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JULY 21, 2014

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CAT BOND ISSUANCE

$5.7 billion-$5.9 billion
The value of up to 17 catastrophe bonds issued in the first half of 2014.

$20.8 billion to $22.4 billion
The value of outstanding cat bonds, surpassing the previous high of nearly $19 billion in 2013.

Up to $9 billion
The highest projected value of total 2014 cat bonds, which would beat the record $7.2 billion in 2007.

Source: Aon Benfield Securities Inc., GC Securities Inc., Willis Capital Markets & Advisory

REINSURANCE

Cat bonds on track for record year

BY MATTHEW LERNER

A record $4.5 billion in catastrophe bonds issued in the second quarter of this year shows the alternative risk transfer method is maturing amid strong investor demand and limited losses.

Seventeen deals closed during the quarter, according to Willis Capital Markets & Advisory, surpassing the previous quarterly record of $3.5 billion in nonlife cat bonds in the second quarter of 2007. It included the largest cat bond ever issued.

Willis and GC Securities Inc. put total first-half cat bond issuance at $5.7 billion; Aon Benfield Securities Inc. put the value at $5.9 billion.

The respective units of Willis Group Holdings P.L.C., Aon P.L.C. and Marsh & McLennan Cos. Inc. and several other experts agree that this year looks to break the

See **CAT BONDS** page 33

RISK MANAGEMENT

TRUCKER SAFETY RULES EYED AFTER TRACY MORGAN CRASH

Industry argues new regulations heighten risks

AP PHOTO

Emergency crew worked at the scene of the crash involving a Wal-Mart truck and Tracy Morgan's limo.

BY JUDY GREENWALD

A Wal-Mart tractor-trailer whose allegedly fatigued driver hit a limousine last month, seriously injuring comedian Tracy Morgan and killing his friend, has brought fresh scrutiny of trucker safety as the industry tries to alter federal rules limiting drivers' time behind the wheel without rest.

Trucking firms and a trucking industry group argue that the rules imposed a year ago could result in even more accidents.

Earlier this month, the recovering Mr. Morgan,

See **TRUCKS** page 34

TRUCKING RULES OF THE ROAD

The U.S. Department of Transportation's Federal Motor Carrier Safety Administration's regulations that took effect last summer are designed to improve safety by reducing truck driver fatigue. The new rules:

Limit the average workweek for truck drivers to 70 hours vs. the previous maximum of 82 hours.

Allow truck drivers who reach the maximum 70 hours to resume driving if they rest 34 consecutive hours, including two nights from 1-5 a.m.

Require truck drivers to take a 30-minute break during the first eight hours of a shift.

Confirm the daily driving limit of 11 hours and the workday of 14 hours remain in effect.

Source: Federal Motor Carrier Safety Administration

BENEFITS MANAGEMENT

Contraceptives ruling will test mandate range

More employers may drop some coverage

BY JOANNE WOJCIK

The U.S. Supreme Court's pivotal ruling last month that the federal government cannot force family-owned, private employers to directly provide contraceptive coverage could have wider reaching implications for private companies and benefits administrators.

Benefits lawyers, consultants and third-party administrators have received numerous inquiries from self-funded employers asking whether they, too, can discontinue providing contraceptive coverage in light of the high court's June 30 decision in *Burwell v. Hobby Lobby Stores Inc.*

"You're only limited to your imagination what the full impact of this ruling will be in time," said Amy Gordon, a partner at McDermott Will & Emery L.L.P. in Chicago. "The ruling addressed closely-held, for-profit corporations but did not define what is meant by 'closely-held,' nor did it preclude non-closely-held corporations from bringing their own action and exerting the same freedom of religion objection."

That 5-4 high court ruling said the Religious Freedom Restoration Act of 1993 allows closely-held, for-profit corporations to avoid the Patient Protection and Affordable Care Act's requirement to provide

See **CONTRACEPTIVE** page 33

Q&A: BRIAN DUPERREAULT

The former Ace Ltd. and Marsh & McLennan Cos. Inc. chief has returned to the insurance industry to head a new company. With Hamilton Insurance Group in Bermuda, he intends to expand in the U.S. and build a presence at Lloyd's of London. Mr. Duperreault speaks with *Business Insurance* about his plans for Hamilton.
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COMMENTARY

JOANNE WOJCIK
SENIOR EDITOR

The insurance industry continues to struggle with diversity. Industry leadership remains "pale, male and stale," while their clients reflect a far more diverse culture. The same holds true for gender diversity. While more than half of entry-level positions in insurance and risk management are held by women, less than 2% of the CEOs in our industry are women.
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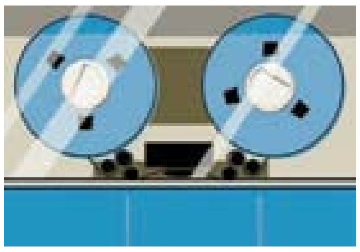

DEALS & MOVES

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SECTIONS

NEWS

SAFETY

HOT SUMMER WORKDAYS TEST HEAT SAFETY POLICIES

New California law adds to employers´ obligations

BY STEPHANIE GOLDBERG

Broiling summer heat, an aging workforce and a booming construction industry in some areas of the country are raising concerns about heat-related illness risks for workers.

While employers across the U.S. are expected under federal law to keep workers safe from illnesses brought on by the heat by at least providing water, rest and shade, they also can stagger work times, monitor the heat index and provide cooling devices, experts say.

In California, employers soon will be required to provide additional protection for employees working in the sun or other hot environments.

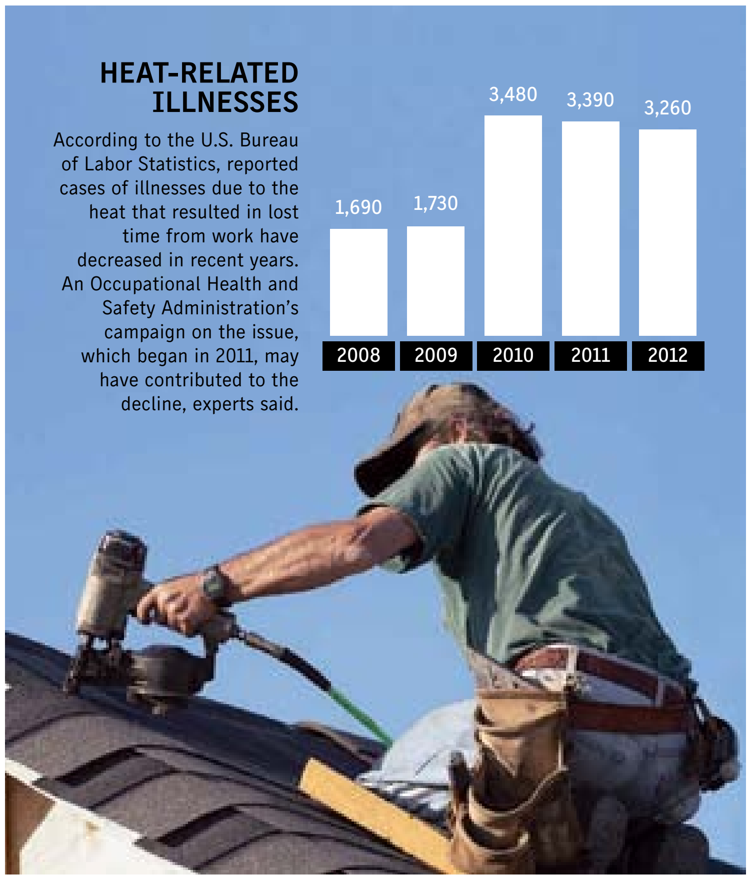
Legislation, which was signed into law in June and takes effect Jan. 1, 2015, addresses the ambiguity of a prior California labor law that specified the need for recovery periods to prevent heat-related illness, but it did not say that such rest periods must be paid, said Ryan Kilcullen, California casualty risk control manager in Willis Group Holdings P.L.C.'s risk control and claims advocacy practice in Los Angeles.

