs being performed by robots, he said. But injury severity could increase and products liability insurance costs, for example, may increase if a calibration issue with a robot causes product defects.

And as the use of autonomous vehicles is adopted by companies, there will be even more potential risks to address, said Vikrum Ramaswamy, Nashville, Tennessee-based risk control manager for Safety National Casualty Corp.

"From a risk perspective, if we have an (autonomous vehicle), what type of coverage kicks in?" he said. "There's an argument for subrogation already built in if the AV gets into an at-fault collision ... are we going to see an increase in demand for cyber liabilities as well as general liabilities? We're still trying to get our hands around these issues."

## A WORLD OF ROBOTS

More than 180,000 robots have been shipped to U.S. companies since 2010. The automotive industry accounts for the largest number of robot orders.



Source: Robotic Industries Association

## SAFETY AGENCY TO DEVELOP STANDARD AIMED AT CUTTING ROBOT-RELATED INJURIES

Addressing the safety implications of having employees working around robots is a top priority for the National Institute for Occupational Safety and Health's Center for Occupational Robotics Research.

The agency established the research center in September 2017, and is working on eight research projects and three pilots to aid NIOSH in developing a better understanding of humans and robots in the workplace and making

recommendations to develop a standard on how to increase safety, said Diana Castillo, who heads the robotics research center.

NIOSH uses a broad definition of a robot, she said, noting that technologies classified by the agency as robots can include industrial robots in fixed cells, mobile robots, driverless forklifts, powered exoskeletons, drones and even autonomous vehicles.

Although robots are moving into many workplaces, the U.S. Occupational

Safety and Health Administration's 300 logs for reporting workplace injuries still have no specific code to record workplace injuries from robots.

"We're excited about this technology," said Ms. Castillo. "We want to proactively be engaged so as the technology deploys, workers are kept safe from the beginning."

One area where accidents are more likely to occur between workers and robots is during maintenance and calibration, often because

a robot was not verified as being completely de-energized, said Dean Bortz, independent consultant with Lancaster Safety Consulting Inc., based in Wexford, Pennsylvania.

"Range of motion is so precise and hydraulics are unforgiving," he said. "(A robot is) not going to give you just a little squeeze, it's going to pin you in there. If there is a temporary energy restoration required, it has to be precise."

Angela Childers

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# Labor agency may ease profanity protections

BY JUDY GREENWALD

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The National Labor Relations Board appears prepared to revise Obama-era policies that protect employees engaging in union activity from disciplinary action if they use profanity.

Employer attorneys say the NLRB's policy went too far in protecting profane or obscene language and has risked putting employers in the position of either violating the National Labor Relations Act or enforcing Title VII of the Civil Rights Act of 1964, which forbids discriminatory activity. They would like to see the policy revised.

However, attorneys who represent workers said they do not see the need for a change.

A Sept. 5 NLRB "notice and invitation to file briefs" cites a September 2018 ruling by an NLRB administrative judge that held General Motors Co. had violated the National Labor Relations Act by suspending employee Charles Robinson because he had directed a profane outburst at a supervisor during a 2017 meeting in which Mr. Robinson was engaged in union activity.

General Motors has asked the board to overrule three previous NLRB rulings, *Plaza Auto* in 2010, *Pier Sixty* in 2015 and *Cooper Tire* in 2016, which "addressed circumstances in which extremely profane or racially offensive language was judged not to lose the protection of the Act," according to the invitation.

The NLRB is asking General Motors and interested parties to file briefs as to whether the current standard should be revisited. The invitation was issued by Republicans John F. Ring, the NLRB chairman, Marvin Kaplan and William J. Emanuel with Democratic board member Lauren McFerran dissenting.

Under the Obama administration, "the NLRB really went overboard in finding any type of complaint or criticism of an employer to be protected activity for



## KEY RULINGS

The National Labor Relations Board has been asked to reconsider three Obama administration-era rulings issued by the agency in the employee's favor:

- **Plaza Auto Center** in 2010, in which an employee used obscenity-laced language in talking with the business owner and warned the owner he would regret it if he were fired.
- **Pier Sixty LLC** in 2015, in which a worker posted an obscene message on his Facebook page about his supervisor.
- **Cooper Tire & Rubber Co.** in 2016, in which a worker told replacement workers during a strike to go back to Africa and called out other obscenities.

Source: NLRB

which you cannot terminate an employee," said Christopher V. Bacon, counsel, labor and employment, with Vinson & Elkins LLP in Houston, who litigates employment matters on behalf of private employers.

"There's really a commonsense border" beyond which an employer violates not only company policy but potentially other

laws, he said.

Kenneth J. Yerkes, a partner with Baker & Thornburg LLP in Indianapolis, who chairs his firm's labor and employment practice, said there was "a lot of negative pushback from the employment community" as a result of the cases issued by the board during the Obama administration.

Some of the comments in these cases "appeared to be outright insubordination, beyond just disrespectful, and as a result people were surprised that the board would protect that kind of explicit diatribe. And some of it was pretty explicit, using the 'f' word. It was not just low-level profanity. It was personal, and it was direct," said Mr. Yerkes.

"This is an area where, I think, employers aren't asking to be given a gift. They just want to be able to maintain decorum in the workplace," he said.

David P. Phippen, senior counsel with Constangy, Brooks, Smith & Prophete in Washington, said the board is "trying to rein in what the current board members see as overreach by the previously formulated board" that "really gave clearly

at least a free shot" at challenging almost any kind of discipline for misbehavior in connection with union activity, including racial or obscene outbursts.

Some of these outbursts can become blatant insubordination or sexual or racial harassment that an employer must crack down on, he said. The NLRA "doesn't say you're allowed to swear at anybody."

"I think from the employer's standpoint, it's important that the standards be adjusted because of the possible interplay with Title VII," Eric B. Meyer, a partner with FisherBroyles LLP in Philadelphia, said.

"It puts the employer in a very precarious situation. Do you risk taking a hit under the NLRB or do you risk taking a hit under Title VII? An employer should never be put in that situation," Mr. Meyer said.

However, David A. Rosenfeld, a shareholder with Weinberg, Roger & Rosenfeld P.C. in Alameda, California, who represents unions, said, "I think they've got themselves in a corner" because "the board well knows management and workers use strong language."

Any time a worker gets fired because they have violated a rule against profane language, they are going to "come up with evidence a supervisor used it" and was not disciplined, he said.

Eileen P. Goldsmith, a partner with Alshuler Berzon LLP in San Francisco, said it is a worker's right "to engage in concerted activity around their terms and conditions, and sometimes concerted activity may not be appropriate language for a kindergarten, but that's what's effective."

A change will "chill employees from working together to enforce their rights."

New York-based solo practitioner Joshua Parkhurst, who represents workers, said, "I don't think the Obama administration went too far."

The context of labor relations, which can become heated, must be considered, he said. "You don't come in and impose the Marquis of Queensbury rules just because it's labor relations," he said.

## CRITICS URGE ROLLBACK OF OBAMA-ERA POLICY ON UNION TALKS

Employer attorneys would like to see the National Labor Relations Board adjust the current policy, promulgated during the Obama administration, which they say goes too far in permitting employees to engage in profane and obscene language in connection with union-related activities.

"What the board needs to do is to find a way to harmonize the (National Labor

Relations Act) with Title VII (of the Civil Rights Act of 1964) so that an employer can address this kind of behavior in the workplace" and prohibit sexual or racist comments "without fear of violating the NLRA," said Eric B. Meyer, a partner with FisherBroyles LLP in Philadelphia.

"I think ultimately they'll come up with a standard that gets back to where the law was before this series of cases,"

said Michael L. Sullivan, a principal with Goldberg Kohn Ltd. in Chicago, who is chair of the firm's labor and employment group and advises employers, referring to decisions issued during the Obama administration.

What probably needs to happen is a balancing test, said Christopher V. Bacon, counsel, labor and employment, with Vinson & Elkins LLP in Houston, who

litigates employment matters on behalf of private employers.

People who sometimes "get a little emotional" when they engage in concerted activity and those who raise their voices or yell at their bosses should "definitely not" lose the NLRA's protection. But they "also have to learn how to restrain themselves in a civil manner," he said.

Judy Greenwald

# Sports training shifts from field to workplace

BY LOUISE ESOLA

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What might a football linebacker and an assembly line worker have in common?

Injuries such as muscle sprains and strains.

For a football player, that means physical therapy and missed games. In more traditional employment, that could mean missed work and a workers compensation claim.

Enter the world of “industrial sports medicine,” where workers are treated like the players, shown how to stretch and why, and taught which movements and stances could eventually lead to a musculoskeletal injury, among the most costly and time-consuming in workers comp.

“The way that we tend to put it is the most highly paid workforce on the planet is the professional athlete; the work that they do is physically demanding and very repetitive in nature, plus there is also the potential for major acute injury but a majority of their injuries are musculoskeletal,” said Dwight Gaal, Detroit-based CEO for The Industrial Athlete Inc., which has provided services in Walgreen Co.’s distribution centers nationwide.

“There is a special segment in the health field that intends to keep (players) performing and this is it,” he added.

Sports medicine is a branch of medicine that deals with physical fitness and the treatment and prevention of injuries related to sports by incorporating proper movement and stretching, and applying ice or heat on pain points is another facet, according to experts. While the practice has been in workplace safety for decades, it’s gaining more traction as a way to prevent the chronic pain injuries the industry is trying to avoid as it grapples with the opioid crisis, experts say.

“These programs are offerings that look to intervene as quickly as possible on the spectrum of discomfort to injury,” said Sean McDonald, Boston-based vice



president and ergonomics practice leader for integrated casualty consulting at Willis Towers Watson PLC, in an email. “By assisting the employee in the early stages of discomfort with their modalities (stretch, strengthen, massage, etc.), the employee is allegedly less likely to become injured because the modalities have assisted the body. If employees do not proceed to becoming injured, and thus workers compensation claims, it is likely less costly,” he wrote.

“Once you release (a worker) to the tradi-

## COMMON NONFATAL WORKPLACE INJURIES

Sprains, strains, tears and traumatic injuries to muscles, tendons, ligaments, joints in all industries in total represent the most nonfatal workplace injuries involving days away from work.

### SPRAINS, STRAINS AND TEARS

**311,330** RECORDABLE INCIDENTS

### TRAUMATIC INJURIES TO MUSCLES, TENDONS, LIGAMENTS, JOINTS, ETC.

**338,780** RECORDABLE INCIDENTS

### TOTAL NONFATAL INCIDENTS

**882,730** RECORDABLE INCIDENTS

Source: U.S. Bureau of Labor Statistics, 2017

tional health care system they are gone; that is a system that generates their revenue on diagnostic procedures and various treatments and medicine — insurance claims, basically,” said Mr. Gaal. “(Sports medicine) keeps players in the game.”

“Athletic trainers are a cornerstone in injury prevention,” said Martin Matney, Seattle-based chair of the council on practice advancement for the Dallas-based National Athletic Trainers Association, in an email describing the expansion of sports medicine

into the industrial setting. “The athletes and the setting may be different but often the musculoskeletal injuries are similar.”

Dennis Downing, who started Future Industrial Technologies Inc. out of his home in Santa Barbara, California, in 1992, said his previous work in the workers comp industry inspired him to work in sports medicine.

He had worked with a chain of grocery stores in California where sprains and strains were most common and expensive, and the most difficult to avoid,” he said. “They said, ‘Dennis, no matter what we do, the injuries don’t go down and even after (safety) training the injuries go up.’”

Workers comp “was like a treadmill that never ended,” he said, adding that managed care often arrives too late to the game. “Why do you want to manage care? Why not prevent it?”

“From there, I looked at the athletic model: How do you get athletes to repeat physical behavior under stress? A glaring issue in training in the United States is that employees are being asked to change their behavior via a lecture or video,” he said, adding that the prevention sports medicine approach “includes drilling or a physical practice to change behavior.”

The goal, he said, is to avoid cumulative microtraumas, which cause the most injuries, especially in shoulder and back. Sports medicine teaches people how to live and work “in gravity,” he said, adding that knowledge on movement and stretching can help eliminate “microtrauma” to muscles and joints that accumulate after time and lead to comp claims.

“Our experience is that the vast majority of workers want to stay on the job,” said Mr. Gaal, comparing a worker’s desire to not miss work to that of a player who doesn’t want to miss a game. He said both the worker and player are considered “active populations.”

“(Workers) want their full income; they want to remain active,” he said. “We put a huge emphasis on the (injury) prevention side.”

## EXERCISE TAPPED TO AVOID REPORTABLE INJURIES, KEEP EMPLOYEES FIT FOR WORK

One plus to the sports medicine model is that the service is often classified as first aid and is not a reportable event under the U.S. Occupational Safety and Health Administration’s rules on tracking injuries, said Tony Kaczowski, Milwaukee-based chief strategy officer for national industrial sports medicine provider Briotix Health Ltd.

Mr. Kaczowski, whose background includes working with college football teams and Olympic speed skaters, demonstrated stretching techniques for common industrial pain — neck, shoulder, and back, for example — to safety professionals attending the

Volunteer Protection Program Participants Association’s Safety + Integrated Safety & Health Management Systems Symposium in New Orleans in August.

He went through stretches that workers can do to manage “discomfort,” the predecessor to pain and later on, an injury and an OSHA-reportable event.

Dr. Tommy Hysler, Houston-based chief medical officer for the Houston Area Safety Council, said employers thinking of the sports medicine prevention approach — which he said can also fall under the category of “work hardening,” or a process

that provides body conditioning for work among other tasks — should be sure not to cross the “thin line” between the prevention techniques and a comp injury.

“As soon as somebody says ‘I am injured, I am in pain, I have a problem,’ that automatically kicks into physical therapy,” which becomes a comp claim, he said. “There’s a very fine line between physical therapy and a work conditioning program. Formal physical therapy is a ding on their record per OSHA. Work hardening is not.”

Dwight Gaal, Detroit-based chief executive officer for The Industrial Athlete Inc., said

one approach to avoid an OSHA report is to speak with a supervisor to find a way to keep a worker in the job but eliminate the task that is aggravating pain.

“Following OSHA’s definition of first aid, we can provide heat, cold, over-the-counter anti-inflammatories in nonprescription doses, we can do manual exercises, we can temporarily modify the job without it being considered restrictive duty,” he said. “We can continue to treat for two weeks to see if the issue resolves. It usually doesn’t take us two weeks; it’s a matter of days.”

Louise Esola

# Proponents push for TRIA renewal

BY MATTHEW LERNER  
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The U.S. terrorism insurance backstop will likely be renewed, but it remains unclear in what form and when legislation will be introduced, sources say.

Insurance industry advocates will likely push for some changes to the backstop, which is commonly referred to as TRIA, such as extending the program for a longer period.

But the industry is anxious to avoid another temporary lapse in the backstop as happened during the most recent renewal.

The Terrorism Risk Insurance Act was passed in 2002 in response to massive losses from the Sept. 11, 2001, terrorism attacks in the United States. It provided a government guarantee for insurers exposed to terrorism risk — a peril that insurers said was unpredictable and difficult to underwrite.

The program was renewed three times, most recently in Jan. 12, 2015, via the Terrorism Risk Insurance Program Reauthorization Act. The last renewal occurred two weeks after the prior law expired, sending many policyholders, insurers and others scrambling to craft and implement solutions to lapses in coverage and other challenges. TRIPRA expires on Dec. 31, 2020.

“I’m still anticipating that we’re going to get a renewal unless something totally unanticipated happens,” said Wendy Peters, executive vice president of financial solutions terrorism and political violence for Willis Towers Watson PLC in New York. Ms. Peters also sits on the Advisory Committee on Risk-Sharing Mechanisms of the U.S. Department of the Treasury.

But “we’re not there yet,” and “there’s a lot of conjecture going on,” regarding an extension bill, she said.

Aaron Davis, Chicago-based managing director for Aon property broking, a division of Aon PLC, said action on TRIA may have slipped down the federal legislative agenda into next year, possibly the second quarter.

A report on the program by the Treasury’s



advisory committee is due in June 2020, said Ms. Peters. The committee will likely complete its recommendations before the deadline, but “we’ve still got a way to go” and legislation has not yet been drafted, she said.