"Employees should be compensated fairly for following the heat illness standard," Mr. Kilcullen said. "If they're recognizing that they're having symptoms of heat-related illness, one of the first steps you need to take under the heat illness standards is a break."

"Workers should not be forced to choose between their health and their wages," state Sen. Alex Padilla, D-Pacoima, the author of the bill, said in an email.

Agriculture, construction and landscaping workers are most at risk due to the heat, experts say, but indoor workers also can be victims when poor air circulation and

See HEAT page 34



HEAT-RELATED ILLNESSES

According to the U.S. Bureau of Labor Statistics, reported cases of illnesses due to the heat that resulted in lost time from work have decreased in recent years. An Occupational Health and Safety Administration's campaign on the issue, which began in 2011, may have contributed to the decline, experts said.

INTERNATIONAL

Captives stick with E.U. domiciles despite Solvency II

BY SARAH VEYSEY

Captive insurers are making good progress in preparing for Solvency II and are defying predictions that they would leave the European Union for domiciles where the risk-based capital rules will not apply.

Solvency II, the European Union-wide risk-based capital rules for insurance and reinsurance companies that will come into force in January 2016, will be applied to captives using the "principle of proportionality" to take into account the relative size and complexity of captives.

That proportionality likely will mean that national regulators would impose lighter reporting requirements on captives than on commercial insurance companies, for example, said Gerry Connell, vice president of Marsh Management Services (Dublin) Ltd.

There appears to be a "reasonably consistent approach across all domiciles" to the way that regulators are seeking to apply Solvency II rules to captives, and the principle of proportionality, according to Adrian Richardson, head of risk finance at Aon Global Risk Consulting, a unit of Aon P.L.C., in New York.

While captives previously lagged commercial insurers in terms of preparation for Solvency II, in part

See SOLVENCY page 32

EMPLOYMENT PRACTICES

Pregnancy bias rules raise concerns

EEOC updates employer guidance for first time in 30 years

BY BILL KENEALY

The decision last week by the U.S. Equal Employment Opportunity Commission to issue updated guidance for pregnancy discrimination has generated controversy as legal experts debate the scope and timing of the new rules.

Proponents of the guidance say the update, which seeks to clarify an employer's responsibility under the Pregnancy Discrimination Act of 1978, as well as Title I of the Americans with Disabilities Act, is long overdue.

Conversely, others argue that the new guidance is overly broad and should have been delayed in light of the U.S. Supreme Court's recent decision to hear the case of *Peggy Young v. UPS*, which centers on an employer's obligation to provide "light duty" work for pregnant employees.

"This is the first comprehensive update of the commission's guidance on the subject of discrimination against pregnant workers since the 1983 publication of a Compliance Manual chapter on the subject," said Kimberly Smith-Brown, communications director for the EEOC Office of Communications and Legislative Affairs. "This guidance supersedes that document and incorporates significant developments in the law during the past 30 years."

Ms. Smith-Brown said the biggest change in the new guidance is that it broadens the definition of "disability" under the auspices of the ADA Amendments Act in order to makes it easier for pregnant workers with a variety of impairments to demonstrate that they have covered disabilities for which reasonable accommodation may be required.

The guidance provides important clarity for employers, employees and the courts, said Emily Martin, Washington-based vice president and general counsel of the National Women's Law Center.

"There has been a real need for the EEOC to clarify some issues under the law. It provides real strong guidance on when employers are obligated to make accommodations for pregnant workers

See PREGNANCY page 32

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ONLINE FEATURES

TOP 10 STORIES

Read the top 10 features and news stories of the week

Find out what the most popular Web features and news articles are on *BusinessInsurance.com*.
www.BusinessInsurance.com/BITop10

VIDEO: IN FOCUS

P/C insurance lobbyists

Top insurance industry lobbyists discuss their priorities as they seek to influence Capitol Hill lawmakers.
www.BusinessInsurance.com/InFocus

VIDEO: BROKER BEAT

Bankers Insurance L.L.C.

Mike Hedden, senior vice president of Bankers Insurance, discusses the issues facing the brokerage firm.
www.BusinessInsurance.com/BrokerBeat

WOMEN TO WATCH

2014 nominations still open

Nominate an inspiring woman in the industry to be named one of *Business Insurance*'s Women to Watch. The deadline for nominations for this annual honor is midnight July 31.
www.BusinessInsurance.com/WomenToWatch

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NEWS

LEGISLATION

CONGRESS MULLS MEASURES TARGETING DISASTER RESILIENCE

Bills promote building standards, disaster savings

BY MARK A. HOFMANN

AP PHOTO

Hurricane Arthur provided a foul-weather wake-up call when it blew into North Carolina and up the East Coast over 4th of July weekend.

Proponents of enhanced federal support of disaster mitigation hope the memory of previous catastrophes will spur action on a quartet of bills during the waning days of the current Congress.

Hurricane Arthur was a "wake-up call for a lot of folks on Capitol Hill and across the country that hurricane season is already underway," Jimi Grande, Washington-based senior vice president of the National Association of Mutual Insurance Cos. and chairman of the Build Strong America Coalition, which promotes more effective building codes, said in an e-mail.

"It certainly got the conversation about hurricane preparedness started earlier than usual in the season, especially since it made landfall during the week of the Fourth of July," he said.

Each bill, some introduced in both the House of Representatives and the Senate, addresses a different aspect of disaster mitigation. They are:

- The Safe Building Code Incentive Act of 2013, H.R. 1878 and S. 924, would provide additional federal assistance to states that adopt and enforce building codes as specified in the legislation. Qualifying code, would be "consistent with the most recent version of a nationally recognized building code" and use that code as a minimum standard. Under legislation that has bipartisan support, states that enact such strong building codes would qualify for another 4% in federal hazard mitigation grant funding.
- The Disaster Savings Account Act, H.R. 3989 and S. 1991, calls for a $5,000 tax deduction for homeowners who deposit money into a newly created form of savings account to offset disaster mitigation costs.
- The Disaster Savings and Resilient Construction Act of 2013, H.R. 2241, would provide tax credits of varying amounts to businesses and homeowners meeting "resilient construction requirements" as defined in the bill when building or renovating commercial and residential structures.
- The National Windstorm Impact Reduction Act Reauthorization of 2013, H.R. 1786, passed by the House last week, would

See **DISASTERS** page 32

RISK MANAGEMENT

CDC failings show need for safety focus

BY RODD ZOLKOS

Testimony to Congress last week by the head of the U.S. Centers for Disease Control and Prevention concerning recent mishandling of deadly viruses by scientists at his agency highlighted the problems organizations face when they don't embrace a "culture of safety."

Instilling such a culture can have great value in reducing accidents, injuries and losses, but many organizations don't understand how to implement the necessary changes, experts say.

In his testimony, Tom Frieden, director of the Atlanta-based CDC, said incidents of CDC scientists mishandling live anthrax and bird flu resulted from "an insufficient culture of safety," something that must be improved at the agency, he said.

What likely happened at the CDC is what happens at many organizations when other issues take precedence over safety, said Steve Thompson, principal at Aspen Risk Management Group, a safety consultant in San Diego. At a place like the CDC, for example, high powered researchers might not be inherently unsafe people but their primary focus is not safety, he said.

"In the world of the culture of safety, the way we look at safety is safety isn't a priority, it's a value," Mr. Thompson said. "In a really strong safety culture every single person is in essence their own risk manager, their own safety manager."

Instilling a culture of safety reaches into basic beliefs and practices of an organization, Mr. Thompson said. "It's things like how are people hired and how are they handled in the hiring process ... what sorts of questions are asked," he said. "It's happening throughout. You ask employees to make a commitment to safety. You ask heads of departments to commit to safety, to write it down."

Achieving a culture of safety requires commitment from an

See **SAFETY** page 31

RESEARCH & DATA

Broker M&As most active since 2008

Private equity strong in busy 2014 first half

BY TIMOTHY J. CUNNINGHAM AND DANIEL P. MENZER

U.S. and Canadian buyers and sellers announced 165 mergers and acquisitions of insurance agents and brokers in the first half of 2014, with a significant number involving private equity-backed firms.