The committee, which is charged with advising the Federal Insurance Office on the creation and development of nongovernmental, private market risk-sharing mechanisms for terrorism risk, last met in August and is scheduled to meet again in September.

Risk managers generally have been supportive of TRIA.

“TRIA is a good core backstop, especially for small and medium size organizations without access to alternative markets. It assists and stabilizes the market for all participants,” said John Burkholder, director of risk and records management for Bernalillo County in New Mexico, which includes Albuquerque. Mr. Burkholder is also chair of RIMS’ External Affairs Committee.

He utilizes TRIA to secure terrorism coverage for the county, and notes that Bernalillo County is the home of the National Museum of Nuclear Science and Sandia National Labs,

giving the area a strategic profile.

“Local governments are very susceptible to terrorist acts,” Mr. Burkholder said. “It’s important to have this protection,” without which the county would have to make “changes” in its activities, he said, without being specific.

“It is important to have TRIA as a backstop. Otherwise, there would be uncertainty of how to cover the protections afforded by the Act and what changes would be required for our operations and coverages,” Mr. Burkholder said.

James Lynch, chief actuary and senior vice president of Research and Education for the Insurance Information Institute in New York, says the program has helped foster a strong commercial marketplace.

“You can look at it objectively and say it has worked because there is a marketplace and the market is certainly more robust than it was in its earliest days,” he said.

Research from Aon shows terrorism premiums have declined substantially both as a portion of property premiums and total insured value (see chart).

“The participation of insurers has increased significantly since the program started,” Ms. Peters said. “It is encouraging participation.”

Beyond renewal of the program, TRIA advocates are lobbying for a longer extension than the previous five years. The National Association of Insurance Commissioners is advocating an extension of seven to 10 years.

Aon is calling for an extension of a minimum of 10 years, noting that “an early and extended reauthorization would keep the market stable and avoid increased costs to the system,” while warning “if not reauthorized, we believe property and casualty insurers will not write policies that protect clients from highly destructive terrorist events, and pricing will spike as many terrorism insurance carriers exit the market.”

Past reauthorizations have increased insurers’ retentions and made other changes.

## TREASURY LOOKS INTO RISK-SHARE SOLUTIONS

In its preparations for the expiration of TRIA at the end of 2020, the U.S. Treasury Department is casting a wide net in its investigations into risk transfer mechanisms, industry sources said.

“There are all different ways to look at this,” said Wendy Peters, executive vice president of financial solutions terrorism and political violence for Willis Towers Watson PLC in New York. Ms. Peters also sits on the Advisory Committee on Risk-Sharing Mechanisms of the U.S. Treasury Department.

The committee, she said, is “exploring all different types of solutions including the use of the (insurance-linked securities) markets as well as the traditional marketplace and trying to get a better understanding of what’s available in terms of capacity,” as well as “other comparable tools around the world like Pool Re.”

Pool Reinsurance Co. Ltd., Britain’s terrorism risk reinsurer, in February secured £75 million (\$99.1 million) in coverage through a catastrophe bond.

The three-year bond, issued through special-purpose vehicle Baltic PCC Ltd., was Pool Re’s first use of the ILS market to secure retrocessional reinsurance coverage.

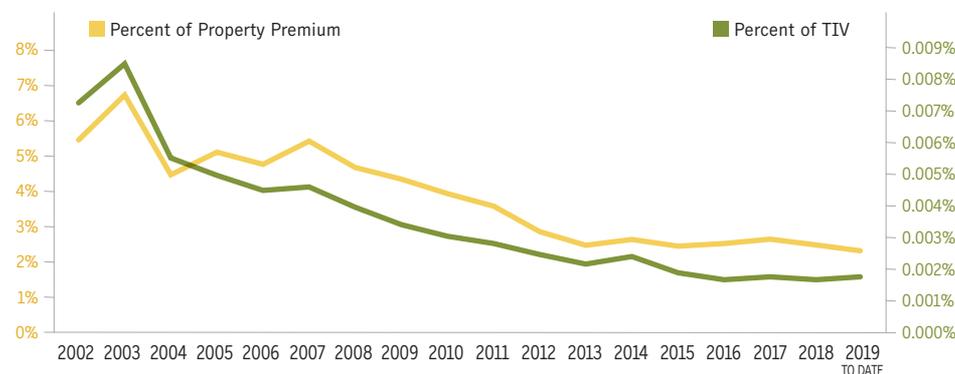
Although such methods have been employed on a limited basis by other nations, sources say any ILS role in supporting TRIA could be several years away.

The capital markets’ role in the insurance markets is evolving but likely still a decade or more away from participating in the terrorism backstop or insurance markets, according to Aaron Davis, managing director for Aon Property Broking within Aon PLC.

Matthew Lerner

### TERRORISM PREMIUMS

Median terrorism premium as percent of median property premium and TIV (total insurable value)



Source: Aon

## PROFILE: DOMINICAN REPUBLIC

# 68

GLOBAL  
P/C MARKET  
RANKING

The Dominican Republic is the largest Caribbean exporter of agricultural produce and also caters to tourists. The insurance market in the Dominican Republic is growing, but it is characterized by relatively low market penetration compared with peer markets in the region such as Jamaica, Puerto Rico and Trinidad and Tobago. The property/casualty insurance market is crowded for the volume of business available and relatively concentrated. Market conditions in mid-2019 had hardened across most business lines, particularly for property, mostly because of impacts from Hurricane Maria and several recent commercial fires. The liability market is relatively undeveloped, and new insurance law might be adopted in the near future. But there are good conditions for future market growth. In a closely watched development, the country's largest health insurer, Humano Seguros, entered the P/C market in 2018.

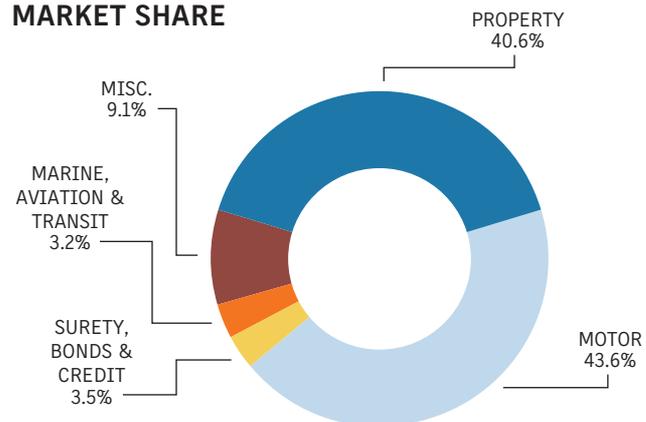


### MARKET DEVELOPMENTS

Updated August 2019

- In 2018, the largest health insurer in the Dominican Republic, Humano Seguros, entered the property/casualty insurance market. It has started to offer a range of classes including commercial property, liability, cargo, homeowner and auto.
- Market conditions, particularly for property, have hardened. There have been two main causes: the impact of regional catastrophe events, including Hurricane Maria, on July 1, 2018, reinsurance renewals; and the recent spate of large commercial fires, which highlight the need for commercial organization to improve their approaches toward risk management.
- While the Dominican Republic is not litigious, there is starting to be increased demand for liability covers and also for higher policy limits. One of the reasons is that some of the large fires recently suffered have caused damage to surrounding property and made companies far more aware of the need to have adequate liability insurance in place. Another arises from greater demand from hotels for public liability insurance as tourism increases.
- In May, Canada's Scotia Bank completed the sale of Scotia Seguros, a multiline insurer, and Scotia Crecer AFP to Grupo Rizek, a Dominican Republic-based diversified group with businesses in agribusiness, energy and financial services.

### MARKET SHARE



### AREA

18,656

square miles

### POPULATION

11.0

million

### MARKET CONCENTRATION

80.2%

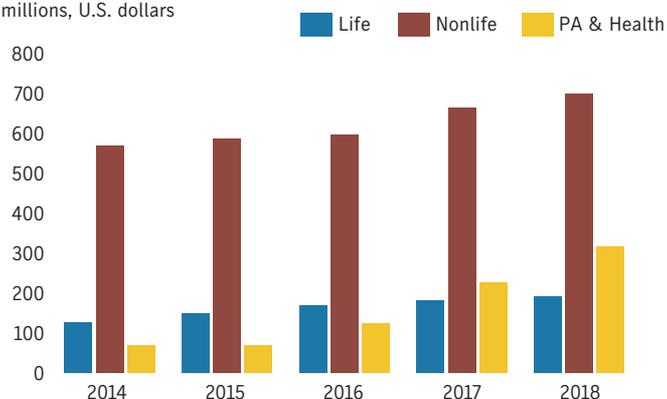
market share of top five insurers

### 2019 GDP CHANGE (PROJECTED)

5.0%

### MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

### COMPULSORY INSURANCE

- Auto third-party bodily injury and property damage
- Aviation liability
- Bond guaranteeing compliance with environmental laws
- Professional indemnity for larger insurance brokers
- Shipowners liability against marine oil pollution
- Workers compensation

### NONADMITTED

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

### INTERMEDIARIES

All intermediaries are required to be authorized. Only approved reinsurance brokers may handle nonadmitted insurance. There is no legal obligation on intermediaries or insurance companies to warn the insured that the insurer is not subject to local supervision.

### MARKET PRACTICE

Market practice conforms to local legislative requirements, and there are few requests for placement of business outside the country. Requests have been made to the regulator for permission to place business abroad, especially as part of a global insurance program, some of which have been authorized and others refused. Fronting is seen as an effective and legal means of avoiding the problem.

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



## Insurer settles with NFL over injuries

■ The National Football League and Westport Insurance Corp. settled a long-standing court battle stemming from insurers refusing to indemnify the league for the cognitive and neurological injury claims made by a group of retired football players.

The undisclosed settlement was filed in New York state court. Overland Park, Kansas-based Westport, a subsidiary of Swiss Re Ltd., was one of more than 30 insurers who banded together after the NFL agreed to pay injured players more than \$1 billion in a settlement finalized in 2015. That settlement included an uncapped, inflation-adjusted monetary award fund to remain in place for 65 years and provide compensation for retired players with certain diagnoses; a \$75 million baseline assessment program that provides eligible retired players with free examinations of their objective neurological functioning; and a \$10 million education fund to teach players about injury prevention.

With this most recent settlement, 25 insurers remain in the lawsuit against the league. While the insurers stated they did not seek to “join forces” with each other in a letter to the court in 2016, they filed together for discovery purposes, and the remainder in the lawsuit signed off on the Westport settlement.

## Willis merger lawsuit reinstated

■ Citing a purported secret meeting between then-Towers Watson & Co. CEO John J. Haley and an investor, during which Mr. Haley was allegedly promised a six-fold pay increase in exchange for his support of 2016’s \$18 billion merger with Willis Group Holdings PLC, the 4th U.S. Circuit Court of Appeals in Richmond, Virginia, reinstated a shareholder lawsuit filed by former Towers Watson shareholders.

According to the ruling in *In Re: Willis Towers Watson PLC Proxy Litigation*, a major Willis investor, San Francisco-based ValueAct Capital Management LP, and its CEO, Jeffrey Ubben, were

closely involved in the negotiations.

In a September 2015 meeting before the shareholder vote on the merger, Mr. Ubben, who was a future member of Willis Towers Watson’s compensation committee, allegedly discussed a proposed compensation plan with Mr. Haley for his services as CEO of the combined company, under which Mr. Haley stood to receive \$165 million in compensation over three years.

Mr. Haley “didn’t disclose the pay plan to the Towers directors or shareholders,” according to the ruling. A month later, in October 2015, Towers filed a proxy statement with the U.S. Securities and Exchange Commission in anticipation of a shareholder vote on the merger.

“The proxy stated that the Towers board had considered all conflicts of interest, even though the board wasn’t aware of Haley and Ubben’s discussions about compensation,” said the ruling.

University of California regents, on behalf of themselves and other shareholders, sued Willis Towers Watson, naming as defendants Willis Towers Watson, Towers, Willis, Mr. Haley and former Willis CEO Dominic Casserley.

The U.S. District Court in Alexandria, Virginia, dismissed the litigation on the grounds the complaint was barred by a statute of limitations and that it “failed to allege that the facts omitted from proxy documents were material.”

The panel remanded the case for further proceedings.



## AIG unit loses Trek bicycle case

■ A Wisconsin court does not have jurisdiction over Taiwanese insurers, says a federal appeals court, in affirming dismissal of litigation filed by an American International Group Inc. unit against a Taiwanese unit of Zurich Insurance Group Ltd. and another Taiwanese insurer.

Waterloo, Wisconsin-based Trek Bicycle Corp. had two purchase order agreements with Taiwanese companies to buy bicycles and bicycle parts, according to a ruling by the 7th U.S. Circuit Court of Appeals in Chicago in *Lexington Insurance Co. v. Hotai Insurance Co., Ltd. and Taian Insurance Co. Ltd.*

Both companies were required under their agreements to add Trek as an additional insured under their products liability insurance coverage, which they did with Taiwanese insurers Zurich Insurance (Taiwan) Ltd., which operates as Hotai Insurance Co. Ltd., and Taian.

In 2012, a Louisiana resident became a quadriplegic when he fell after the front wheel of the Trek bicycle he had rented detached from its frame. He, his wife and son sued Trek, among others, but neither of the Taiwanese companies.

AIG unit Lexington Insurance Co., which insures Trek through comprehensive general liability and commercial umbrella policies, settled the case, then sought reimbursement from Zurich and Taian.

After they refused reimbursement, AIG filed suit against the insurers in U.S. District Court in Madison, Wisconsin, which dismissed the case, holding it did not have personal jurisdiction over the Taiwanese insurers.

Its ruling was affirmed by a unanimous three-judge appeals court panel.

“Both contracts acknowledged Trek as an additional insured and extended coverage for liabilities incurred ‘worldwide.’ But neither of these provisions constitute a contact with the state of Wisconsin,” the ruling states.

## Teacher wins fight over disability pay

■ A teacher is entitled to accidental disability retirement benefits, even though her injuries did not occur performing tasks in her job description, a Massachusetts Appeals Court held.

In *Boston Retirement Board v. Contributory Retirement Appeal Board*, the appeals court affirmed a ruling granting benefits to teacher Deborah Walsh, who alleged she sustained injuries, including an injury from lifting and carrying a computer to her classroom in September 2009, an injury in October from moving heavy tables, and an injury in December from breaking up an altercation among several students.

The Contributory Retirement Appeals Board granted her request for accidental disability retirement benefits. However, the Boston Retirement Board argued that the incidents were not compensable personal injuries because the tasks she was performing were not part of her job duties and did not occur during working hours.

The appellate court disagreed, holding that Ms. Walsh presented sufficient evidence to satisfy that her disability was “the natural and proximate result” of personal injuries sustained in the course of her job duties. The court noted that her job description stated that teachers were required to maintain a classroom that was attractive and assume general responsibility for the welfare of the students.

## DOCKET



### UBER DRIVER NOT COVERED

An Uber driver is not entitled to coverage for injuries from an accident after she dropped off a passenger, the 10th U.S. Circuit Court of Appeals ruled in *Bonni J. Genzer v. James River Insurance Co.* The insurer’s policy states coverage is “coterminous with a passenger’s ‘requested transportation services,’ which conclude when the passenger reaches his or her ‘final destination’ and fully exits the vehicle.” The “outcome is dictated by the covered-auto endorsement’s plain terms,” said the ruling.

### JUMP ROPE RULED NOT A WEAPON

Disability discrimination charges were reinstated by the 5th U.S. Circuit Court of Appeals in New Orleans in a case involving an autistic boy, S.W., who was handcuffed by a police officer after allegedly threatening harm with a jump rope. The court said the defendants “consistently refer to S.W.’s ‘nunchucks’ and to his ‘weapon.’ A jump rope in the hands of an eight-year-old child is not a weapon and is not capable of inflicting the same injuries or damage as an actual weapon, such as nunchucks, in the hands of an adult.”