The 165 deals have produced the most active first half since 2000 and the second-most active six-month period since the second half of 2008.

Although not included in our analysis, major U.S. brokers also made several significant international acquisitions during the first half. They include Arthur J. Gallagher & Co.'s acquisitions of Sydney-based conglomerate Wesfarmers Ltd. and London-based Oval Group of Cos.

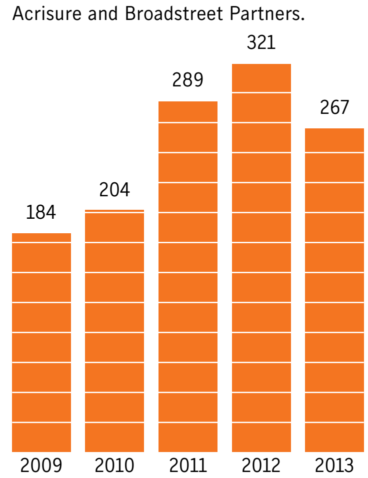
2012 was the most active M&A year in the prior 10 years as sellers rushed to close deals to avoid higher capital gains tax rates starting in 2013. While the proverbial pipeline was nearly empty as 2013 began, the pace picked up at the end of the year and continued through June this year. The 93 announced first-quarter 2014 deals and 72 second-quarter transactions reflect a very healthy M&A climate.

Private equity-backed buyers have a pronounced, defining role

See **MERGERS** page 31

AGENT/BROKER MERGERS, 2009-2013

Mergers and acquisitions involving U.S. and Canadian insurance agents and brokers. Numbers are restated from February based on new data from Acrisure and Broadstreet Partners.



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MIDSIZED FIRMS RELYING ON BROKERS FOR DATA

Benchmarking information to compare to rivals provides critical market insight

BY JOANNE WOJCIK

After decades of gathering and warehousing data on insurance purchases, exposures and claims from their commercial clients, more insurance brokers are offering to share the power of their "big data" sets with their middle-market clients.

Whether it's to compare their insurance purchases with that of their peers or to determine the likelihood and effect of a hack attack on vulnerable information technology systems, insurance brokers' data analytics tools are becoming more sophisticated in response to their middle-market clients' risk management needs.

While certain analytics, such as benchmarking tools used to compare insurance purchases of organizations in a particular industry, typically are available at no additional charge to most middle-market clients, some brokers do charge additional fees to conduct more sophisticated analyses, such as predictive modeling.

"Analytics can run the gamut from what we might term 'benchmarking' — information about the types of deals and insurance being purchased in the market — to loss projection modeling, looking at a company's historical loss information and projecting what might happen in the future," said Claude Yoder, head of global analytics at Marsh L.L.C. in New York.

"If you keep going, we have things that are more stochastic, understanding the nature of possible outcomes and creating that distribution. What we've been doing more and more is predictive analytics — looking at a profile of a company, a profile of a situation — and predicting what the outcome might be."

For example, to help clients get a better handle on their cyber risks, Marsh recently introduced a model that predicts the likelihood and severity of a data breach.

"There are a lot of companies across different types of industries that are concerned about data breaches. This information can be used to determine whether and how much cyber risk coverage to purchase," Mr. Yoder said.

"All clients are looking for more analytics to factor into their decision-making process," said Sandy Crystal, executive vice president of Crystal & Company in New York. "Our client base — whether it's a risk manager or a company without a risk manager — ultimately they need to justify to senior executives why they're making the decisions they're making."

Using data derived from sources such as U.S. Securities and Exchange Commission filings, historical merger and acquisition activity, and publicly available claims data, Crystal has developed a directors and officers liability analytics tool to help publicly traded organizations determine their likely exposure to securities claims.

Crystal also recently introduced a workers compensation predictive modeling tool to help midsize companies identify potentially costly occupational injury claims so they can be reviewed, managed and closed sooner.

But Julie Zimmer, vice president of sales and middle-market segment leader at Hub International Ltd. in Chicago, said most of the broker's middle-market clients are interested more in benchmarking capabilities than predictive models, though Hub provides both.

"I don't have a lot of middle-market clients wanting to know the day of the week they get most injuries. They're not as granular as the bigger risk management organizations that have big retentions, but they still need information to learn and to become better," she said.

"Middle-market clients are more interested in market insight. They want benchmarking that compares them to their peers," said Rob Stein, New York-based chief broking officer of U.S. retail operations at Aon Risk Solutions, whose Global Risk Insight Platform has been used for nearly a decade to help clients perform benchmarking exercises. Aon also has predictive modeling capabilities that perform more sophisticated analytics.

For example, some middle-market clients may be interested in the outcome of a recent analytics project Aon performed on how the aging workforce affects workplace injury claims, Mr. Stein said.

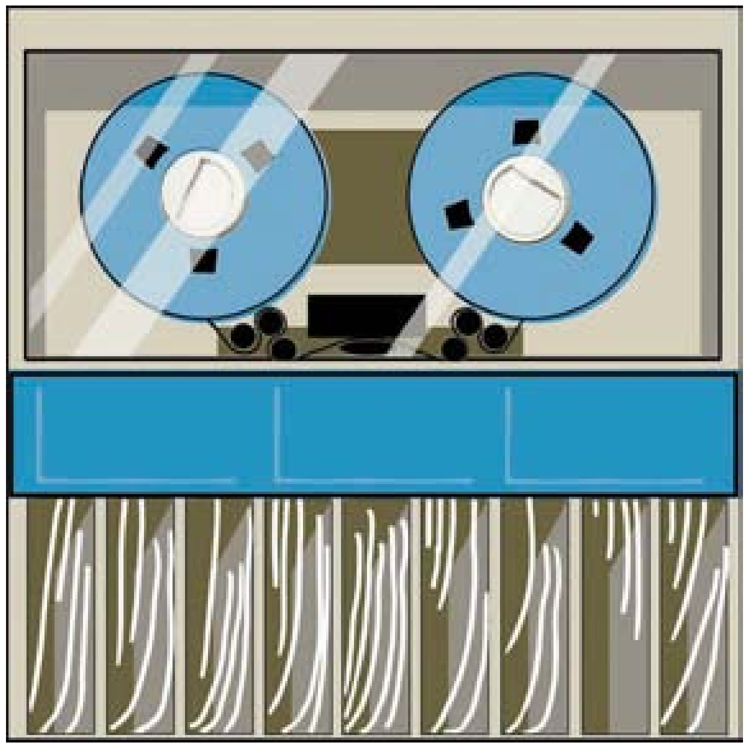
"It's using technology and modeling to be specific about an issue that's facing clients today," Mr. Stein said. "For example, workers in the 45 years-and-older category have increased 49% and now make up 44% of the available workforce. This will require engineers to reengineer their work environment and change their safety and ergonomics programs."

Victoria Nolan, risk and benefits manager at Clean Water Services in Hillsboro, Oregon, said she has not yet requested data analytics from her broker "in part because we are the keepers of our own data. Therefore, it would require more work on our part to transfer or input the data that at the present time we do not have the resources for. The alternative of getting analytics of data from similar entities has not been very useful in the past."

However, she plans to include questions in her next broker request for proposal about the type of analytics the water utility company can get.

"I figure that this is such a rapidly developing area that there should be some better tools available in the very near future," Ms. Nolan said.

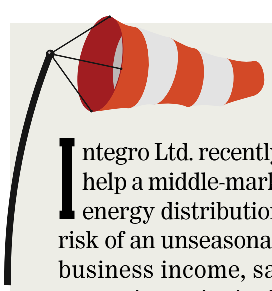
Aon's Mr. Stein said, "Broker analytics is probably more advanced than it's ever been, but it likely hasn't even scratched the surface of what it might become due to the rapid pace of the technology that's available."



DIGGING INTO DATA

Data analytics, the use of statistical methods to determine a defensible business decision, comes in many forms.