### STRANDED SAILORS’ SUIT PROCEEDS

A federal district court refused to dismiss a lawsuit filed against a Travelers Cos. Inc. unit by six sailors who were stranded in Cuba without money and forced to subsist on rats and insects. The tugboat crew were on their way to Haiti when they ran out of fuel and were not repatriated for a year. The crew obtained a \$3 million judgment against the tugboat operator, which was insured by Travelers. The insurer argued that its policy was a “policy of indemnity not liability.” However, 11 of the loss categories in the policy are introduced as “liability for,” said the ruling.



Bill Diaz became CEO of Atlanta-based risk management information systems provider Ventiv Technology Inc. in January 2017 and has been in the risk and insurance technology business for more than 25 years. Before joining Ventiv, he was general manager, insurance, with Oracle Corp. Mr. Diaz was also with Marsh ClearSight LLC for 17 years, rising to CEO. Mr. Diaz recently spoke with *Business Insurance* Deputy Editor Claire Wilkinson about developments in the RMIS market and plans for growth. Edited excerpts follow.

## Bill Diaz

VENTIV TECHNOLOGY

**Q** Ventiv was recently acquired by private equity firm Tailwind Capital Group LLC. What does the change in ownership mean for the company?

**A** The integrated risk management space for technology is growing significantly. Ventiv is clearly one of the leaders in that space, so we had tremendous interest in our business. Tailwind was excited to partner with Ventiv to continue our growth trajectory. Tailwind is also about three times larger than our former private equity owner and is very interested in accelerating our growth plans beyond organic growth efforts such as significantly expanding our client facing operations, but then coupled with capital so that we can make further acquisitions in this space to broaden our range of capabilities across integrative risk management.

**Q** What is Ventiv's appetite for mergers and acquisitions?

**A** We made two acquisitions in the last 18 months. In December 2018, Ventiv acquired claims software firm David Corp., and we acquired RMIS provider WebRisk from Effissoft SAS in October 2017. Our primary focus moving forward is to continue to expand out across the integrative risk management landscape. For example, historically there are multiple stakeholders within an organization responsible for managing, administering or mitigating risk on behalf of an organization. Ventiv grew out of an insurance broker, so historically we've been focused on the director or vice president of risk management and out of that department. Over time, we have worked with other functional teams such as environmental health and safety teams. But there are many other stakeholders responsible for risk management such as legal teams, IT teams, business continuity teams, so we have organically built a capability for ELM, which is Enterprise Legal Management, through a partnership with the County of Los Angeles. I think we can both broaden our capability in ELM as well as other areas across the integrative risk management spectrum like business continuity management, vendor risk management, IT risk management.

**Q** There's been substantial M&A activity in the RMIS and broader industry in recent years. How does that affect Ventiv's business?

**A** Every acquisition creates some level of opportunity. It all depends on how it is managed. This isn't isolated to the integrated risk management marketplace, but obviously there are examples of combinations that go awry where customers are unclear about the management team, the strategy and the commitment to their buy-ins. In those cases, it creates great opportunities for competitors. The inverse is that through acquisition, companies can add tremendous

is getting board level visibility and you need a tool or toolset to be able to track and manage that effectively. In that sense, the wind is at our back. The market trends are helping us and the challenge for our customers is to manage this across the enterprise. Also, mobile adoption and digital is pervasive, and our society is changing with millennials. It is how people expect to interact with companies either to provide information or get information. So we've invested a lot of our resources around improving our digital capabilities for our customers, because getting risk information early in the process is critically important to determine the severity of the outcome or potential outcome. Finally, tools like robotic process automation are going to be increasingly important. Every company is being driven to be more efficient with its time so it can operate around the clock. Utilities like RPA really enable that.

**Q** What are some of the key technology tools most used by risk managers?

**A** Beyond digital and mobile, and RPA, the other tool is analytics. For example, if you're the risk manager of a hospitality business with multiple locations, by combining social data with traditional risk data we've begun to see correlations. If people are complaining, let's say on Facebook, around the cleanliness of a location that a hospitality group might be managing, you can expect that there will be greater frequency and severity of losses that would be directly correlated to the number of customer complaints. If you go into a facility that's dirty or poorly managed, or understaffed, there could be many root causes to risk-related events. By the time you have a claim, it's just a claim, but what were the root causes of that claim that drove a certain type of behavior? I could use similar examples with weather and socioeconomic data. We're seeing more and more risk managers becoming increasingly savvy around trying to understand the root cause of their risk so that they can employ better practices and loss control measures.



capability and intellectual property and broaden their customer base and reach, creating opportunities for cross-selling and expansion. That's certainly what we intend to do as we continue to pursue our acquisition strategy.

**Q** How will technology transform the insurance and risk management industry in the future?

**A** Much of this is driven by the increased visibility, importance and interest that risk management is gaining at corporations or client public entities in the first place. As the need for that information has grown, so has the demand for solutions that we provide because today risk management

Mobile adoption and digital is pervasive, and our society is changing with millennials. ... So we've invested a lot of our resources around improving our digital capabilities for our customers, because getting risk information early in the process is critically important to determine the severity of the outcome or potential outcome.

# HIGH MATERNAL DEATH RATES RAISE CONCERNS

Risk managers have role to play in improving health care quality for at-risk women in childbirth

BY JUDY GREENWALD

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

**A** larger percentage of women in the United States die from childbirth-related causes than in any other developed country, studies show.

While some of the socioeconomic factors contributing to the seemingly surprising trend are outside the control of health care institutions and their risk managers, increased attention is being paid to effective hospital risk management programs that can reduce maternal death rates.

# Quality program leads to much improved outcomes

Many observers point to the success of the California Maternal Quality Care Collaborative as a promising sign of how maternal deaths during pregnancy can be reduced.

Maternal mortality rates fell by 55% in California between the collaborative's founding in 2006 and 2013, the latest year data is available. The program, which began at Stanford University in Palo Alto, California, is one of numerous programs nationwide addressing the issue.

Administrative Director Cathie Markow said elements of the program include the development of toolkits that take "the most current evidence-based practices and provide the hospitals with guidance on how to address" different pregnancy-related issues, whether it is hemorrhaging, preeclampsia — a high



blood pressure condition pregnant women can develop — or cardiovascular disease. Other elements to the California

program include the maternal data center, an online tool that takes information submitted by hospitals and

provides "quality improvement insights," such as trends for maternal morbidity or cesarean sections, so the hospitals in the program "can drill down to get more in-depth insights of where to focus their quality improvement efforts," said Ms. Markow.

"You need the data, but it's built on awareness within the hospital," she said.

Traditionally, "the labor and delivery unit has not always been engaged with the quality teams," and it is important "they're not left aside from the focus on quality," said Ms. Markow.

"The bottom line is, it's the staff at the hospitals that are making the difference," she said. If the risk manager "can get a committed group of clinicians working together, anything's possible."

*Judy Greenwald*

Many observers point to the success of a California program that has significantly reduced maternal deaths.

Meanwhile, although there is a consensus that the high death rate leads to higher medical malpractice insurance rates, its precise effect is difficult to assess.

According to the Centers for Disease Control and Prevention in Atlanta, 700

women die from pregnancy-related complications each year in the United States, and about three in five of those cases are preventable.

Heart disease and strokes cause most pregnancy related deaths, which can occur up to a year after birth, while obstetric emergencies such as severe bleeding and amniotic fluid embolisms, where amniotic

fluid enters a mother's bloodstream, cause most deaths during delivery, according to the CDC.

"There is a rising number of maternal complications and severely poor outcomes and it's probably due to a multitude of factors," said Dr. John C. Evanko, chief medical officer for Burlington, Vermont-based med mal insurer MCIC Vermont,

a reciprocal risk retention group.

"The reason this is happening is complicated, and can be influenced by many factors, including increased rates of chronic diseases, differences in access to care, maternal age at the time of pregnancy and various social factors such

See **MATERNAL** next page

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## MATERNAL

Continued from previous page

### MATERNAL MORTALITY RATIOS BY RACE/ETHNICITY

Considerable racial/ethnic disparities in pregnancy-related mortality exist. During 2011–2015, the pregnancy-related mortality ratios were:

**42.8**  
PER 100,000  
BLACK  
NON-HISPANIC  
WOMEN

**32.5**  
PER 100,000  
AMERICAN  
INDIAN/ALASKAN  
NATIVE  
NON-HISPANIC  
WOMEN

**14.2**  
PER 100,000  
ASIAN/PACIFIC  
ISLANDER  
NON-HISPANIC  
WOMEN

**13.0**  
PER 100,000  
WHITE  
NON-HISPANIC  
WOMEN

**11.4**  
PER 100,000  
HISPANIC  
WOMEN

Source: Centers for Disease Control and Prevention

as housing and education,” all of which “can contribute to elevated maternal mortality rates,” said Dr. Laurie Zephyrin, vice president, health care delivery system reform, at the Boston-based Commonwealth Fund foundation, a private foundation that supports health care research that conducted a study of the issue.

Up until relatively recently, women typically had their first babies in their 20s, said William J. McDonough, Washington-based managing principal and member of EPIC Insurance Broker & Consultants’ health care practice. Today, a significant number of women have their first child in their 40s, which presents higher risks, he said.

Another factor in high-risk maternal deaths is the prevalence of high blood pressure, diabetes, obesity and alcohol and drug abuse in the United States, medical experts say.

Death rates also vary by ethnicity. Black, American Indian and Alaska native women are two-to-three times more likely to die from pregnancy related causes than white women, according to a CDC report issued in September.

Income disparity is greater in the United States than in most other developed countries, and many women in the U.S. do not have access to health care or are underinsured and, therefore, are more likely to delay their first prenatal

visits, said Dr. Jeffrey Levin-Scherz, Boston-based health management practice co-leader at Willis Towers Watson PLC and an assistant professor at Harvard Medical School.

There has also been a lack of attention to the issue. “What we see is, a lot of hospital protocols don’t streamline procedures for dealing with fatal complications and there needs to be more best practices around that,” said Lainie Dorneker, Chicago-based president of Iron-Health, a Liberty Mutual Insurance Group unit.

*“What risk managers are doing, and need to do, is place this issue, as they have for infant mortality, on their risk radar screen. ... get the administrative and clinical leadership aware.”*

William J. McDonough,  
EPIC Insurance Brokers &  
Consultants

To some extent, the focus in the medical malpractice sector has been on infant claims, which are sympathetic cases that require expensive life care plans.

There is “a lot less focus on maternal death claims, I think, because the damages aren’t as severe,” Ms. Dorneker said. “The awards aren’t as high, so they don’t garner as much attention.”

Every hospital “needs to examine their practices and processes,” said Robin Begley, Chicago-based chief nursing officer for the American Hospital Association.

### Risk management

Hospitals with captive insurers can access valuable data that can help improve risk management protocols, said Michael Maglaras, Ashford, Connecticut-based principal with insurance and risk management consultancy Michael Maglaras & Co.

“One of the secrets to getting our arms around a reduction in maternal mortality” is more effectively using the data that has been collected by captive insurance companies for more than 25 years, he said.

For many years, he said, captive insurers’ reports were submitted to health institutions’ chief financial officers. “The smart money today” is on reporting structures where risk management and the captive program report back to the chief medical officer, the person in the organization who can take that data and “translate it internally” into quality improvement, said Mr. Maglaras.

“What risk managers are doing, and need to do, is place this issue, as they have for infant mortality, on their risk radar screen,” said Mr. McDonough. Risk managers should focus on patient safety protocols, present information to committees, and “get the administrative and clinical leadership aware that it is a major issue,” he said.

Risk managers played a significant

role in developing safety guidelines for infant care and have the opportunity to do the same for maternal health during pregnancy and delivery, said Mr. McDonough.

Risk managers should manage the risk based on their location and patient demographics, said Dr. Evanko. If they are at a remote site at a distance from more sophisticated medical centers, for instance, they should have policies in place to identify and move patients who must be transferred to other facilities, so they do “not get stuck with a bad scenario,” he said.

“Risk managers can help to reduce rates of maternal mortality by staying informed about, and supporting the implementation of, evolving evidence-based practices in obstetrics,” said Theresa Vander Vennet, director of clinical risk management and associate general counsel at Yale New Haven Health in Greenwich, Connecticut, in an email.

“In addition, advocating for the implementation of high reliability safety practices, team training and supportive, objective medical peer review processes are all within the purview of the hospital risk managers,” she said.

Simulation exercises where “teams get together and work on scenarios that are usually high severity, but low frequency” can also be effective, said Darrell Ranum, Columbus, Ohio-based vice president of patient safety for medical malpractice insurer The Doctors Co.

Post-partum hemorrhaging, for example, “doesn’t happen very often, but the consequences can be cata-

## Med mal rates firming, hard to pinpoint cause

While there is increasing concern about the high rate of maternal deaths in the United States, it is difficult to establish how medical malpractice insurance rates are affected by related claims.

“We’re starting to see some hardening of the market” driven by higher loss ratios, said Joanne Gunderson, Chicago-based vice president and health care vertical malpractice lead for QBE Insurance Group Ltd.

Unusual claims, including maternity deaths, are “impacting the marketplace as a whole,” said William J. McDonough, Washington-based managing principal and member of EPIC Insurance Broker & Consultants’ health care practice.

But experts say it is hard to pinpoint the effect of maternal death on med mal rates. “We see very few claims for maternal injury or maternal death,” said Divya Parikh, vice president of research and education at the Rockville, Maryland-based Medical Professional Liability Association, a trade association.

Other factors are probably offsetting the increase in morbidity, “including improved risk management and patient care,” said Joe R. Zorola, chief underwriting officer of Boston-based medical liability insurer Coverys.

Part of the issue, he said, is there tends to be a long period between when an incident may

have occurred and a resolution.

“It just takes time to determine how these rates will evolve because of these incidents,” he said.

“My sense of this is that to the extent we improve maternity care quality” a side effect will be that it will be lower medical malpractice claims, said Dr. Jeff Levi-Scherz,

Boston-based health management practice co-leader at Willis Towers Watson PLC.

Judy Greenwald



Pregnant women are no longer categorized as obstetrical patients, but are regular patients, unless they are “sent into the hospital with a known obstetrical issue. People forget that they may be pregnant, but they have other things wrong with them.”

Janell Forget,  
UMass Memorial Health Care

strophic.” Simulation exercises “improve teamwork, reduce response time and improve the quality of care” provided, he said.

Janell Forget, senior director, risk management at UMass Memorial Health Care, a Worcester, Massachusetts-based health care system that includes five hospitals, said after the death of a young mother in one of its hospitals about a year ago, the system increased its “white code” drills to be prepared for any mater-

nity-related resuscitation, whether mother or infant.

The hospital system has also changed its triage processes for any maternity case. Pregnant women are no longer categorized separately as obstetrical patients, but are considered regular patients, unless they were “specifically sent into the hospital with a known obstetrical issue,” she said.

“People forget that they may be pregnant, but they have other things wrong with them,” Ms. Forget said. The approach has “really made a difference.”

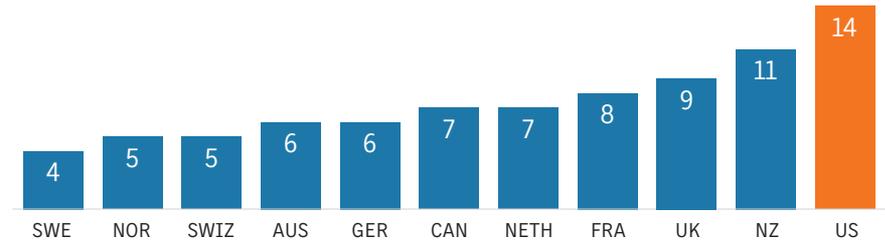
Risk managers should make sure hospitals are “equipped to manage these emergencies,” can identify those at risk of complications, and know how to handle and prevent them, said Dr. Victor Klein, system director of quality and patient safety obstetrics and gynecology at health system Northwell Health in Great Neck, New York, who is a risk manager.

From a risk manager’s perspective, it is a matter of having the health care team recognize and react in a timely fashion, said Bruce C. Shulan, president and CEO of med mal insurer Physicians Reciprocal Insurers in Roslyn, New York.

Risk managers “who are in a position to be able to effect that outcome” will play an “extremely significant” role, he said.

## MATERNAL MORTALITY RATE IS HIGHEST IN THE U.S.

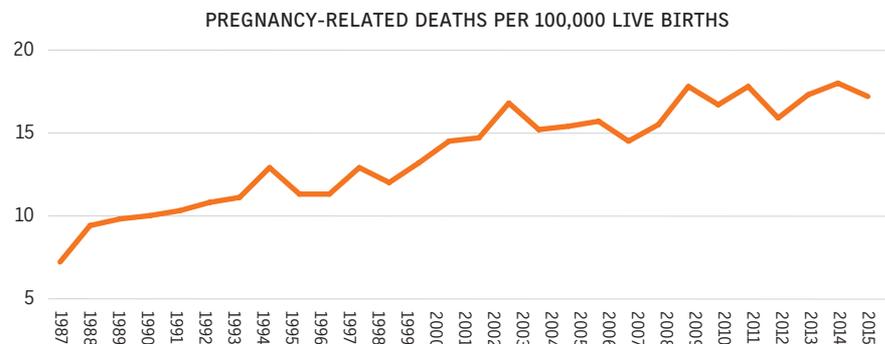
Maternal mortality ratio (maternal deaths/100,000 live births) among women ages 15-49



Source: The Commonwealth Fund, Dec. 2018

## MATERNAL MORTALITY IN THE U.S. (1987-2015)

Since the Pregnancy Mortality Surveillance System was implemented, the number of reported pregnancy-related deaths in the United States steadily increased from 7.2 deaths per 100,000 live births in 1987 to 17.2 deaths per 100,000 live births in 2015.



Source: Centers for Disease Control and Prevention

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# Cannabis risk is a growing opportunity

**Charles V. Pyfrom** | Senior Vice President of Commercial Programs at CannGen Insurance Services

A majority of U.S. states now permit recreational and/or medicinal use of cannabis products, which are derived from marijuana. As states have relaxed their laws, a complex industry has emerged and continues to expand. In this Q&A, CannGen Insurance Services LLC's Senior Vice President of Commercial Programs, Charles Pyfrom, discusses how insuring cannabis industry risks presents a long-term growth opportunity.

## How will the cannabis industry develop over the next 12-18 months?

The cannabis industry will continue to evolve and become more "normal" over the next few years. Larger, more sophisticated operators will begin to emerge as the front-runners in this up-and-coming industry, and merger and acquisition activity will flourish. From the insurance side, we would expect to see more and more insurers and reinsurers enter the mix, bringing more capacity and limits as the stigma continues to erode. The passing of the 2018 Farm Bill last year also will have a material change in how our farmers will look at/assess what kinds of crops they will use their land for. CBD and industrial hemp forecasts are even more aggressive than cannabis has historically been, and our company continues to be flooded with applications for CBD/hemp operations versus being predominantly cannabis centric prior to the Farm Bill passing. The transportation industry will also be directly affected as the de-scheduling of CBD from the Controlled Substances Act and will allow for interstate transport — something that is forbidden in the cannabis arena.

## At the moment, 18 states do not permit recreational or medicinal use of cannabis. What will the cannabis industry look like if some states allow it while others do not?

It is only a matter of time before federal legalization will be in the mix. Recent polling continues to suggest an overwhelming number of Americans support legalization, and elected officials, we believe, will continue to lean on topics like this to generate economic opportunities within their respective jurisdictions. Until federal legalization occurs, however, business will continue to operate as it has for the last decade. Multi-state operators (MSOs) will have to continuously have "state by state" playbooks about how they run their businesses, ranging from standard operating procedures at a retail storefront to the licensing and regulatory side of the house at a corporate level.

## What are some of the biggest misconceptions about insuring the cannabis industry?

Often people have the idea that we are insuring the "Cheech and Chong" operators of the world. Make

no mistake about it, this is a big-time business with significant investment support from both private and capital markets. No longer is this an underground market where you have to hide what you do as a cannabis grower. You can be transparent and completely above board with all aspects of running this business like any other peer industry. Another common misconception we hear is "You can insure cannabis?" or something to that regard. Cannabis retail is not that different from any other kind of storefront, and cannabis growers are not that different from the growers of hothouse tomatoes, flowers or other things. It tends to hit home and the reality of insurance solutions bespoke to this industry become readily apparent.

## What are some of the biggest risks that cannabis industry businesses face?

Like any other business, cannabis operators find themselves at the mercy of regulation — but on a much higher scale than peer industries. A common business practice for a traditional storefront operation might be several times more challenging for a cannabis business, and it certainly takes longer from a timing standpoint. Finding appropriately zoned commercial retail establishments is more difficult than opening a 7-Eleven or something similar. Additionally, things often are more expensive than for peer operators. The cost of licensing and regulatory oversight gets passed on to the operator and ultimately on to the consumer. Add vertically integrated operations to the mix and the potential for different levels of scrutiny increases. When MSOs expand, it's never as simple as "copy, paste, repeat." As respects insurance risks, and despite the infancy of this industry, they're not immune to claims issues. Just like other businesses, they face the ongoing risk of fire/theft/slip and fall claims as much as other industries. The complexity of profitably underwriting emerging industries is not lost on our team, and despite our expertise in this space, multimillion-dollar claims happen. We're proud to see our exclusive carrier partners continue to support the cannabis, CBD, and hemp industry by actively investigating and paying claims that are covered under the policy provisions.

## How have cannabis insurance policies evolved?

When we created our first insurance policies that were dedicated to the cannabis industry back in 2015, our intent was to provide "clear coverage terms for a fair price in an already gray industry." These operators have enough on their plate with just opening their doors every day that they should not have to worry if their policies are actually going to cover losses. We continue to bring innovative products to the market such as Onsite

Consumption liability, Product Withdrawal coverage, as well as being the first to offer coverage for cash in transit in meaningful amounts for those businesses engaged in the transportation aspect of this industry through our Cargo policies. Every operator will have a coverage line that is relevant to them. For example, a cultivator whose sole source of revenue is selling their crop to a processor or manufacturer should invest in crop insurance. On the flip side, a retailer who merely provides the end product to the consumer should carry product liability to prevent them from being on the hook for someone else's manufacturing issue or contamination issue. Our very successful workers compensation program has recently expanded into writing multi-state policies for operators in the CBD and hemp space — another step in the evolution of bringing coverage to the mainstream norms. We recommend all operators work with a knowledgeable broker to assess their unique exposures and obtain the meaningful amounts and lines of coverage to keep their business afloat should claims arise. Looking ahead, we're excited to announce new carrier partnerships in the not too distant future, as well as confirming that a comprehensive auto solution that will further round out our "all lines, one stop" value proposition for retail and wholesale brokers across the country.

## What qualities or practices make a cannabis business attractive to insurance underwriters?

Underwriters, by their nature, like things that are black and white. Unfortunately, there's lots of gray in the cannabis industry. That's where expertise in this industry comes into play. Working with operators who have clearly documented best practices and procedures is a great starting point. Taking it a step further, working with insureds on meaningful risk mitigation is another win/win that insurers and insureds can both support. At the end of the day, "best in class" experience and product offerings continue to raise the bar in supporting the cannabis industry and making sure that operators continue to thrive for years to come.

*Charles V. Pyfrom is the Senior Vice President of Commercial Programs at CannGen Insurance Services, where he oversees the P&C underwriting operation, program development/direction, as well as carrier/broker relations. Prior to joining CannGen, he spent five years as Vice President of Program Management at a privately held program carrier overseeing nearly \$300 million in annualized gross written premium, and spent four years with Farmers Insurance Group in management roles at their home office. He holds a Bachelor of Science degree in Business Administration/Finance from California Lutheran University, and an MBA from the Graziadio School of Business & Management at Pepperdine University.*

**About CannGen** CannGen Insurance Services operates as a Managing General Underwriter (MGU) dedicated to providing comprehensive insurance solutions which support the cannabis, CBD, and hemp industry. They have more than a decade of experience in this niche and have become the "go to" market for independent insurance agents and brokers that have risks in the space. CannGen's experience and dedication to the industry are unparalleled as they continue to develop new lines of coverage to provide producers and policyholders with comprehensive "seed to sale" insurance protection for their unique business needs.

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## REINSURANCE

# Reinsurance prices set to keep firming

BY GAVIN SOUTER

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

### INSIDE

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Reinsurers remain wary of cyber risks but encouraged by changes in primary market. **PAGE 25**

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For many insurance-linked securities investors, 2017 and 2018 were their first taste of losses. **PAGE 27**

#### ▶ REINSURANCE RANKINGS

Global rankings of largest reinsurers, reinsurance brokers and more. **PAGE 28**

**MONTE CARLO, Monaco** — The upward trend in reinsurance pricing that began last year looks set to continue during the year-end renewal season as primary insurance prices increase and reinsurers seek to push rates higher following two years of significant catastrophe losses.

While rate increases will vary greatly by line and by account, depending on past losses and catastrophe exposures, insurers' reinsurance costs will rise moderately on average during Jan. 1, 2020, renewals, barring major catastrophe losses over the next few months, experts say.

In addition, lower interest rates will suppress investment income and drive reinsurers to focus on achieving underwriting profits, they say.

Reinsurers, cedents and brokers met last month at the Rendez-Vous de Septembre in Monte Carlo, Monaco, which

traditionally marks the beginning of the year-end renewal negotiations. Market participants meet in the tiny principality by the Mediterranean each year and participate in dozens of small private meetings to discuss market conditions and individual programs.

Meeting shortly after Hurricane Dorian devastated parts of the Bahamas but caused relatively little damage in the United States, reinsurers, brokers and others all said they expect increases on Jan. 1, compounding increases pushed through at the beginning of 2019 and during April and mid-year renewals for Japanese and Florida-based insurers.

**“We have not seen hardly any market or line of business where rates deteriorated in the past 12 months.”**

Torsten Jeworrek, Munich Re

“It’s a market in transition, it’s a correcting market and it’s a market that is responding to real losses over the past two to three years and changing loss trends,” said Albert Benchimol, president and CEO of Bermuda-based insurer and reinsurer Axis Capital Holdings Ltd.

But increases will vary by line and there is still a lot of reinsurance capacity available in the market, he said.

Property catastrophe risks, U.S. casualty, commercial directors and officers liability and areas of marine and aviation all need

more rate increases, Mr. Benchimol said. “It’s an underwriter’s market, it’s one where you’ve got to respond to the risk and to the opportunity,” he said.

The increases in rates, which began last year, are continuing despite the first half of 2019 being “very benign” for catastrophe losses, said Graham Coutts, a director at Fitch Ratings Ltd. in London.

On average, reinsurance rates increased in the low single digits in January 2019 and a similar level of increases will likely be pushed through in January 2020, although there will likely be significant variations with some accounts seeing double-digit increases and other accounts seeing decreases, he said.

On the primary side, “we see big change in pockets of the (excess and surplus lines) business,” said Chris Bonard, CEO of Ed Broking (Bermuda) Ltd. “Certain types of U.S. property business is seeing very significant rate increases and publicly traded directors and officer liability is seeing significant increases, too.”

For reinsurers, catastrophe rates are increasing but “we are not seeing a knee-jerk change in price, we are seeing certain tranches and segments changing,” he said.

“2018 was an inflection point in the pricing environment,” said Edi Schmid, group chief underwriting officer of Swiss Re Ltd. in Zurich.

But the rate increases that began last

## INSURED LOSSES BY REGION — 2018

	INSURED LOSSES		ECONOMIC LOSSES	
	AMOUNT	PERCENT	AMOUNT	PERCENT
 North America	\$52.9B	62.5%	\$80.5B	48.8%
 Latin America & Caribbean	\$1.3B	1.5%	\$4.9B	2.9%
 Europe	\$7.7B	9.1%	\$20.7B	12.5%
 Africa	\$0.2B	0.2%	\$1.3B	0.8%
 Asia	\$20.4B	24.0%	\$54.7B	33.2%
 Oceania/Australia	\$1.6B	1.9%	\$2.3B	1.4%
 Seas/Space	\$0.6B	0.7%	\$0.7B	0.4%
 World	\$85B	100.0%	\$165B	100.0%

Source: Swiss Re Institute

year followed many years of significant rate declines, he said.

“Prices have adjusted to some extent, but we still feel there’s a way to go, particularly in the United States,” said Jean-Jacques Henchoz, chairman of the executive board of Hannover Re SE.

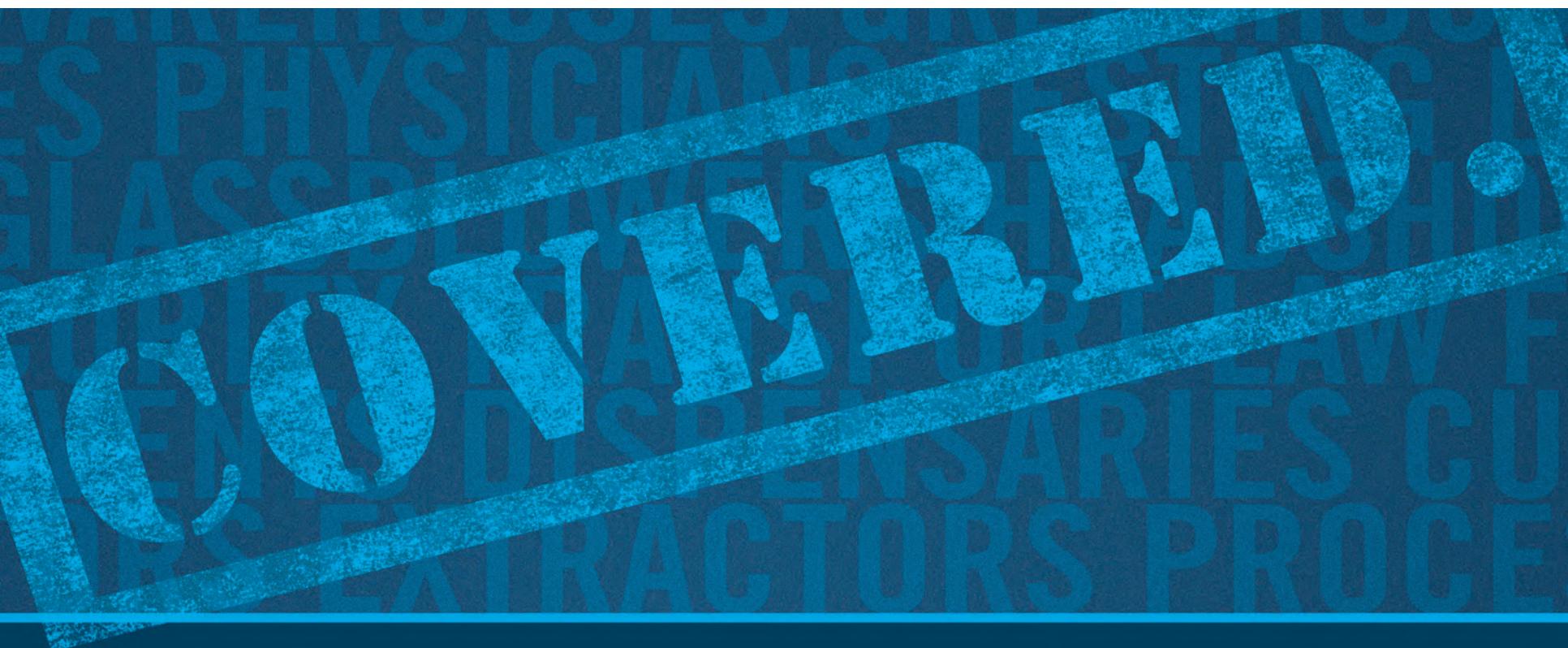
For the remainder of 2019 and 2020, reinsurance renewal prices will likely increase, he said.

Munich Reinsurance Co. expects moderate growth in overall primary and reinsurance premiums over the next several

years, said Torsten Jeworrek, chairman of the reinsurer’s reinsurance committee based in Munich. In North America, compound annual growth rates – excluding inflation – are expected to be 2% for both primary and reinsurance business from 2019 to 2021, he said.

“What we have seen in reinsurance is worldwide stabilization in rates. We have not seen hardly any market or line of business where rates deteriorated in the past 12

See **MARKET** page 25



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- Diversity & Inclusion Initiative of the Year
- Insurance Consulting Team of the Year
- Insurance Underwriting Team of the Year (all property/casualty)
- Insurance Underwriting Team of the Year (management liability/professional liability/cyber liability)
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*Submissions due December 20, 2019.*

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## MARKET

Continued from page 23

months,” Mr. Jeworrek said.