- **Benchmarking** is the simplest form of data analytics used by brokers to help insurance buyers determine how much and what lines of coverage they should purchase by comparing their risks, exposures, and other characteristics and demographic information with that of similar organizations.
- **Actuarial analysis,** including loss-projection modeling, uses historical loss information augmented with other available data to project future losses.
- **Stochastic modeling** is a tool used to map the distribution of possible outcomes likely to occur to determine the maximum probable loss, as well as the likely scope of other losses across an organization.
- **Predictive modeling** is the most sophisticated form of data analytics, using available information on risk, exposures and other characteristics to determine the most likely outcomes.



DATA DIVE GIVES ENERGY COMPANY HOT INSURANCE TIP

Integro Ltd. recently used data analytics to help a middle-market client with Midwest energy distribution operations hedge the risk of an unseasonably warm winter on its business income, said Patrick Gallagher, managing principal and chief actuary in the broker's New York headquarters.

"We did an ad hoc analysis, collecting 100 years of weather data to develop a simulation model to determine the likelihood of the winter being warmer than a certain level," he said. "We found that every one degree (warmer) per day cost them $15,000."

Using that information, the client "decided to put the risk in their captive (insurer) and then purchase a derivative reinsurance policy" that will reimburse the captive for claims that are paid, he said.

Integro actuaries ran into a few hurdles in performing the analysis. For example, two months of weather data, taken from a Midwestern airport, was missing during every summer in the 1920s and 1930s, Mr. Gallagher said.

"We determined it was because the employee responsible for data collection went on vacation during those times and there was no backup," he said. "So we found some alternative data sets and cleaned up the data."

Mr. Gallagher said Integro provides similar analytics for other middle-market clients.

"With the proliferation and creation of more and less expensive data, we can provide information about a client's risk that can impact their business strategy rather than merely identify some kind of downside risk," he said.

By Joanne Wojcik

MANY EMPLOYERS OFFERING BENEFITS FOR DOMESTIC PARTNERS TO KEEP TOP TALENT

BY MATT DUNNING

As marriage equality gains momentum in courts and legislatures nationwide, it remains to be seen how the changes will affect employers' long-term benefit strategies for same-sex and opposite-sex domestic partners.

For now, most employers that already provide health care, retirement and other benefits to same-sex and opposite-sex domestic partners appear committed to maintaining those benefits, according to a recent survey by the Brookfield, Wisconsin-based International Foundation of Employee Benefit Plans.

In some cases, employers even have extended benefits to previously uncovered domestic partners, particularly unmarried opposite-sex couples.

About 50% of employers offer benefits to opposite-sex domestic partners, up from 45% last year, according to the foundation's survey.

Employers' reasons to maintain or expand benefits coverage for same-sex and/or opposite-sex domestic partners vary. Experts say the most frequent rationales among their clients include recognition of evolving family structures and mounting pressure to attract and retain highly skilled talent.

According to the survey, "the top reason employers are choosing to continue to offer these benefits is that they recognize that family dynamics are changing, and that was followed closely by employers that thought it was the right thing to do," said Julie Stich, the foundation's director of research.

"That shows that a majority of employers want to be more inclusive in their employee benefit strategies."

Additionally, experts say employers operating in multiple states want uniformity in their benefit plans, due to differing state marriage laws. Such was the case when retailer Wal-Mart Stores Inc. announced last August that it would extend all medical and voluntary benefits to same-sex and opposite-sex domestic partners this year.

"By developing a single definition for all Wal-Mart associates in the U.S. and Puerto Rico, we are able to ensure consistency for associates in various markets," Wal-Mart said in a memorandum to employees.

For employers covering just one group of domestic partners — typically same-sex partners, experts say — a key factor in determining benefits eligibility for domestic partners going forward will be the extent of their exposure to state and/or federal discrimination lawsuits.

"In an effort to mitigate that liability, in some cases employers have extended the health coverage to opposite-sex domestic partners," said Roberta Chevlowe, senior counsel in Proskauer Rose L.L.P.'s labor and employment law department in New York.

Conversely, Ms. Chevlowe said, other employers have discontinued domestic partner coverage entirely.

"It's going to depend on the way an employer's health plan is drafted, whether or not they're fully insured or self-insured, and the geographic location of both the employer and their employees," she said. "It's definitely becoming a big issue."

The University of Minnesota announced in November that it would discontinue coverage for same-sex domestic partners at the end of 2014 in light of the state's legalization of gay marriage earlier that year.

More recently, the government of Allegheny County, Pennsylvania, notified employees in June that it would terminate health and dental coverage for same-sex domestic partners, following a federal court ruling striking down the state's gay marriage ban.

"Now that same-sex marriage is legal in Pennsylvania, I believe that it is important to continue to keep our employees on equal footing, and that means requiring proof of marriage for coverage of a spouse, partner and/or family members," Allegheny County Executive Rich Fitzgerald said in a statement.

Experts say some employers are considering more inventive approaches to minimize their liability exposure while maintaining benefits for domestic partners.

"We do have some employers that simply adopted a 'plus-one' standard, where they essentially allow each employee to extend coverage to one other person," said Sibyl Bogardus, Salt Lake City-based chief compliance officer and consultant at Hub International Ltd.

"It does tend to cost a plan a bit more, because employees often choose a sick friend or family member, so some employers have learned to put some parameters around the 'plus-one' standard."

James Harmon, president of the Cleveland-based Dawson Consulting Group, a subsidiary of AssuredPartners Inc., said he's had several discussions with clients about "grandfathering" coverage for same-sex and opposite-sex domestic partners until gay marriage becomes legal in the relevant state.

After that, he said, the companies would revert to requiring legal marriage to receive benefits.

"Employers are trying to figure out how to do this in the best way for their employees and their families," Mr. Harmon said.

"Ultimately, you have to decide what's most important to you as an organization and what's most important to your employees."

OHIO PUBLIC TRANSIT AGENCY MOTIVATED BY INCLUSION

Achieving greater inclusiveness and competing for talent were among the primary motivations for the Southwest Ohio Regional Transit Authority's recent extension of health and dental benefits to same-sex and opposite-sex domestic partners.

"The most important thing for the board was that the employees asked for this," said Jason Dunn, board chairman of the authority that operates the Metro public bus service in Cincinnati.

"Secondarily, it made good business sense to do it," Mr. Dunn said. "As we seek to be an employer of choice, where we can retain our employees and attract new talent, it made best sense for us to move forward in this way."

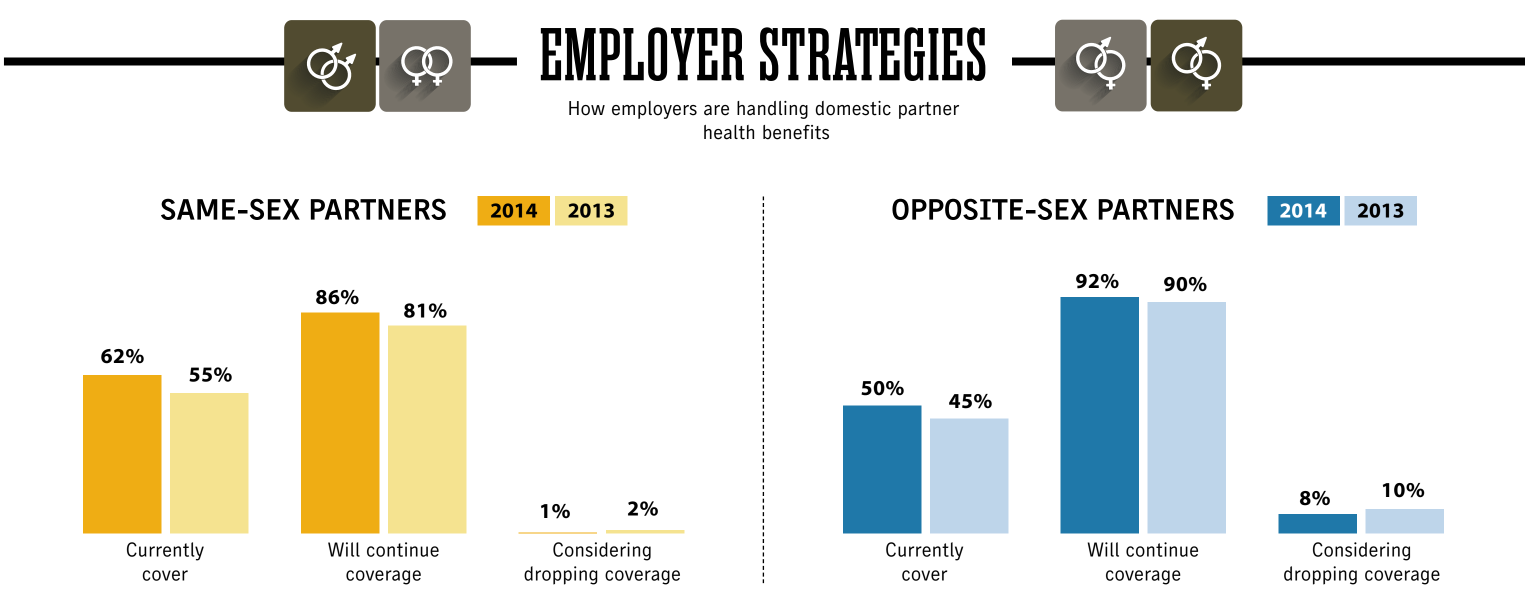
A spokeswoman for Metro said the expansion will add an estimated $233,000 in annual costs to the agency's health and dental insurance budget, about 57% of that amount being attributable to employees in opposite-sex domestic partnerships switching from single to family coverage.

Terry Crews Garcia, Metro's CEO and general manager, said the anticipated increase in costs — less than 3% of $9.1 million currently budgeted for employee health and dental benefits — is well worth the opportunity to accommodate a wider range of employees and elevate its profile as a progressive employer.

The agency intends to continue offering coverage to same-sex and opposite-sex domestic partners even if same-sex marriage is legalized in Ohio.

"That's motivated by our goals of providing both continuity of health care as well as equality in the benefits program," Ms. Garcia said. "One of the focuses of the board and the Metro organization is inclusion and diversity, and ensuring that it's not just a theme or a campaign, but that it truly is practiced within our organizations."

By Matt Dunning



Source: International Foundation of Employee Benefit Plans

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Mary Pemberton - mpemberton@businessinsurance.com
303.898.4043

After a thorough review by a panel of senior editors at *Business Insurance*, who will consider various criteria related to nominees' client service skills, leadership skills and expertise, the results will be announced online. The awards will be presented at recognition events in each region. A compilation of all the awards and profiles of the honorees will be published in the Oct. 13, 2014, edition of *Business Insurance*. Honorees will be selected from nominations submitted by readers of *Business Insurance*.

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Catastrophes cause insured H1 losses of $17B

Insured losses caused by natural catastrophes in the first half of 2014 totaled about $17 billion, up from about $11 billion for the comparable period last year but below the 10-year average of $25 billion, Munich Reinsurance Co. said. Natural catastrophes caused economic losses of $42 billion in the six months to the end of June 2014, down from about $45 billion for the first six months of last year. The most costly natural catastrophe in the first half of the year was an event encompassing two snowstorms in Japan that caused an overall loss of about $5 billion and an insured loss of more than $2.5 billion, according to Munich Re. A mild winter in Europe contributed to heavy flooding in England that resulted in insured losses of about $1.1 billion; a storm front in Belgium and France in June caused insured losses of about $2.5 billion, while the same storm front resulted in insured losses of about $890 million in Germany. While heavy flooding in May in the Balkans caused economic losses of about $4 billion, low insurance penetration means that insured losses are small, Munich Re said.

Starr expands in China with Shanghai purchase

Starr Cos. has completed its purchase of majority ownership of Shanghai-based Dazhong Insurance Co. Ltd., of China. The Chinese insurer will be known as Starr Property & Casualty Insurance (China) Co. Ltd., or Starr China, New York-based Starr said in a statement. Starr said it will expand the Chinese insurer's product portfolio beyond its existing auto insurance programs "with an array of commercial property and casualty products. Chinese corporations and businesses will be able to access secure coverage for various exposures such as accident and health insurance, political risk, financial and management liability."

E.U. sanctions could hurt German-Russian trade

The German industrial sector is concerned that business with Russia will suffer further after European Union leaders last week agreed to sanction Russian companies deemed to have contributed toward destabilizing Ukraine and to block new loans to Russia through two multilateral lenders. German exports to Russia have already dropped by 14% to about €10 billion ($14 billion) in the first four months of the year, according to data from the Statistics Office. Eckhard Cordes, head of Germany's Committee on Eastern European Economic Relations, said a decline in trade this year was already putting some 25,000 jobs at risk in Germany. His committee represents German firms active in eastern Europe and Russia and estimates that some 6,200 German companies are active in Russia with €20 billion ($27.22 billion) of investments there. Some 300,000 German jobs are dependent on trade with Russia, according to estimates by the committee. Jens Nagel of Germany's BGA trade association said Brussels had no choice but to toughen sanctions on Russia even though it would hurt firms, but added that he was worried the process would keep "spiraling" upwards. "I wouldn't put it past President Vladimir Putin to impose retaliatory measures to save face, as was the case after the first level of sanctions," Mr. Nagel told Reuters.

Reuters

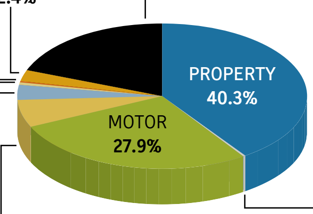
PROFILE: DENMARK

$8.25 BILLION

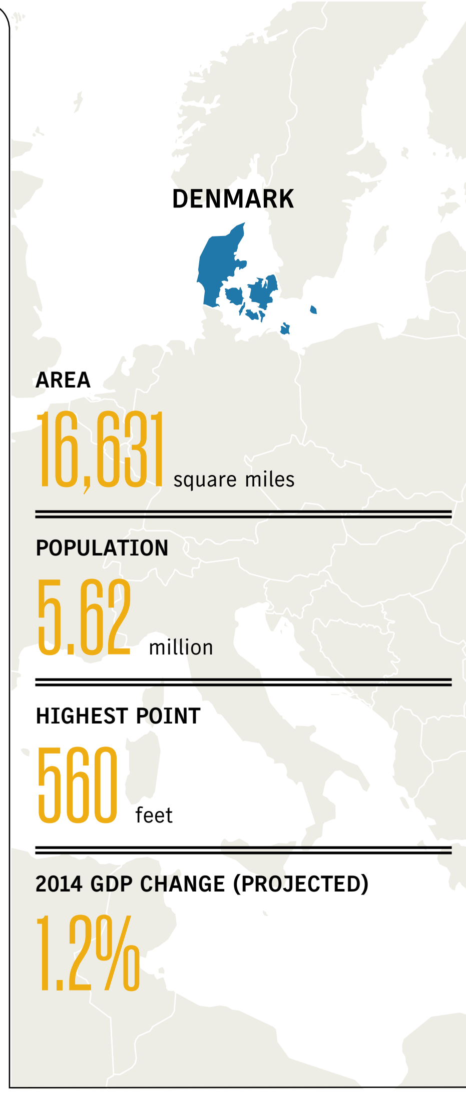
The Danish insurance market is small but well-developed with a high level of insurance penetration. In 2013 and 2014, industrial and commercial insurance rates decreased or experienced flat renewals as international insurers sought to improve their positions in the Nordic industrial market. Competition is expected to continue to keep a lid on insurance pricing in the Danish market, with competition in the workers compensation sector being increasingly intense.