In Japan, the Caribbean and some areas of the U.S., rates have increased significantly, “which is a direct response to the very significant cat events that our industry suffered last year and the few years before,” he said.

According to Swiss Reinsurance Co., worldwide insured disaster losses totaled \$85 billion in 2018 and \$150 billion in 2017.

AIR Worldwide, however, estimates that average annual losses from catastrophes worldwide is about \$92 billion, said Bill Churney, president of the Boston-based catastrophe modeling firm.

“So even though last year was fairly severe, we’d say it was a slightly below average year,” he said.

Primary rates have also increased, particularly in the United States and global specialty lines such as marine and aviation, Mr. Jeworrek said. “My expectation is that we will see further stabilization and price increases in reinsurance, and we will also see the ongoing trend on the primary side.”

Increases in primary insurance lines benefits reinsurers “given that most of them are now actively involved in that space and they also participate via proportional covers,” said Mike Van Slooten, head of market analysis at Aon PLC in London.

The reinsurance sector remains well-capitalized despite the 2017 and 2018 losses and there should be “ample capacity” for reinsurance buyers at year-end, he said.

The market is also seeing an increased demand for reinsurance, said Mark Hvidsten, deputy chairman of Willis Re in New York.

“There’s a more systemic demand for reinsurance manifesting itself and I think it boils down to people are reminding themselves of the value of reinsurance in protecting (profits) as opposed to just focusing on the capital efficiency,” he said.

While some of the increased demand is cyclical, “companies are much more aware of the importance of managing volatility of earnings,” Mr. Hvidsten said.

While property reinsurance increases are being driven in part by catastrophe losses, low interest rates are driving casualty reinsurance rate increases as reinsurers seek to secure underwriting profits to offset lower investment returns, several observers said.

“Our expectation is that central bank rates will remain low, so investment yields remain low and that puts more pressure on the underwriting side,” said Mr. Coutts of Fitch.

With loss trends rising, as liability awards outpace inflation, and interest rates likely to remain low, reinsurers will have to rely on underwriting to provide returns to investors, said Mr. Schmid of Swiss Re.

“In this low interest rate environment, it’s very tough to actually generate the cost of capital in the (property/casualty) markets overall,” he said.

# Reinsurers ponder cyber risks as insurers tighten wordings

BY GAVIN SOUTER

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**MONTE CARLO, Monaco** — Reinsurers remain cautious about covering cyber liability risks but are optimistic that changes in the primary market will make the risk easier for them to assess and price.

Recent announcements by large commercial insurers, including Allianz SE, American International Group Inc. and Lloyd’s of London, that they will seek to reduce their exposure to so-called silent cyber risks by affirmatively including or excluding cyber risks from policies should provide more clarity for reinsurers, they say (see box).

Cyber liability was again a significant discussion point during the Rendez-Vous de Septembre in Monte Carlo last month. Reinsurers and brokers who attend the meeting have for the past several years spoken about the opportunity that reinsuring the burgeoning cyber liability market presents for the international reinsurance market, but also warned that as an emerging risk it becomes more difficult to underwrite the further removed a reinsurer is from the primary risk.

“It’s very challenging because the product is very diverse, so once you package up all the clients and insureds you don’t necessarily know what’s in that bag of cyber risks ... so there may be systemic issues that might impact a number of clients,” said Daniel Carr, chief innovation officer and cyber lead at Occam Underwriting Ltd. in London.

Occam writes cyber insurance and reinsurance, but about 85% of its cyber liability book is primary coverage, he said. Where it does write reinsurance “we have control over the terms and visibility into the risk,” he said.

The managing general agent will likely write more reinsurance next year and is also planning to offer an admitted cyber policy in the United States, which is its main market, in conjunction with a U.S. insurer, Mr. Carr said.

“To really get a large amount of capac-

*“As the line matures, I think it will coalesce around some core structures and all of that will make it easier to create greater appetite on the reinsurance side.”*

Albert Benchimol, Axis Capital



## SILENT CYBER

Non-affirmative, unintended or silent cyber risks include instances where:

- 1 Cyber perils are not explicitly included or excluded
- 2 Exclusionary language, when included, is ambiguous
- 3 Insuring agreements are satisfied, however the insurer did not price for or contemplate loss scenarios emanating from a cyber peril/threat

Source: Guy Carpenter & Co. LLC

ity on the reinsurance side, we need a little bit more standardization,” said Albert Benchimol, president and CEO of Bermuda-based insurer and reinsurer Axis Capital Holdings Ltd.

Recent moves by commercial insurers to reduce silent cyber risks have been “a big move” for the market, he said.

“As the line matures, I think it will coalesce around some core structures and all of that will make it easier to create greater appetite on the reinsurance side,” Mr. Benchimol said.

The cyber market offers significant growth potential for insurers and reinsurers, said Moses Ojeseikhoba, CEO reinsurance at Swiss Re Ltd.

Cyber is a \$5 billion market, but in three to four years it “will be closer to \$14 billion,” he said. “Clearly the exposure is growing.”

“Cyber and technology-driven risk is really important, and I think it’s going to be a critical line or peril for the business

and a great opportunity for the business,” said David Priebe, chairman of Guy Carpenter & Co. LLC in New York.

Primary insurers are trying to quantify and manage cyber exposures, he said.

“The reinsurance market is rallying behind that to see how they can support that,” Mr. Priebe said. “We’re working to develop capital and capacity for cyber risk within the reinsurance community and the broader capital markets.” (See story page 27)

Paris-based reinsurer Scor SE wrote about €50 million (\$55 million) in cyber coverage in the first half of 2019 — a fraction of its more than €8 billion in gross written premium — with about half the cyber premium derived from insurance and half from reinsurance, said Jean-Paul Conoscente, CEO of Scor Global P&C.

“Our risk appetite remains cautious for two reasons: one is that the risk assessment is still maturing,” he said. In addition, “non-affirmative silent cyber is still very present and hard to quantify.”

Munich Re wrote about \$473 million in cyber premium in 2018, which was evenly divided between primary and reinsurance business, said Torsten Jeworrek, chairman of Munich Reinsurance Co.’s reinsurance committee based in Munich.

The German reinsurer reported more than \$34 billion in reinsurance premium last year.

“What we need is an effort by our industry to make clear what is covered and what is covered where,” Mr. Jeworrek said.

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# Investors regroup after losses hit insurance-linked securities market

BY GAVIN SOUTER

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**MONTE CARLO, Monaco** — Reinsurance capacity supported by capital markets has declined over the past year, but many institutional investors remain interested in the market as it slowly expands to cover a wider range of risks, experts say.

An alternative reinsurance placement for U.K. terrorism risk placed earlier this year marked a significant development and more new coverages, possibly including coverage for cyber risks, could be developed, some say.

ILS experts and others discussed the market during formal presentations and private discussions at the Rendez-Vous de Septembre reinsurance meeting held in Monte Carlo, Monaco, last month.

The insurance-linked securities market, which includes catastrophe bonds, collateralized reinsurance, industry loss warranties and sidecars, offers about \$93 billion in total market capacity in 2019, down from \$98 billion in 2018, according to Aon PLC.

*“After two years of losses, it would be surprising if investors weren’t at least pausing and saying ... let me just understand whether this is likely to keep happening and what are the characteristics of these losses.”*

Mark Hvidsten, Willis Re

Capacity was in part constrained by capital “trapped” by catastrophe losses over the past two years that cannot be released to investors while the claims are still being estimated and paid, experts say. Some catastrophe losses, for example, losses from Typhoon Jebi in Japan and Hurricane Michael in the United States last year, proved to be significantly higher than estimates made shortly after the storms.

And catastrophe bond issuance has declined significantly (see chart).

However, most ILS investors still view the reinsurance market as an attractive investment, experts say.

“After two years of losses, it would be surprising if investors weren’t at least pausing and saying ‘before I stump up another whole lot, let me just understand whether this is likely to keep happening and what are the characteristics of these losses,’ because the loss creep was disconcerting,”



said Mark Hvidsten, deputy chairman of Willis Re in New York.

Although ILS products have been available for well over a decade, early catastrophe bonds covered very high reinsurance layers, but in recent years the various products allow capital markets investors to participate on lower layers and those layers are more likely to be hit by losses, said Caleb Wong, senior portfolio manager at Invesco US, a unit of Invesco Ltd., in New York.

For example, the 2005 hurricane losses, including Hurricane Katrina, were “a very small whisper” for the ILS market, but the losses of 2017 and 2018 resulted in significantly more losses for ILS investors, he said.

Third-party capital providers are “learning about what it means to go through an entire loss cycle,” he said during a panel discussion at the meeting sponsored by Munich Reinsurance Co.

However, the reduction in capacity is likely to be just a pause in the growth of the ILS market, Mr. Hvidsten said.

Investors remain attracted to the ILS market because it provides a class of assets that are not correlated to traditional investments, and insurers and reinsurers use the vehicles to diversify their credit risks, among other things, Mr. Hvidsten said.

In addition, “the yield on cat bonds is looking very attractive relative to other fixed-income instruments,” said Mr. Wong.

In addition, some pension funds looking for diversification want to keep about 2.5% of their assets in ILS investments and the funds overall are growing, said Thomas Blunck, a member of the board of man-

agement at Munich Re.

“The underlying pot is growing; they want to keep their strategic asset allocation in ILS,” he said.

Greater transparency between ILS managers and investors has increased understanding of how the structures work, said Paul Schultz, Chicago-based CEO of Aon Securities, a unit of Aon PLC.

“There’s no question that we’ve had some difficult times over the past couple of years, but I think we’ll definitely come out stronger as a result. Fundamentally, the value of bringing noncorrelated risk to investors has been proven,” he said.

The classes of business covered by ILS products are also expanding, Mr. Schultz said. Earlier this year, for example, Pool Reinsurance Co. Ltd., the London-based terrorism reinsurer backed by the U.K. government, secured \$75 million in cat bond coverage for physical damage caused by terrorism.

In addition to terrorism coverage, “I still think we are going to see cyber come into this market as well,” Mr. Schultz said.

But cyber risks present a challenge to ILS investors, said Mr. Hvidsten of Willis Re.

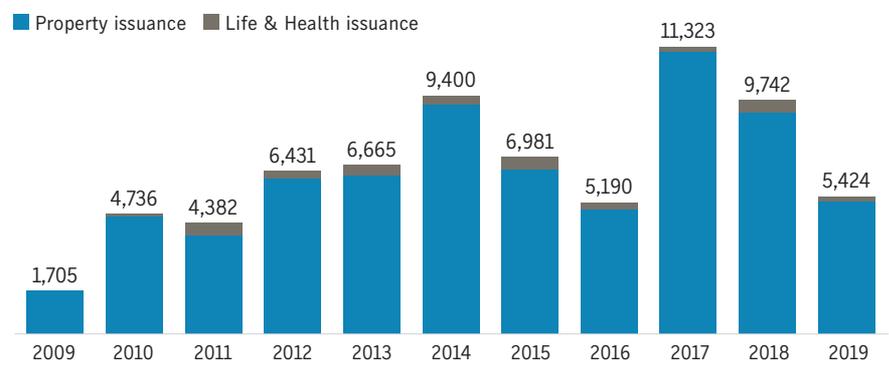
“They have to post collateral to support their participation. So how do you figure how long it takes for a cyber event to manifest itself? How long will the capital be tied up? You have less information than you do with cat risks, where you have hundreds of losses to look at to get a view,” he said.

But there is an appetite with ILS investors for cyber and other liability risks, said David Priebe, chairman of Guy Carpenter LLC in New York.

“The challenge with liability is the duration risk and within the capital markets they want to have some degree of certainty for when that capital can be released ... we’re getting closer to developing solutions and approaches to do that,” Mr. Priebe said.

## CATASTROPHE BOND ISSUANCE BY YEAR

In millions, U.S. dollars from 2010 to 2019 (years ending June 30)



Source: Aon

## WORLD'S LARGEST REINSURERS

Ranked by unaffiliated gross premiums written in 2018, in millions of dollars<sup>1</sup>

Rank	Company	REINSURANCE PREMIUMS WRITTEN				RATIOS		
		LIFE AND PROPERTY/CASUALTY Gross	LIFE AND PROPERTY/CASUALTY Net	PROPERTY/CASUALTY ONLY Gross	PROPERTY/CASUALTY ONLY Net	Loss	Expense	Combined
1	Swiss Re Ltd.	\$36,406	\$34,042	\$20,864	\$20,220	74.2%	32.4%	106.6%
2	Munich Reinsurance Co.	\$35,814	\$34,515	\$23,395	\$22,570	65.2%	34.2%	99.4%
3	Hannover Re SE <sup>2</sup>	\$21,952	\$19,791	\$13,709	\$12,368	66.9%	29.5%	96.4%
4	Scor SE	\$17,466	\$15,773	\$7,069	\$6,115	66.5%	32.8%	99.3%
5	Berkshire Hathaway Inc.	\$15,376	\$15,376	\$9,930	\$9,930	88.6%	21.9%	110.4%
6	Lloyd's of London <sup>3</sup>	\$14,064	\$9,926	\$14,064	\$9,926	72.2%	33.8%	106.0%
7	China Reinsurance (Group) Corp.	\$11,564	\$10,681	\$3,942	\$3,809	58.0%	40.9%	98.8%
8	Reinsurance Group of America Inc.	\$11,341	\$10,544	N/A	N/A	N/A	N/A	N/A
9	Great West Lifeco	\$7,737	\$7,647	N/A	N/A	N/A	N/A	N/A
10	Korean Reinsurance Co.	\$6,803	\$4,786	\$5,972	\$4,058	83.7%	17.8%	101.5%

<sup>1</sup> All non-US currencies converted to US using foreign exchange rate at company's fiscal year-end; <sup>2</sup> Net premium written data not reported; net premium earned substituted;

<sup>3</sup> Lloyd's premiums are reinsurance only. Premiums for certain groups in the rankings may include Lloyd's Syndicate premiums when applicable; N/A = Not available

Source: A.M. Best Co. Inc.

## TOP 10 GLOBAL PROPERTY/CASUALTY REINSURANCE GROUPS

Ranked by unaffiliated gross premium written in 2018, in millions of dollars<sup>1</sup>

Rank	Company	REINSURANCE PREMIUMS WRITTEN		RATIOS		
		PROPERTY/CASUALTY ONLY Gross	PROPERTY/CASUALTY ONLY Net	Loss	Expense	Combined
1	Munich Reinsurance Co.	\$23,395	\$22,570	65.2%	34.2%	99.4%
2	Swiss Re Ltd.	\$20,864	\$20,220	74.2%	32.4%	106.6%
3	Lloyd's of London <sup>2</sup>	\$14,064	\$9,926	72.2%	33.8%	106.0%
4	Hannover Re SE <sup>3</sup>	\$13,709	\$12,368	66.9%	29.5%	96.4%
5	Berkshire Hathaway Inc.	\$9,930	\$9,930	88.6%	21.9%	110.4%
6	Scor SE	\$7,069	\$6,115	66.5%	32.8%	99.3%
7	Everest Re Group Ltd.	\$6,225	\$5,706	86.6%	26.3%	113.0%
8	PartnerRe Ltd.	\$5,065	\$4,592	73.7%	28.1%	101.8%
9	XL Bermuda Ltd.	\$5,002	\$4,124	80.6%	32.2%	112.8%
10	Transatlantic Holdings Inc.	\$4,451	\$3,969	72.8%	32.6%	105.4%

<sup>1</sup> All non-US currencies converted to US using foreign exchange rate at company's fiscal year-end; <sup>2</sup> Lloyd's premiums are reinsurance only. Premiums for certain groups in the rankings may include Lloyd's Syndicate premiums when applicable;

<sup>3</sup> Net premium written data not reported; net premium earned substituted.

Source: A.M. Best Co. Inc.

## WORLD'S LARGEST REINSURANCE BROKERS

Ranked by 2018 gross revenue from reinsurance brokerage and related services\*

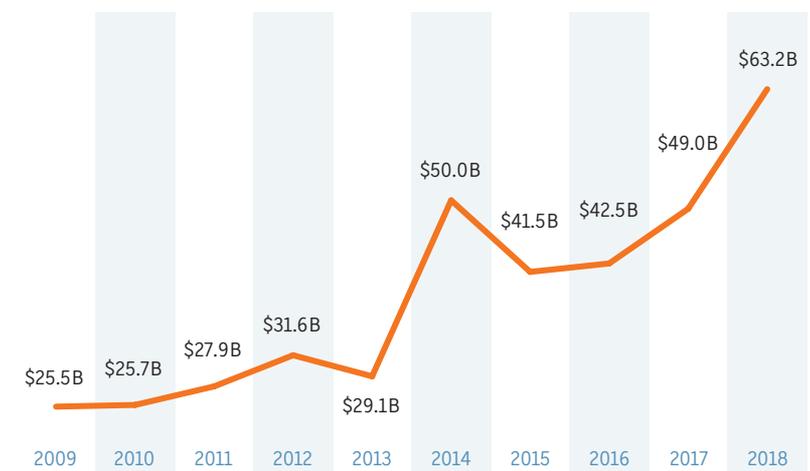
Rank	Company	2018 gross revenue	2017 gross revenue	% increase (decrease)	2018 employees	Officers
1	Guy Carpenter & Co. LLC. <sup>1</sup>	\$1,581,687,086 <sup>2</sup>	\$1,187,083,000 <sup>3</sup>	33.2%	2,422	Peter Hearn, president/CEO
2	Aon's Reinsurance Solutions	\$1,546,000,000	\$1,417,000,000	9.1%	3,006	Andy Marcell, CEO-Reinsurance Solutions
3	Willis Re	\$901,781,000	\$853,417,500	5.7%	2,012	James Kent, CEO
4	TigerRisk Partners LLC	\$95,000,000 <sup>4</sup>	\$92,500,000 <sup>4</sup>	2.7%	170	Jim Stanard, chairman; Rod Fox, managing partner/CEO
5	UIB Holdings (UK) Ltd. <sup>5</sup>	\$64,400,297	\$64,312,121	0.1%	503	Bassem Kabban, chairman/group CEO

\* Includes all reinsurance revenue reported through holding and/or subsidiary companies; <sup>1</sup> Acquired JLT Reinsurance in April 2019; <sup>2</sup> B/I estimate, pro forma to reflect acquisition of JLT Reinsurance in April 2019; <sup>3</sup> Restated; <sup>4</sup> B/I estimate; <sup>5</sup> British pound 2018 = \$1.2763; 2017 = \$1.3529

Source: B/I survey

## 10-YEAR TREND OF US REINSURANCE

Net premiums written for U.S. reinsurers increased 29% from last year compared with 15% previously. Net premiums written for major U.S. property/casualty reinsurers, 2009-2018, in billions of dollars.



Source: Reinsurance Association of America

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## Brokers see surge in revenue growth as M&A deals keep driving market

BY ANDY TOH

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A busy year of consolidation of the 2019 *Business Insurance* Top 100 agents and brokers also created opportunities for new entrants to our annual brokers to watch — brokers that ranked 101 to 120, just outside of the *BI* top 100.

Reliance Partners Inc., our fastest growing broker this year, doubled their annual revenue with 94.4% increase from last year, expanded into new territories. However, mergers and acquisitions is still the main growth theme for other brokerage firms. The rate of growth also saw bigger increases with the top 10 fastest growing brokers averaging about a 6.5% revenue increase from 2017.

The fastest growing benefits broker this year, World Insurance Associates LLC, a new participant to our survey, saw an almost 220% growth rate through acquisitions of 44 agency acquisitions and counting, for our Top 25 benefits brokers by growth rankings.

In the following pages are the second part of the results of our annual survey of agents and brokers first published in July. Additional 2019 rankings include the top 25 benefits brokers by growth, most productive agents and brokers, brokers to watch, top brokers of wholesale business, fastest growing brokers, largest U.S. commercial retail brokers and more.

### TOP 25 BENEFITS BROKERS BY GROWTH

Ranked by rate of growth in 2018 employee benefits revenue\*

Rank	Company	2018 employee benefits revenues	% increase	% of total revenue
1	World Insurance Associates LLC	\$2,645,905	219.9%	9.0%
2	Acentria Insurance	\$4,555,000	145.7%	9.8%
3	Robertson Ryan & Associates Inc.	\$7,856,547	113.0%	19.1%
4	Sunstar Insurance Group	\$3,000,000	66.7%	7.0%
5	Digital Insurance Inc. dba OneDigital Health and Benefits	\$299,046,214	64.8%	95.5%
6	ABD Insurance & Financial Services Inc.	\$34,587,000	61.9%	43.7%
7	BroadStreet Partners Inc.	\$90,686,000	50.4%	15.0%
8	Risk Strategies Co. Inc.	\$70,169,350	46.0%	19.1%
9	AssuredPartners Inc.	\$308,185,745	45.6%	25.0%
10	Baldwin Risk Partners LLC	\$22,202,773	40.7%	27.8%
11	Kapnick Insurance Group	\$19,628,158	37.5%	59.0%
12	Cross Financial Corp., dba Cross Insurance	\$32,000,000	36.2%	19.2%
13	Insgroup Inc.	\$4,141,000	29.4%	14.8%
14	Otterstedt Insurance Agency	\$1,162,000	26.9%	5.6%
15	HNI Risk Services	\$3,686,842	24.4%	11.0%
16	Houchens Insurance Group Inc.	\$17,565,417	22.9%	28.2%
17	M&T Insurance Agency Inc.	\$6,801,000	22.2%	18.8%
18	Acisure LLC	\$353,875,335	22.1%	25.7%
19	R&R Insurance Services Inc.	\$6,527,000	21.8%	19.7%
20	The Graham Company	\$7,162,783	21.7%	12.2%
21	Christensen Group Inc.	\$10,928,739	17.1%	32.0%
22	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	\$131,432,101	17.0%	22.3%
23	James A. Scott & Son Inc. dba Scott Insurance	\$20,827,000	16.4%	33.8%
24	Haylor, Freyer & Coon Inc.	\$3,839,200	16.2%	11.6%
25	Hub International Ltd.	\$580,710,000	15.9%	27.1%

\*To be ranked, brokers must have generated \$500,000 or more in employee benefits revenue in 2018. Companies deriving more than 49% of their gross revenue in personal lines are not ranked.

Source: *BI* survey

### BENEFITS SPECIALISTS

Brokers specializing in employee benefits, ordered by percentage of business\*

Company	2018 employee benefits revenue	% increase (decrease)	% total
Digital Insurance Inc., dba OneDigital Health and Benefits	\$299,046,214	64.8%	95.5%
Corporate Synergies Group LLC	\$39,259,831	(3.9%)	84.8%
LHD Benefit Advisors LLC	\$8,129,081	6.0%	68.7%
Associated Benefits and Risk Consulting	\$62,626,187	7.0%	67.6%
The Partners Group Ltd.	\$21,230,952	8.0%	64.2%
First Person Inc.	\$8,059,212	7.5%	61.6%
PSA Insurance & Financial Services Inc.	\$18,969,612	0.5%	60.0%
CBIZ Benefits & Insurance Services Inc.	\$140,000,000	1.4%	59.0%
Kapnick Insurance Group	\$19,628,158	37.5%	59.0%
Oswald Cos.	\$49,920,000	8.5%	57.8%
NFP Corp.	\$680,986,000	12.8%	54.7%

\*Companies with 51% or more of brokerage revenue from employee benefits

Source: *BI* survey



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SafeWaters Underwriting Managers

Sapphire Blue  
StartPoint Executive Risks  
Technical Risk Underwriters  
Trident Marine Managers  
WKFC Underwriting Managers

## MOST PRODUCTIVE AGENTS AND BROKERS

Intermediaries ranked by 2018 brokerage revenue per employee\*

Rank	Company	Brokerage revenue per employee			Brokerage revenue			Employees		
		2018	2017	% increase (decrease)	2018	2017	% increase (decrease)	2018	2017	% increase (decrease)
1	Alliant Insurance Services Inc.	\$373,311	\$372,176	0.3%	\$1,346,159,749	\$1,123,600,000	19.8%	3,606	3,019	19.4%
2	York International Agency LLC	\$365,007	\$371,663	(1.8%)	\$18,980,346	\$18,211,511	4.2%	52	49	6.1%
3	The Graham Co.	\$330,001	\$332,372 <sup>1</sup>	(0.7%)	\$58,740,136	\$55,838,508 <sup>1</sup>	5.2%	178	168 <sup>1</sup>	6.0%
4	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	\$309,695	\$281,418	10.0%	\$588,420,891	\$386,387,036	52.3%	1,900	1,373	38.4%
5	HMS Insurance Associates Inc.	\$299,542	\$300,198	(0.2%)	\$41,037,272	\$39,325,896	4.4%	137	131	4.6%
6	Risk Strategies Co. Inc.	\$297,974	\$245,066	21.6%	\$366,508,421	\$257,809,945	42.2%	1,230	1,052	16.9%
7	Foa & Son Corp.	\$293,182	\$281,176	4.3%	\$25,800,000	\$23,900,000	7.9%	88	85	3.5%
8	Woodruff Sawyer & Co.	\$289,749	\$279,869	3.5%	\$138,500,000	\$127,900,000	8.3%	478	457	4.6%
9	BB&T Insurance Holdings Inc.	\$278,490	\$286,307	(2.7%)	\$2,016,267,000	\$1,918,256,000	5.1%	7,240	6,700	8.1%
10	ABD Insurance & Financial Services Inc.	\$273,700	\$253,381	8.0%	\$79,099,180	\$64,358,668	22.9%	289	254	13.8%
11	M&O Agencies Inc., dba The Mahoney Group	\$263,706	\$247,123	6.7%	\$45,093,691	\$43,246,458	4.3%	171	175	(2.3%)
12	Alera Group	\$261,923	\$226,706	15.5%	\$340,500,000	\$192,700,000	76.7%	1,300	850	52.9%
13	Paychex Insurance Agency Inc.	\$258,547	\$241,302	7.1%	\$231,400,000	\$226,100,000	2.3%	895	937	(4.5%)
14	Starkweather & Shepley Insurance Brokerage Inc.	\$258,074	\$260,368 <sup>1</sup>	(0.9%)	\$57,034,282	\$55,197,960	3.3%	221	212 <sup>1</sup>	4.2%
15	Bolton & Co.	\$255,536	\$254,762	0.3%	\$48,551,757	\$46,621,522	4.1%	190	183	3.8%
16	M3 Insurance Solutions Inc.	\$250,441	\$238,594	5.0%	\$67,218,378	\$60,078,051	11.9%	268	252	6.6%
17	Propel Insurance	\$249,956	\$227,126	10.1%	\$84,735,000	\$77,450,000	9.4%	339	341	(0.6%)
18	Gowrie Group	\$244,886	\$241,176 <sup>1</sup>	1.5%	\$43,100,000	41,000,000 <sup>1</sup>	5.1%	176	170	3.5%
19	Heffernan Group	\$244,113	\$273,461	(10.7%)	\$102,527,412	\$116,220,858	(11.8%)	420	425	(1.2%)
20	Parker, Smith & Feek Inc.	\$243,649	\$238,258	2.3%	\$60,425,000	\$55,514,000	8.8%	248	233	6.4%
21	M&T Insurance Agency Inc.	\$241,722	\$225,350 <sup>1</sup>	7.3%	\$36,258,361	\$32,225,000 <sup>1</sup>	12.5%	150	143	4.9%
22	Rose & Kiernan Inc.	\$241,089	\$227,469 <sup>1</sup>	6.0%	\$48,700,000	\$45,038,880 <sup>1</sup>	8.1%	202	198	2.0%
23	Sterling & Sterling LLC, dba SterlingRisk	\$240,174	\$235,793	1.9%	\$54,039,111	\$53,053,500	1.9%	225	225	0%
24	NFP Corp.	\$239,846	\$256,867	(6.6%)	\$1,246,000,000	\$1,071,135,681	16.3%	5,195	4,170	24.6%
25	The IMA Financial Group Inc.	\$239,478	\$228,778 <sup>1</sup>	4.7%	\$162,366,331	\$153,739,151 <sup>1</sup>	5.6%	678	672	0.9%
26	Bowen, Mickette & Britt Inc.	\$238,506	\$225,729	5.7%	\$51,994,301	\$49,660,329	4.7%	218	220	(0.9%)
27	Corporate Synergies Group LLC	\$236,326	\$259,332	(8.9%)	\$46,319,815	\$45,383,157	2.1%	196	175	12.0%
28	Christensen Group Inc.	\$235,349	\$236,066	(0.3%)	\$34,125,566	\$32,104,951	6.3%	145	136	6.6%
29	Assurance Agency Ltd.	\$232,439	\$218,000	6.6%	\$114,825,000	\$104,858,216	9.5%	494	481	2.7%
30	Swingle, Collins & Associates	\$227,868	\$251,058	(9.2%)	\$22,558,964	\$20,837,831	8.3%	99	83	19.3%

\*Companies with more than 50 employees assigned to brokerage. Brokerages that derive more than 49% of their revenue from personal lines of business are not ranked. <sup>1</sup>Restated

Source: BI survey

BEYOND THE TOP 100 BROKERS

TARGET INDUSTRIES

Industries targeted by brokers to watch

Industry	No. of brokers	Percent
Construction	11	55%
Automotive	8	40%
Consumer durables	7	35%
Nonprofit organizations	7	35%
Food and beverage	6	30%
Real estate	6	30%
Financial services	5	25%
Health care	4	20%
Transportation/logistics	4	20%
Aviation	3	15%

TARGET CLIENTS

Target clients by revenue among the brokers to watch

Revenue	No. of brokers	Percent
Up to \$10 million	10	50%
More than \$10 million up to \$50 million	16	80%
More than \$50 million up to \$100 million	17	85%
More than \$100 million up to \$500 million	9	45%
More than \$500 million up to \$1 billion	2	10%

BROKERS TO WATCH

Ranked by 2018 brokerage revenue generated by U.S.-based clients

Rank	Company	2018 brokerage revenue	% increase (decrease)
101	The Daniel & Henry Co.	\$27,651,000	3.4%
102	Underwriters Safety & Claims Inc., dba The Underwriters Group	\$27,423,000	(1.5%)
103	Lipscomb & Pitts Insurance LLC	\$25,461,718	7.0%
104	Ross & Yerger Insurance Inc.	\$24,630,040	5.7%
105	Swingle, Collins & Associates	\$22,558,964	8.3%
106	Foa & Son Corp.	\$21,930,000	7.9%
107	Otterstedt Insurance Agency	\$20,622,562	32.3%
108	Pritchard & Jerden Inc.	\$20,194,706	7.4%
109	York International Agency LLC	\$18,980,346 <sup>1</sup>	4.2%
110	Wallace Welch & Willingham Inc.	\$17,808,066	(0.7%)
111	Maximum Independent Brokerage LLC	\$14,500,000	35.1%
112	First Person Inc.	\$13,084,000	7.2%
113	LHD Benefit Advisors LLC	\$11,824,500	9.8%
114	Reliance Partners Inc.	\$10,500,000	94.4%
115	BKCW LP, dba BKCW Benefits, Insurance, Relationships	\$10,308,000	12.6%
116	Alper Services LLC	\$9,726,750	6.7%
117	LaPorte & Associates Inc.	\$9,700,000	9.0%
118	Insurance Marketing Agencies Inc.	\$9,600,000	3.2%
119	New Century Insurance Services Inc.	\$8,471,000	14.8%
120	Six & Geving Insurance Inc.	\$6,000,000	23.7%

<sup>1</sup>Restated; Source: BI Survey

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## TOP BROKERS OF WHOLESALE BUSINESS\*