◄ **2012 P/C gross premiums**

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA
16,631 square miles

POPULATION
5.62 million

HIGHEST POINT
560 feet

2014 GDP CHANGE (PROJECTED)
1.2%

MARKET DEVELOPMENTS

UPDATED MARCH 2014

- In September 2013, legislation came into effect mandating that private hospitals, clinics and specialists buy insurance to cover compensation to patients that have suffered injuries during treatment that was paid for by the patient or through private medical insurance.
- In April 2014, the environmental contribution, which is added to third-party auto liability premiums, was increased from $11 to $18.50 per policy.
- Two storms, Allan and Bodil, hit Denmark in the fourth quarter of 2013, causing total insured losses of $750 million. Due to high levels of reinsurance purchasing by Danish insurers, the events had little effect on insurers' profitability.
- While Solvency II is not expected to come into effect until after 2016, the Danish financial supervisory authority, Finanstilsynet, decided to implement the most important elements of the E.U. regime in January 2014.
- Results for Danish auto insurance business have improved over the past several years as Danes increasingly opt for smaller, less powerful and cheaper cars. As a result, insurance premiums have decreased.

COMPULSORY INSURANCE

Many classes of insurance are compulsory, including:

- Auto third-party liability
- Workers compensation
- Liability for damage caused by dogs and loose horses
- Medical malpractice
- Building defects insurance
- Trustees' liability insurance

NONADMITTED

Unauthorized insurers cannot conduct insurance business in Denmark. However, with some exceptions, there is nothing in the law that indicates that insurance must be purchased from locally authorized insurers. This is generally interpreted to mean that insurers can issue policies from abroad if approached by a buyer or intermediary.

INTERMEDIARIES

Brokers and agents must be authorized to do business in Denmark. Intermediaries are allowed to place nonadmitted insurance. Intermediaries involved in nonadmitted placements do not have to be registered with the regulator. Where local risks are placed as part of a multinational insurance program, brokers do not have to warn buyers that the insurance is not subject to local supervision.

MARKET PRACTICE

Given the sophistication of the local market there is little need for risks to be placed outside the country, unless as part of a multinational arrangement.

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

BT Pension Scheme strikes record deal

BT Pension Scheme, London, has entered into the biggest longevity risk transfer deal to date, covering £16 billion ($27.46 billion) of liabilities. The transfer hedges over 25% of the £40 billion ($68.64 billion) pension fund's overall exposure to improvements in longevity. To facilitate the arrangement, BTPS set up a wholly owned insurance company, transferring its longevity risk to this insurer. The risk was then reinsured by U.S.-based life insurer The Prudential Insurance Co. of America. "This is a ground-breaking deal in terms of size, structure and with one of the leading life insurance companies in the United States providing reinsurance," said Paul Spencer, chairman of the trustee, in a BTPS statement. The longevity insurance policy will form part of the pension fund's investment portfolio, according to the statement. Towers Watson & Co. advised the trustee on the transaction, structure and setup of the insurance company. Aon Hewitt advised BT P.L.C. on the deal. BTPS was also advised by Allen & Overy L.L.P. with support from Hogan Lovells.

Pensions & Investments

Swiss insurer Helvetia to buy Nationale Suisse

Swiss insurer Helvetia Group will buy rival Nationale Suisse in a deal worth 1.4 billion Swiss francs ($1.57 billion). Helvetia, Switzerland's third-largest insurer by gross premiums, will offer 80 Swiss francs ($89.46) per Nationale Suisse share, representing a premium of 26%, the insurer said. Helvetia, which sells life and property/casualty insurance, is already the second-largest shareholder in Basel-based National Suisse with an 18.7% stake. Nationale Suisse's board of directors recommended that their shareholders, which include Swiss Mobiliar A.G. and insurer Baloise Holding A.G., accept the offer. The combined group will have estimated annual profits of more than 500 million Swiss francs ($559.2 million) and premiums of 9 billion Swiss francs ($10.07 billion), Helvetia said. Nationale Suisse, which employs around 1,900 people, has 20 subsidiaries and branches in markets across Europe as well as in Asia and Latin America. Helvetia said the deal would allow for annual cost savings of 100 million to 200 million Swiss francs ($111.8 million to $223.7 million). The transaction is expected to close in the second half of 2014 subject to shareholder and regulatory approval.

Reuters

BMW to recall 1.6M cars on air bag concerns

■ German automaker BMW Group is recalling about 1.6 million cars worldwide to replace passenger-side front air bags made by Takata Corp. because the inflators could break apart during deployment and injure passengers. The recall affects 3-Series vehicles produced between May 1999 and August 2006. While BMW is still taking part in a regional recall requested by U.S. safety regulators, BMW spokesman Dave Buchko said it decided to recall all of the model year 2000 through 2006 cars potentially affected by the issue. The recall is an extension of last year's recall of 240,000 cars globally for the same issue. The air bags were supplied by Japan's Takata Corp., which has seen more than 12 million vehicles recalled over the past five years for related issues.

Reuters

Bangladesh charges 18 over factory collapse

■ Bangladesh's anti-corruption agency has filed charges against 18 people accused of breaching regulations over the construction of a building that collapsed last year killing more than 1,130 people. The accused include the owner of the building, Mohammad Sohel Rana, and his parents, the local mayor, engineers and three owners of garment factories that used the building. The Anti-Corruption Commission previously had not listed Mr. Rana as his name did not appear in documents covering ownership of the land and design approval, which instead listed his parents. "The charge sheet has been filed against 18 people, including Mr. Rana after further investigation found his involvement," commission spokesman Pranab Kumar Bhattachajee told Reuters. Of the accused, Mr. Bhattachajee said: "Investigation found that they grossly breached the building code." Municipal officials gave permission for extra floors in the building, but they had no such authority, he added. The April 2013 collapse of the Rana Plaza, built on swampy ground outside Dhaka, ranks amongst the world's worst industrial accidents and sparked a global outcry for improved safety. Most of the victims were garment workers.

Reuters

Generali sells BSI to BTG Pactual for $1.69B

■ Assicurazioni Generali S.p.A. has agreed to sell Swiss private bank BSI to Brazil's BTG Pactual for 1.5 billion Swiss francs ($1.69 billion) in cash and stock, offloading an unprofitable noncore unit and boosting its financial strength. For BTG Pactual, the sale means an expansion of its wealth management business by adding a large presence in Switzerland, still the world's biggest financial offshore market. The deal, which CEO Mario Greco called a "complex transaction," puts an end to Generali's more-than-two-year-search for a suitable buyer for an asset that had lost appeal in the face of relentless pressure by the United States and other Western nations on Swiss banking secrecy. The Italian insurer will suffer a net loss of €100 million ($136.4 million) from the disposal, which still will lift Generali's Solvency I ratio, a measure of financial strength, by nine percentage points to above 160%. With the sale, Generali completes an aggressive disposal plan, selling €3.7 billion ($5.05 billion) of noninsurance assets in about 18 months, just shy of its own target of €4 billion ($5.46 billion). The transaction, subject to regulatory approval, is expected to be completed in the first half of 2015.

Reuters

RIMS' Mary Roth named president of IFRIMA

■ Mary Roth, executive director of the Risk & Insurance Management Society Inc., has been named president of the International Federation of Risk and Insurance Management Associations. Ms. Roth will hold this volunteer position for a two-year term, New York-based RIMS said in a statement.

EDITORIAL

CONGRESS SHOULD INVEST IN MITIGATION

With the emphasis on holding the line on spending and curbing the federal deficit, members of Congress understandably may be a bit leery of any new spending. But there are certainly cases where spending today can mean smaller federal outlays in the future. That's certainly the case when the spending involves encouraging disaster mitigation.

As we report on Page 4, four bills dealing with various aspects of disaster mitigation have been introduced in Congress. All are backed by the Build Strong America Coalition, a group of insurance companies and associations as well as nonindustry groups dedicated to encouraging more effective building codes and other elements of disaster mitigation.

All of these measures deserve careful consideration by Congress. All involve some federal money, such as enhanced disaster relief for states that adopt up-to-date building codes or tax breaks for owners or contractors who incorporate effective mitigation practices when building or remodeling structures.

These incentives certainly come with associated costs, and lawmakers may be hesitant to add costs to an already bloated budget. But these are costs that could actually add to the government's bottom line.

The reason is simple. The federal government ends up paying for disaster relief in the wake of catastrophes, and has done so for decades. As was the case after Hurricane Katrina, the outlays can run into the billions of dollars. To cite just one example, the National Flood Insurance Program is already around $24 billion in the hole and likely to sink deeper with the next major hurricane or flood.