Ranked by 2018 wholesale revenue including property/casualty

Rank	Company	2018 wholesale revenue	2017 wholesale revenue	% increase (decrease)
1	BB&T Insurance Holdings Inc.	\$949,613,000	\$958,452,000	(0.9%)
2	Brown & Brown Inc.	\$739,036,429	\$712,146,902 <sup>1</sup>	3.8%
3	Arthur J. Gallagher & Co.	\$736,159,000	\$648,655,000	13.5%
4	Willis Towers Watson PLC	\$343,000,000	\$340,000,000	0.9%
5	Hub International Ltd.	\$126,809,000	\$98,039,000	29.3%
6	Alliant Insurance Services Inc.	\$125,696,890	\$152,000,000	(17.3%)
7	Lockton Cos. LLC	\$63,167,000	\$59,157,000	6.8%
8	Acisure LLC	\$37,125,230	\$17,375,114	113.7%
9	USI Insurance Services LLC	\$35,901,970	\$35,200,000 <sup>1</sup>	2.0%
10	AssuredPartners Inc.	\$33,622,350	\$20,981,986	60.2%

\*Brokers deriving less than 50% of revenue from wholesale brokerage business. <sup>1</sup>Restated  
Source: BI survey



## FASTEST GROWING BROKERS

Ranked by rate of growth in 2018 U.S. brokerage revenue\*

Rank	Company	2018 revenue	% increase	Rank	Company	2018 revenue	% increase
1	Reliance Partners Inc.	\$10,500,000	94.4%	16	ABD Insurance & Financial Services Inc.	\$79,099,180	22.9%
2	Alera Group	\$340,500,000	76.7%	17	AssuredPartners Inc.	\$1,223,074,154	20.0%
3	Digital Insurance Inc., dba OneDigital Health and Benefits	\$313,167,808	65.5%	18	Alliant Insurance Services Inc.	\$1,346,159,749	19.8%
4	Acentria Insurance	\$46,456,900	63.6%	19	Holmes Murphy & Associates Inc.	\$209,620,404	19.0%
5	World Insurance Associates LLC	\$29,542,180	59.3%	20	Ansary & Associates LLC	\$42,355,023	18.6%
6	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	\$579,241,525	54.7%	21	Kapnick Insurance Group	\$33,295,000	17.9%
7	Risk Strategies Co. Inc.	\$366,508,421	42.2%	22	Marsh & McLennan Cos. Inc.	\$8,082,720,000	17.5%
8	Baldwin Risk Partners LLC	\$79,773,650	39.5%	23	NFP Corp.	\$1,196,160,000	16.3%
9	Sunstar Insurance Group LLC	\$43,000,000	35.6%	24	Higginbotham	\$200,000,000	15.9%
10	Maximum Independent Brokerage LLC	\$14,500,000	35.1%	25	Insgroup Inc.	\$28,020,000	14.8%
11	Otterstedt Insurance Agency	\$20,622,562	32.3%	25	New Century Insurance Services Inc.	\$8,471,000	14.8%
12	Acisure LLC	\$1,322,983,764	30.2%	27	Hub International Ltd.	\$1,674,394,020	14.7%
13	BroadStreet Partners Inc.	\$604,575,000	26.4%	28	Arthur J. Gallagher & Co.	\$3,574,550,000	14.1%
14	The Hilb Group LLC	\$141,726,418	24.6%	29	Armfield, Harrison & Thomas Inc., dba AHT Insurance	\$44,887,726	13.6%
15	Six & Geving Insurance Inc.	\$6,000,000	23.7%	30	James A. Scott & Son Inc., dba Scott Insurance	\$61,589,000	13.3%

\*Companies with less than \$1,000,000 in brokerage revenue and/or deriving more than 49% of their brokerage revenue in personal lines are not ranked.  
Source: BI survey

**OUT-THINK** *verb*

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To see beyond  
what's been done  
before

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## LARGEST U.S. COMMERCIAL RETAIL BROKERS

Ranked by 2018 commercial retail brokerage revenue from U.S. offices

Rank	Company	2018 commercial retail revenue*	% increase (decrease)	% of U.S. brokerage revenue
1	Marsh & McLennan Cos. Inc.	\$3,753,000,000	13.0%	46.4%
2	Aon PLC	\$2,020,000,000	9.5%	43.4%
3	Arthur J. Gallagher & Co.	\$1,374,645,000	10.9%	38.5%
4	Willis Towers Watson PLC	\$996,000,000	2.7%	25.2%
5	Alliant Insurance Services Inc.	\$951,713,823	19.4%	70.7%
6	USI Insurance Services LLC	\$877,380,672	1.6%	52.7%
7	Hub International Ltd.	\$835,400,000	10.3%	49.9%
8	Lockton Cos. LLC	\$760,484,000	9.9%	59.0%
9	Acrisure LLC	\$704,534,461	19.4%	53.3%
10	BB&T Insurance Holdings Inc.	\$625,082,000	13.4%	31.0%
11	Brown & Brown Inc.	\$614,048,810	9.7% <sup>1</sup>	30.6%
12	AssuredPartners Inc.	\$593,037,500	27.5%	48.5%
13	BroadStreet Partners Inc.	\$429,248,000	25.9%	71.0%
14	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	\$412,464,900	62.0%	71.2%
15	Risk Strategies Co. Inc.	\$228,823,391	42.7%	62.4%
16	Leavitt Group	\$148,777,000	10.2%	58.4%
17	Insurance Office of America Inc.	\$143,953,975	6.1%	69.8%
18	Higginbotham	\$114,431,000	16.1%	57.2%
19	Woodruff Sawyer & Co.	\$105,514,000	12.5%	76.2%
20	The IMA Financial Group Inc.	\$93,539,399	7.5%	57.6%
21	Holmes Murphy & Associates Inc.	\$91,324,262	37.9%	43.6%
22	Paychex Insurance Agency Inc.	\$90,200,000	(4.4%)	39.0%
23	Hylant Group Inc.	\$85,920,291	12.7%	61.9%
24	BXS Insurance Inc.	\$84,974,692	2.7%	71.4%
25	Cross Financial Corp., dba Cross Insurance	\$84,000,000	13.5%	50.3%
26	PayneWest Insurance Inc.	\$83,667,528	12.0%	64.2%
27	Assurance Agency Ltd.	\$76,637,000	9.5% <sup>1</sup>	66.7%
28	AmeriTrust Group Inc.	\$76,108,675	(17.2%)	65.7%
29	Cottingham & Butler Inc.	\$75,816,000	15.5%	40.5%
30	Insurica Inc.	\$75,149,277	5.7%	73.3%
31	Insurors Group LLC	\$74,557,000	15.1%	82.1%
32	The Hilb Group LLC	\$72,965,652	25.8%	51.5%
33	Heffernan Group	\$67,790,155	7.2%	66.1%
34	Prime Risk Partners Inc.	\$67,769,074	9.5% <sup>1</sup>	59.0%
35	Propel Insurance	\$62,435,000	8.9%	74.1%
36	The Graham Co.	\$47,288,099	2.4%	80.5%
37	CBIZ Benefits & Insurance Services Inc.	\$47,100,000	0%	19.9%
38	Parker, Smith & Feek Inc.	\$44,061,000	7.7%	72.9%
39	Marshall & Sterling Enterprises Inc.	\$43,518,439	3.8%	58.1%
40	Houchens Insurance Group Inc.	\$42,599,752	5.0%	68.5%
41	Sterling & Sterling LLC, dba SterlingRisk	\$42,478,000	1.3%	78.6%
42	Relation Insurance Inc.	\$42,138,000	5.1%	42.6%
43	TrueNorth Cos. LLC	\$39,643,000	2.6%	53.4%
44	Sterling Seacrest Partners Inc.	\$39,268,695	11.4%	99.6%
45	James A. Scott & Son Inc., dba Scott Insurance	\$39,218,000	12.1%	63.7%
46	Fisher Brown Bottrell Insurance Inc.	\$39,091,105	2.4%	100%
47	Eastern Insurance Group LLC	\$38,964,068	11.0%	42.3%
48	Horton Group Inc.	\$37,563,311	3.1%	49.7%
49	LMC Insurance & Risk Management Inc.	\$37,257,394	2.9%	65.5%
50	Lawley Service Inc.	\$36,835,420	5.9%	48.0%

\*Excludes revenue placement of employee benefits. <sup>1</sup>Restated  
Source: BI survey

## TARGETS OF THE TOP 15

### TARGET INDUSTRIES

Industries targeted by the top 15 brokers of U.S. business

Industry	Number of brokers	Percent
Construction	15	100%
Financial services	15	100%
Nonprofit organizations	15	100%
Energy	14	93%
Health care	14	93%
Aviation	13	87%
Marine	13	87%
Food and beverage	12	80%
Higher education	12	80%
Agribusiness	11	73%
Automotive	11	73%
Private equity/investment capital	11	73%
Entertainment	10	67%
Real estate	10	67%
Transportation/logistics	10	67%
Consumer durables	9	60%
Public sector/government	9	60%
Consumer nondurables	8	53%
Mining	8	53%
Power industry	8	53%
Pharmaceutical/chemical	7	47%
Technology	7	47%
Biotechnology	6	40%
Clothing, textile	6	40%
Media	6	40%
Retail	6	40%
Telecommunications	1	7%
Marine	1	7%

### TARGET CLIENTS

Target clients by revenue among top 15 brokers of U.S. business

Revenue	Number of brokers	Percent
Up to \$10 million	4	27%
More than \$10 million up to \$50 million	11	73%
More than \$50 million up to \$100 million	11	73%
More than \$100 million up to \$500 million	9	60%
More than \$500 million up to \$1 billion	4	27%
More than \$1 billion up to \$3 billion	3	20%
More than \$3 billion up to \$5 billion	1	7%
More than \$5 billion up to \$10 billion	1	7%

Source: BI Survey

## Hiscox expands cover for construction firms

■ Hiscox Ltd. has revamped its architects and engineers coverage that is designed for construction professionals.

Expanded coverages are being offered for artisan subcontractors, general contractors and real estate developers and owners, Hamilton, Bermuda-based Hiscox said in a statement.

For artisan subcontractors, expanded coverages include contractors pollution liability insurance that includes coverage for transportation, nonowned disposal sites, mold and emergency response; broad professional liability triggers, including a carveback for professional services performed as part of construction means and methods; and rectification expense for design defects.

General contractors expanded coverages include contractors pollution liability, including transportation, nonowned disposal sites, mold and emergency response; broad professional liability triggers including preconstruction services, delegated design and design assisted, value engineering; rectification expense for design defects and protective indemnity coverage.

For real estate developers, Hiscox has expanded coverage to include owners protective indemnity and protective pollution protection, the insurer said in its statement.

## Liberty Mutual, tech firm build comp claims system

■ Liberty Mutual Insurance Co. has partnered with Duck Creek Technologies LLC to develop a workers compensation claims platform.

The multiyear partnership will involve the creation of an integrated workers comp claims management system, Liberty Mutual said in a statement.

The system will allow Liberty to replace its two legacy systems with a single platform for its workers comp policyholders and clients of its third-party administrator, Helmsman Management Services LLC, according to the statement.

The insurer said it selected Boston-based Duck Creek because of its software as a service product and ability to develop a custom solution with a codeless configuration.

## Gallagher unit offering online med mal service

■ Risk Placement Services Inc. launched an online quote-bind-issue service for allied health care medical professional liability policies underwritten by Markel Corp.



## Insurtech firm partners with university on AI

■ St. Joseph University's risk management and insurance program will collaborate with technology firm DataCubes Inc. to build a program to broaden research in the field of artificial intelligence and machine learning.

The agreement will bring DataCubes' technology into the classroom, Schaumburg, Illinois-based DataCubes said in a statement. The firm's d3 underwriting platform uses AI and machine learning to help commercial insurers automate the underwriting decision process.

The partners aim to "bridge academia and business with the goal of developing talent and advancing the insurance industry," Michael Angelina, executive director of the Academy of Risk Management and Insurance at the Philadelphia-based university, said in the statement. They also will collaborate on the university's annual insurtech symposium.

The Rolling Meadows, Illinois-based unit of brokerage Arthur J. Gallagher & Co. said in a statement that the MedPL product can be quoted, bound and issued online in under four minutes for all risks in all states.

Product features include \$1 million/\$3 million in limits and a \$2,500 deductible, as well as coverages for "available prior acts" and "defense cost outside of the limit liability."

Registered nurses and medical directors for administrative and supervisory duties are key groups that would be covered under this policy, and there is also an

opportunity to cover physicians, according to the statement.

## MGA offers coverage for large construction

■ Rokstone Construction Risk Underwriters Ltd., a specialty managing general underwriting agency that focuses on casualty and builder's risk insurance products and services, launched a general liability insurance program for owners and contractors of large construction projects.

The Red Bank, New Jersey-based firm said capacity is available on a nonadmitted basis nationwide with HDI Specialty SE, which is a joint venture of Hannover Re and HDI Global SE. Rokstone began operations in January.

The program is available to select retail distributors and offers terms of from one to five years. Minimum construction value is \$50 million and minimum deductibles and/or self-insured retentions start at \$25,000, according to the statement.

## CNA offers modular insurance coverage

■ CNA Financial Corp. introduced a modular management liability policy with streamlined language designed to be customized for a range of businesses and nonprofit organizations.

Epac3 offers six optional coverage parts, according to CNA's statement: directors and officers liability, employment practices liability, fiduciary liability, crime, kidnap, ransom and extortion and nonprofit D&O liability.

Up to \$10 million in limits by line of coverage is available, said Paul Larson, CNA's Chicago-based senior vice president, financial institutions, management liability and miscellaneous professional liability.

## Gallagher Bassett sets up transportation practice

■ Gallagher Bassett Services Inc. launched GB Transportation, an integrated practice group for its transportation clients.

The third-party administrator said in a statement that while it has provided claims and risk management services to transportation clients previously, it is now better positioned with a multidisciplinary team to focus on best practices that support the transportation industry.

The practice's leaders include Senior Vice President Keith Dunlap, who is based in Scottsdale, Arizona; Account Principal Lori Ilgenfritz, who is based in Overland Park, Kansas; and April Brackett, vice president, industry marketing, who is based in Rolling Meadows.

## DEALS & MOVES

### Gallagher acquires construction specialist

Arthur J. Gallagher & Co. acquired Allied Insurance Brokers Inc. and its program manager unit Ascinsure Specialty Risk.

Terms of the deal were not disclosed.

Pittsburgh-based Allied Insurance Brokers provides insurance and risk management services to crane, scaffold and equipment dealers across the United States and to nonprofit organizations in western Pennsylvania, while Ascinsure is a program underwriting manager for the crane and scaffold industries Gallagher said in a statement.

About 35 Allied staff will join Gallagher.

### Ryan Specialty adds hotels program manager

Ryan Specialty Group LLC agreed to acquire West Chester, Pennsylvania-based The Suitelife, a program manager specializing in boutique and full-service hotels and resorts, from Venture Insurance Programs.

Terms of the transaction were not disclosed.

The Suitelife will become part of RSG Underwriting Managers LLC, the managing general underwriting unit of Ryan Specialty Group, the Chicago-based brokerage said in a statement.

### AssuredPartners buys Houston agency

AssuredPartners Inc. has acquired Houston Business Insurance Agency. Terms of the deal were not disclosed.

The Houston-based agency provides property/casualty insurance for commercial businesses of all sizes with annual revenue estimated at \$1 million, Lake Mary, Florida-based AssuredPartners said in a statement, adding its employees will stay on under owner Dominique Renaud.

### Tysers to purchase specialty wholesaler RFIB

London-based wholesale broker Tysers, part of Integro Insurance Brokers Ltd., agreed to acquire London-based Risk Transfers Group, the parent company of specialist wholesaler RFIB Group Ltd.

Terms of the transaction were not disclosed.

Steven Beard will continue as RTG CEO and report to Integro CEO Andy Behrends. The combined wholesale brokerage team will be led by Tysers co-heads of wholesale David Abraham and Jason Collins, according to the statement.

## Technology gain can devolve to pain

**T**echnological advancement is a wonderful thing. The innumerable apps and gadgets that we can access in an instant help eliminate drudgery, improve efficiency and keep us all entertained.

Some may argue that the tactile pleasure of handling a book outweighs the convenience of a Kindle, or lament that the thrill of driving will be lost when we are all transported via autonomous vehicles, but it's hard not to see the incredible changes we are witnessing as a net positive.

In the workplace, too, processes are improved, accuracy is ensured and backbreaking tasks are eliminated by the introduction of new technology.