Any reasonable measure that can reduce the government's exposure to such losses should be welcomed. With or without incentives for states and private entities to adopt effective mitigation strategies, the fact remains that the federal government will respond to disasters. The difference is that with mitigation practices implemented before a catastrophe strikes, the outlay will be smaller than would be the case if mitigation steps aren't taken.

Encouraging mitigation comes with a price tag. Every investment does. Investing in mitigation is an investment whose dividends would far outweigh its initial costs.

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters.

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Fax: 312-280-3174; email: *gsouter@businessinsurance.com*

SCHILLERSTROM

COMMENTARY

LACK OF DIVERSITY REMAINS A BIG ISSUE IN INSURANCE SECTOR

JOANNE WOJCIK
SENIOR EDITOR

Let's face it, the insurance industry has a diversity problem. Industry leadership continues to be "pale, male and stale," while the clients they serve are quickly becoming a vibrant tapestry of different colors and cultures reflective of the changing business world around us.

The same holds true for gender diversity. While more than half of entry-level positions in insurance and risk management are held by women, less than 2% of the CEOs in the industry are women — embarrassingly less than even the Fortune 500, where women hold a scant 5% of CEO slots.

That's why *Business Insurance* introduced the Women to Watch program in 2006: To create a leadership pipeline for women in all of the fields we cover. Since this recognition program's inception, we have identified 280 women who are potential candidates for senior leadership positions. While we add only 25 women each year to this elite group, we identified 80 in 2006 and 50 in 2007 because we thought we had some catching up to do.

While some of these women have gone on to bigger and better roles, such as Inga Beale, a 2006 Women to Watch honoree who in January became the first female CEO of Lloyd's of London, many are still knocking their heads against the industry's glass ceiling.

So we decided to launch another initiative in 2011 and expanded Women to Watch to also include a Leadership Workshop in conjunction with the awards ceremony. The intent was to obtain insight into what has been holding back women and then provide education to help them advance their careers.

Unfortunately, I fear we haven't done a very good job of promoting the value of this workshop since so many of our industry colleagues seem to think it's an event solely for the Women to Watch community.

Our ultimate objective is to create an incubator for espousing greater diversity throughout the insurance industry.

The industry's future depends on all of us becoming more progressive and egalitarian. In recently speaking with one of our 2013 Women to Watch honorees, she told me about a Young Risk Professionals event she attended in New York where more than half of the Gen-Xers and Millenials in attendance represented virtually every other color and ethnicity but white. This is the talent pool.

It is my dream that programs like Women to Watch will one day become obsolete and a part of history, like the Women's Suffrage or Civil Rights movements. Better yet, maybe some day we'll see the need to create a diversity & inclusion program for attracting middle-aged white men to the insurance industry. Now wouldn't that be something?

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BUSINESS INSURANCE

SPECIAL REPORT

Broker Trends & Profiles

BROKER PROFILES

Profiles of the world's 10 largest brokers begin on page 22.

BROKER RANKINGS

Favorable trends made 2013 a hit

Brokerages capitalize on stronger economy, steady diet of deals, specialty business

BY MARK A. HOFMANN

Increasing property/casualty rates, more demand for benefits consulting, a slowly improving economy plus healthy merger and acquisition activity helped drive revenue in 2013 in the commercial insurance brokerage sector.

In fact, among *Business Insurance*'s 2014 ranking of the world's 10 largest brokerages, only one — Wells Fargo Insurance Services USA Inc. — reported a decline in brokerage revenue. Wells Fargo has been divesting parts of its insurance business to concentrate on expanding its middle-market brokerage portfolio in select U.S. regional markets.

Among the 10 largest brokers of U.S. business, Brown & Brown Inc. posted the largest percentage gain of domestic brokerage revenue at 14.0%, followed by Lockton Cos. L.L.C. at 12.4% and Arthur J. Gallagher & Co. at 10.7%.

Wells Fargo's 14.3% drop last year in U.S. brokerage revenue was the biggest in *Business Insurance*'s 2014 ranking of the top 100 brokers of U.S. business to report a decline; it was one of only nine brokers in the 100 that reported 2013 brokerage revenue was less than 2012.

Further down the ranking at No. 14, London-based Jardine Lloyd Thompson Group Ltd., reported a 97.6% jump in U.S. brokerage revenue — the second-biggest increase among the top 100 — partly because of its acquisition of Towers Watson & Co.'s reinsurance brokerage business last year.

Even further down the list at No. 42, Caledonia, Michigan-based Acrisure L.L.C. boosted 2013 U.S. brokerage revenue by 161.1% due largely to acquisitions. That was the biggest jump in brokerage revenue among the top 100 brokers.

Five brokers cracked our top 100 ranking for the first time. They are: BroadStreet Partners Inc., No. 19; Cross Financial Corp., No. 41; Gowrie Group, No. 84; James G. Parker Insurance Associates, No. 86; and Ansay & Associates L.L.C., No. 99. BroadStreet, Cross Financial, Gowrie Group and James G. Parker Insurance are each privately-held holding companies that own several small or midsized regional brokerages or insurance agencies.

Columbus, Ohio-based BroadStreet grew substantially in 2013 through 18 acquisitions, finishing last year with $151.1 million in brokerage revenue, up 31.4% from 2012. That growth spurt enabled BroadStreet, the biggest of the five newcomers to our U.S. broker ranking, to land just inside the top 20.

Experts caution that the recent period of rate increases may be ending, and that business generated by concern about the effects of the Patient Protection and Affordable Care Act is not being spread equally among producers, with the bulk of the business going to a relatively small group of brokers.

In addition, organic growth has been harder for brokers to achieve because of economic uncertainty, some analysts say.

For now, however, the brokerage sector's performance has been impressive, said Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore.

"Brokers did pretty well compared to the S&P 500," Mr. Shields said, noting that four of the top five public brokers outperformed that index.

"Overall, we haven't seen a significant slowdown in revenue," said Phil Trem, a vice president at Willoughby, Ohio-based Marsh Berry & Co. Inc.

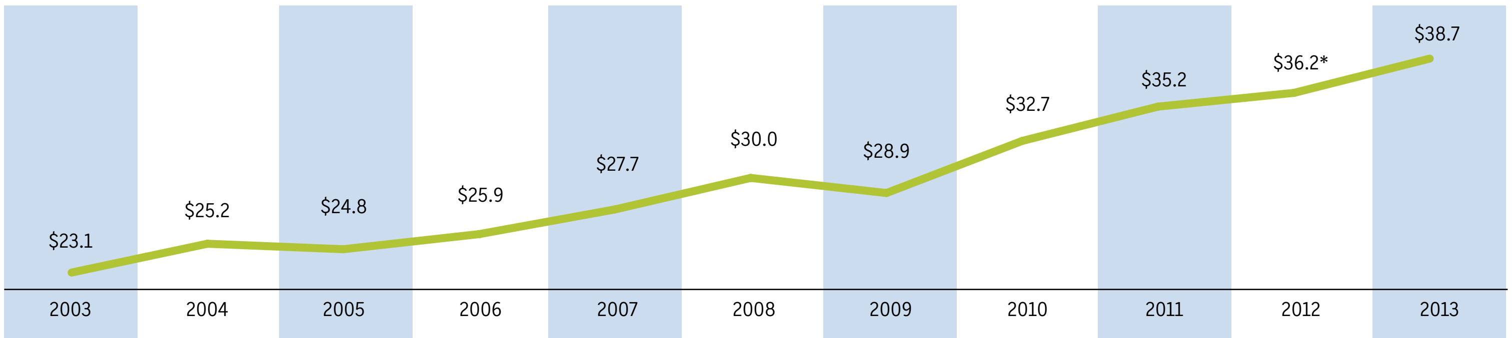
While "it appeared carriers were trying to gain rate" early in 2013, there was a shift in the second half of the

See **NUMBERS** page 18

SPECIAL REPORT

A DECADE OF GROWTH

The strong brokerage revenue growth of the world's 10 largest brokers in the past decade was driven by mergers and acquisitions, diversification and analytical capabilities.