But the road to the technological promised land is not always straight and the human factor can create obstacles.

As we report on page 8, one of the consequences of greater interaction between people and robots on the factory floor, for example, is fewer accidents as the machines almost faultlessly perform their tasks. When something does go wrong, however, injuries are more severe when the unstoppable power of the robots comes to bear on the soft tissue of human workers.



**Gavin Souter**  
EDITOR

The human element in less physical jobs can also lead to unfortunate outcomes. A study recently released by specialty insurer The Doctors Co. showed that medical malpractice claims related to electronic health records are on the rise.

In one example in the study, an elderly patient had to visit an emergency room after her physician, intending to prescribe her Flonase nasal spray, entered "FLO" on a medication screen and the system selected Flomax, a medication for enlarged prostate, one side effect of which is hypotension.

Nobody wants to go back to deciphering physicians' illegible scripts, but as electronic health record adoption is nearly universal, the risk of more typos leading to serious health problems rises.

The emergence of unforeseen and possibly catastrophic risk as a result of technological advancement is nothing new — machine-related deaths and injuries during the industrial revolution were horrific — but the pace of change we are currently witnessing creates a crucial need for improved risk management processes.

While risk managers are rightly wary of being labeled "the department that says no," the need to step back and think through all the conceivable consequences of new processes and equipment has seldom been more urgent.

The tried and trusted risk management steps of risk identification, risk mitigation and risk transfer are even more vital when new processes are being introduced than they are for existing operations, but they must be applied across all departments.

A risk manager's job may not be to put the brakes on technological progress, but by effectively partnering with colleagues across all of an organization's operations, risk professionals may at least be able to make sure that seat belts are in use.



### RISKS ASSESSMENT

## Seeking clarity on cursing

BY CLAIRE WILKINSON  
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**W**atch your language! Or not? Profanity, and whether it has a place in civil discourse — either in the workplace, in public life or on the campaign trail — has become a topic of debate in recent weeks.

On the presidential campaign trail, Democratic candidate Beto O'Rourke, along with others, has made a name for himself for his regular use of profanity especially when talking about hot button topics such as gun control and climate change.

In a Sept. 20 interview with CBS News, for example, the candidate's wife Amy O'Rourke was quoted as saying that while she cringes when he curses, "At the same time, I think Beto is at his best when he's just being himself and unfiltered, and speaking honestly and directly."

The same could be said of union workers who find themselves in tense negotiations with employers. As such, the National Labor Relations Board is reevaluating Obama-era policies that protect employees engaging in union activity from disciplinary action if they use profanity.

The debate centers around how to balance the rights of employees, and protected status under existing legislation, including the National Labor Relations Act and Title VII of the Civil Rights Act of 1964, with employers' right to take disciplinary action for unacceptable conduct.

On the one side, employer attorneys say the NLRB's policy goes too far in protecting profane language and want it revised. Employee attorneys counter that workers have a right to engage in activity when nego-

tiating terms and conditions of their employment.

In a notice and invitation to file briefs issued Sept. 5, the NLRB requested input from interested parties on "whether to adhere to, modify, or overrule the standard applied in previous cases in which extremely profane or racially offensive language was judged not to lose the protection of the National Labor Relations Act."

Taking a step back from this specific case, it's clear that as our language evolves, so does the need to adjust prescriptive policies around use of such language. Words considered profane a decade ago may have lost some of their impact, especially with increased use of social media and digital forms of communication.

At the same time, workplaces must maintain a level of decorum in order to protect employees from discrimination under Title VII while still promoting honest, open and transparent discourse.

As long as employers have to navigate conflicting guidance on how to apply the NLRA to employee behavior during union activity, and where it intersects with Title VII, the path ahead is unclear.

For employers, putting in place consistent policies and procedures on how to manage and handle such outbursts in the workplace is critical, even while addressing a range of potential situations, from day-to-day interactions to contract negotiations, is challenging.

For employees, too, knowing where the line sits between appropriate and inappropriate behavior and under what conditions profanity crosses that line and gets you fired is important.

Amicus briefs are due Nov. 4. Until then, employers, think carefully before firing workers for foul language.

# Risky business: Peak hurricane season meets prime filming season



Timothy G. Ehrhart is a senior vice president for Chubb Ltd. He oversees Chubb's North American territory for the media and entertainment industry practices and joined the firm in 1987. He can be contacted at [tehrhart@chubb.com](mailto:tehrhart@chubb.com)

**F**all is finally here, and for those in the media and entertainment industry, that means peak filming season.

As productions flock to the Gulf Coast to capitalize on state financial incentives, it means that industry risk managers, agents and brokers must simultaneously contend with peak hurricane season — a time of year that can lead to a host of weather-related filming risks. Therefore, it is imperative film makers head into production season with an understanding of their weather exposures, how best to manage these risks and, most important, have a plan to keep the cast and crew safe and out of harm's way should the need arise. The time to prepare is now.

## Writing the hurricane preparedness script

Unfortunately, natural disasters such as hurricanes have continued to increase in both severity and cost. According to NOAA, two of the top five costliest hurricanes in U.S. history hit the Gulf Coast in the past two years — Irma and Harvey — totaling \$175 billion in damages. Among all recent hurricanes in the U.S., hurricane-related damage is increasingly the result of rain and flood waters, not just wind, which is, in turn, driving up loss costs. More concerning is that subsequent losses aren't limited to coastal communities, but rather reaching further inland.

*Despite the best planning, the insurance industry can neither stop nor predict a hurricane. When one does hit, much of the financial loss during production is from interruption issues and delays. That's where having the right insurance can help.*

Because these storms — and their looming aftermath — are predicted to get stronger, it's vital to be prepared and equipped to mitigate the risks associated with these storms because even the best screenwriters cannot write a story with as many twists and turns as a hurricane.

Fortunately, risk managers and agents and brokers can see how the story will unfold by staying in tune with how storms are progressing. After all, a small disturbance in the Caribbean can begin as a tropical storm and quickly evolve into a powerful hurricane. By monitoring weather advisories and emergency announcements, filmmakers can stay ahead of the storm.



In the event a storm affects production, snap decisions and rush to judgment calls must be avoided. Rather, it's important producers and studio executives activate contingency protocols based on a pre-developed plan. Ideally, risk managers, agents and brokers have developed such a plan that includes the following:

- **A designated hurricane plan coordinator and staff:** The members of this team will be accountable for monitoring weather advisories and activating and implementing the plan. They should also be responsible for coordinating with civil authorities, who will ultimately make the call regarding mandatory evacuations. In the event of evacuation, local filming permits will be pulled, and a production must comply with authorities.
- **An evacuation plan and emergency contacts for all cast and crew:** When developing such a plan, leverage local authorities to help determine flood zones and pre-determined evacuation routes for the production area. From there, determine where and how cast and crew will evacuate. In some cases, this means working with hotels ahead of time to make accommodations. This part of the plan must also account for equipment and vehicle safety, as well as production offices and soundstages.
- **Disaster kits:** All cast and crew should be given information on disaster kits, which include, at a minimum, three days of supplies such as cash, fuel, first aid and medicines, food and water, flashlights and spare batteries, clothing and bedding. Naturally, what's included in the disaster kit must correspond with a broader evacuation plan.
- **A post-storm contingency plan:** This piece of the plan accounts for items such as access to another site, should

a filmmaking team be unable to return to its production offices immediately, access to generators, and as mentioned earlier, access to replacement for storm-damaged equipment.

Plans should be in writing and distributed to the cast and crew before production.

## And ... action: Dealing with an active hurricane

Despite the best planning, the insurance industry can neither stop nor predict a hurricane. When one does hit, much of the financial loss during production is from interruption issues and delays. That's where having the right insurance, including a business interruption policy, can help.

While this very clearly affects the overall production timeline, behind the scenes, it also means extra days of renting equipment, overtime for cast and crew, and extended lodging. Therefore, it is imperative risk managers, agents and brokers factor these costs into their purchased extra expense limits. Failure to know the average daily cost of production when purchasing a policy can be "catastrophic" — as setting this limit too low can lead to out-of-pocket costs that can put the overall production at serious risk. Additionally, in order to be fully protected, filmmakers must ensure they can replace their daily cost for an extended period.

Outside of business interruption and extra expense insurance, it's critical to have the right property insurance, as much of the equipment used for shooting is very expensive. While some equipment can be packed up and evacuated along with the cast and crew, that won't solve everything. For bigger pieces of equipment or large sets and scenery that can't be transported, confirming that the crew is prepared with tarps and the proper storage outlets can go a long way, but damage can still happen. Thus, risk managers, agents and brokers must ensure property limits are accurate and up-to-date prior to filming to ensure there is sufficient insurance for any equipment that might be damaged in a storm.

## Curtain call

Getting the perfect shot shouldn't come at the expense of the overall production, or the safety of its cast and crew. By understanding the risks that go hand-in-hand with hurricane season, properly preparing for contingencies before and after the storm, and securing the right insurance products and services, the cast of risk managers, agents and brokers can help produce the next blockbuster.



### UP CLOSE

## Lisa Bartlett

**NEW JOB TITLE:** London-based president, U.K. and Ireland, Crawford & Co.

**PREVIOUS POSITION:** London-based chief client officer, Crawford & Co.

**OUTLOOK FOR THE INDUSTRY:** The insurance industry is one that is changing rapidly. Insurers have increased their focus on promoting risk awareness and reducing risk. Consequently, loss adjusting claims management companies need to adapt to the changing needs of their clients by embracing technology and developing personalized solutions.

**GOALS FOR YOUR NEW POSITION:** My focus is on growing the business by continuing to attract and develop top talent and by offering tailored solutions to our clients. We will continue to embrace new technologies and innovation to ensure that we are the partner of choice for our clients. Our continued development of solutions such as Alexa first notification of loss, virtual reality, drones, automation and much more is already delivering real change to our clients and their customers.

**CHALLENGES FACING THE INDUSTRY:** Technology is a major disruptor for the industry. Clients and their customers have increased expectations, which means that the success of loss adjusting and claims management companies will depend on the right balance of automation and personalized service. The attraction and development of top talent able to understand new and emerging risks is a significant challenge for all across the insurance industry.

**FIRST EXPERIENCE:** I was a trainee underwriter for Axa Insurance.

**ADVICE FOR A NEWCOMER:** Be curious and communicate with people at all levels to develop a good understanding of your industry. Be receptive to constructive feedback and, above all, strive for excellence.

**DREAM JOB:** A criminal psychologist

**LOOKING FORWARD TO:** Leading a successful team and fulfilling Crawford's mission to restore and enhance lives, businesses and communities.

**COLLEGE MAJOR:** Risk management

**FAVORITE MEAL:** Thai food

**BOOK:** Anything by Harlan Coben or Lee Child

**HOBBIES:** Fitness and reading

**TV SHOW:** "Mad Men"

**ON A SATURDAY AFTERNOON:** My children decide the weekend activities, so swimming, ice skating, water parks, theme parks... the list is endless.

"The attraction and development of top talent able to understand new and emerging risks is a significant challenge for all across the insurance industry."



**Mario Vitale** joined cyber security and analytics company Arceo.ai in the newly created role of president. New York-based Mr. Vitale will work to expand

the insurance-related business of San Francisco-based Arceo.ai. He retired as CEO of Aspen Insurance, a unit of Aspen Insurance Holdings Ltd., in 2016 and has since worked as an M&A consultant.



Hylant Group Inc. named Indianapolis-based **Anne Marie Towle** to the newly created position of senior vice president to lead its global captive solutions

business. Ms. Towle left Marsh LLC's captive management business in August.



Longtime Marsh LLC property insurance executive **Duncan Ellis** left the brokerage to join American International Group Inc. New York-based Mr. Ellis, who headed

Marsh's U.S. property practice, joined AIG as head of retail property, North America general insurance in late September.



Liberty Mutual Insurance Co. named Boston-based **David Perez** chief underwriting officer, North America, for Global Risk Solutions, Liberty Mutual's

global commercial and specialty lines insurer and reinsurer. He has been with Liberty Mutual since 2012, most recently as executive vice president of national insurance specialty.



Lloyd's of London appointed London-based **David Sansom** as chief risk officer. Previously, Mr. Sansom was director of financial services risk at EY.



BMS Group Ltd. promoted Dallas-based **Kirk Conrad** to the newly created role of chief analytics officer, heading BMS's U.S. reinsurance catastrophe analytics

and actuarial divisions. Previously, Mr. Conrad was chief strategy officer.

### SEE MORE ONLINE

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

## VINEYARD SAYS PROFITS GOING UP IN SMOKE



### Man consumed by Popeyes sues

I can't get happy. I have this sandwich on my mind. I can't think straight. It just consumes you.

A Tennessee man said those words to a Times Free Press reporter in Chattanooga in August after filing a \$5,000 lawsuit against Popeyes Chicken because all the restaurants in his area ran out of the trending sandwich and he spent "countless hours" trying to find something else to eat, according to media reports.

The lawsuit filed by chicken sandwich fan Craig Barr, who says he's suing to stand up to "big corporate," alleges that Popeyes engaged in "false advertising" and "deceptive business practices by entity to public."

Mr. Barr also told reporters that he answered a "blacklist" Craigslist ad from a friend of a man claiming to be a Popeyes worker who said he was selling chicken sandwiches out of the back of the restaurant for \$24.



**A** vineyard may proceed with its lawsuit against a neighbor over fears its grapes have gone to pot because of their proximity to the neighbor's marijuana growing operation, reported Salem, Oregon-based The Capital Press.

A U.S. district judge ruled in September that McMinnville, Oregon-based Momtazi Vineyard could pursue its lawsuit against its marijuana-growing neighbors, the Wagner family, alleging violations of the Racketeer Influenced and Corrupt Organization Act. The vineyard alleged in court that because marijuana remains illegal under federal law, the neighbors were engaged in a criminal enterprise, the news report said.

The vineyard argued that it suffered from "concrete financial loss" because a customer canceled an order over fears that the grapes would be contaminated with marijuana smell.

### Phishers bait brokers emails

**C**ybersecurity is big news in insurance, as many insurers have developed products and services to manage the risk that comes with phishing scams and cyber theft.

But it looks like the insurance industry itself is a prime target.

Posing as the National Association of Insurance Commissioners and its Center for Insurance Policy and Research, cyber criminals are sending phony emails to insurance agents and brokers to click on dangerous links to gain access to information under the false pretenses that are the cornerstone of phishing scams.

The NAIC recently posted an alert about the new strategy, alerting its members to the dangers of emails that seek confidential information.

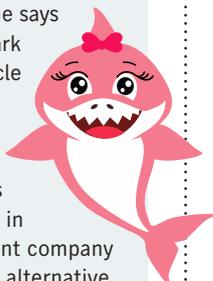


### Baby lawsuit doo, doo, doo ...

**J**ohnny Only, a New York-based children's entertainer known as "the Baby Shark Guy" among parents looking for their Motrin, is suing a Korean company he says stole his popular Baby Shark song, according to an article in USA Today.

With the help of a Korean attorney, Mr. Only, whose legal name is Jonathon Wright, is suing in Korean court entertainment company SmartStudy, the owner of alternative and similar-sounding "Baby Shark" creator PinkFong, claiming copyright infringement, according to the article.

In a statement to USA Today, SmartStudy stated "Pinkfong's 'Baby Shark' is based on a traditional singalong chant which has passed to public domain ... We are the producer and publisher, we own and control 100% of Pinkfong Baby Shark."



### Extra airline charges send fares sky high

**S**pirit Airlines Inc. passengers can sue the airline for charging carry-on baggage fees that can surpass the cost of their low-cost ticket bought through such websites as Cheapair, Expedia, Priceline and Travelocity, CNBC reported.

Specifically, a federal appeals court in New York said 22 passengers could sue for breach of contract because there was no evidence Spirit notified them about the fees when they booked their trips and that there were "ambiguities" in the prices they would pay, according to the news report.

Miramar, Florida-based Spirit is accused of relying on "ancillary fees," such as checked and carry-on baggage fees and fees to choose seats, to make money after offering lower fares. It has not commented on the suit.

The plaintiffs claim the airline knew its travel agents hid "gotcha" bag fees.

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### #BI\_WomenToWatch

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