*Restated

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2013 brokerage revenues

Rank	Company/address	Phone/website	Officers	2013 brokerage revenue	% change	Employees	Offices	Percentage of revenues*: Commercial	Wholesale	Reinsurance	Personal lines	Employee benefits	Services	Investments	Other
1	Marsh & McLennan Cos. Inc. 1166 Ave. of the Americas New York, New York 10036	212-345-6000 *www.mmc.com*	Daniel S. Glaser, president/CEO	$12,270,000,000	2.9%	55,000	585	44.3%	0.0%	9.2%	0.0%	34.5%	11.9%	0.4%	(0.1%)
2	Aon P.L.C. 8 Devonshire Square London, England EC2M 4PL	44-207-623-5500 *www.aon.com*	Gregory C. Case, president/CEO	$11,787,000,000	2.7%	66,000	500	45.7%	0.0%	12.7%	0.0%	20.5%	20.9%	0.3%	0.0%
3	Willis Group Holdings P.L.C. 51 Lime St., London England EC3M 7DQ	44-203-124-6000 *www.willis.com*	Dominic Casserley, CEO	$3,633,000,000	5.1%	18,000	400	51.9%	5.3%	23.5%	2.1%	14.6%	2.0%	0.4%	0.2%
4	Arthur J. Gallagher & Co. The Gallagher Centre 2 Pierce Place Itasca, Illinois 60143-3141	630-773-3800 *www.ajg.com*	J. Patrick Gallagher Jr., chairman/ president/CEO	$2,742,000,000	15.0%	16,336	400	33.1%	12.2%	0.0%	4.1%	17.8%	19.2%	13.8%	0.0%
5	Jardine Lloyd Thompson Group P.L.C. The St. Botolph Building 138 Houndsditch London, England EC3A 7AW	44-207-528-4444 *www.jltgroup.com*	Geoffrey Howe, chairman; Dominic Burke, group chief executive	$1,746,454,140[1]	23.5%	5,165	105	38.8%	7.1%	21.4%	1.3%	24.0%	6.8%	0.6%	0.0%
6	BB&T Insurance Holdings Inc. P.O. Box 31128 Raleigh, North Carolina 27622	919-716-9777 *www.insurance.bbt.com*	H. Wade Reece, chairman/CEO	$1,582,443,400	6.9%	6,406	114	38.9%	40.7%	0.0%	6.0%	9.1%	0.0%	0.9%	4.4%
7	Brown & Brown Inc. 220 S. Ridgewood Ave. Daytona Beach, Florida 32114	386-252-9601 *www.bbinsurance.com*	J. Hyatt Brown, chairman; J. Powell Brown, president/CEO	$1,355,502,535	14.0%[2]	6,992	247	51.7%	14.3%	1.1%	6.2%	16.5%	9.6%	0.0%	0.5%
8	Wells Fargo Insurance Services USA Inc. 150 N. Michigan, Suite 3900 Chicago, Illinois 60601	312-423-2500 *wfis.wellsfargo.com*	Laura Schupbach, executive vice president and head of insurance	$1,350,022,000	(14.3%)	5,689	54	40.8%	0.1%	0.0%	14.6%	15.3%	19.6%	0.3%	9.4%
9	Hub International Ltd. 300 North LaSalle St. 17th Floor Chicago, Illinois 60654	312-279-4882 *www.hubinternational.com*	Martin P. Hughes, chairman/CEO	$1,147,560,000	16.1%[2]	6,389	312	56.2%	5.2%	0.0%	19.5%	18.0%	0.8%	0.3%	0.0%
10	Lockton Cos. L.L.C. 444 W. 47th St., Suite 900 Kansas City, Missouri 64112-1906	816-960-9000 *www.lockton.com*	John L. Lumelleau, president/CEO; David M. Lockton, executive chairman	$1,116,822,000[3]	10.9%[2]	5,300	64	64.5%	4.5%	2.9%	0.5%	26.9%	0.0%	0.8%	0.0%

*Percentage of revenue may not add up to 100% due to rounding. 1 British pound = $1.6529. 2 2012 restated. 3 Fiscal year ending April 30.

Source: *BI* survey

100 LARGEST BROKERS OF U.S. BUSINESS*

Ranked by 2013 brokerage revenue generated by U.S.-based clients

2013 rank	2012 rank	Company	2013 U.S. broker revenue	% change
1	1	Aon P.L.C.	$5,561,106,600	4.6%
2	2	Marsh & McLennan Cos. Inc.[1]	$5,521,500,000	5.2%
3	3	Arthur J. Gallagher & Co.[1]	$2,111,340,000	10.7%
4	4	Willis Group Holdings P.L.C.	$1,743,840,000	7.3%
5	6	BB&T Insurance Holdings, Inc.[1]	$1,582,443,400	6.9%
6	7	Brown & Brown Inc.	$1,355,502,535	14.0%**
7	5	Wells Fargo Insurance Services USA Inc.	$1,350,022,000	(14.3%)
8	8	Lockton Cos. L.L.C.[2]	$826,448,280	12.4%**
9	10	USI Holdings Corp.[1]	$782,207,827	9.8%
10	11	Hub International Ltd.[1]	$768,865,200	21.5%**
11	9	National Financial Partners Corp.	$741,974,806	(0.3%)
12	12	Alliant Insurance Services Inc.[1]	$546,944,009	8.6%
13	14	AssuredPartners Inc.[1]	$345,794,848	46.8%
14	22	Jardine Lloyd Thompson Group P.L.C.[1,3]	$242,757,125	97.6%
15	15	Leavitt Group[1]	$202,642,000	13.0%
16	16	CBIZ Benefits & Insurance Services Inc.[1]	$192,500,000	11.0%
17	17	Keenan & Associates	$157,127,000	5.2%
18	19	Hays Group Inc., dba Hays Cos.	$154,600,000	10.0%
19	**NR**	BroadStreet Partners Inc.[1]	$151,100,000	31.4%
20	18	Meadowbrook Insurance Group Inc.	$150,615,466	2.7%
21	20	Crystal & Company	$144,800,000	5.4%
22	23	Wortham Insurance & Risk Management	$124,311,320	9.9%
23	25	Paychex Insurance Agency Inc.[4]	$123,700,000	13.1%
24	24	J. Smith Lanier & Co.	$120,328,459	7.4%
25	31	Integro USA Inc.[1]	$112,085,600	16.7%
26	26	Holmes Murphy & Associates Inc.	$111,582,242	7.1%
27	28	Insurance Office of America Inc.[1]	$111,051,737	9.1%
28	30	The IMA Financial Group Inc.[1]	$110,216,705	11.3%
29	27	Regions Insurance Group Inc.[1]	$109,232,658	5.1%
30	32	Higginbotham & Associates[1]	$108,012,000	17.3%
31	29	Hylant Group Inc.	$107,357,745	6.5%
32	34	Barney & Barney L.L.C.[5]	$102,729,330	14.2%
33	33	BancorpSouth Insurance Services Inc.[1]	$97,378,459	7.4%
34	35	PayneWest Insurance[1]	$94,023,234	4.9%
35	37	Heffernan Group	$91,969,491	10.5%
36	36	Mesirow Insurance Services Inc.[6]	$91,438,107	5.0%
37	38	Cottingham & Butler Inc.[1]	$89,726,000	15.6%
38	42	R.K. Harrison Group Ltd.[7,8]	$86,440,640	22.1%
39	40	Woodruff-Sawyer & Co.	$84,131,000	12.4%
40	39	Ascension Insurance Inc.	$81,300,000	4.9%
41	**NR**	Cross Financial Corp., dba Cross Insurance	$78,929,000	17.6%
42	85	Acrisure L.L.C.[1]	$77,423,945	161.1%
43	43	Capacity Group of Cos.[1]	$76,404,462	9.3%
44	45	Edgewood Partners Insurance Center, dba EPIC[1]	$72,797,530	14.3%
45	41	Insurica Insurance Management Network[1]	$69,898,967	(3.9%)
46	46	Frenkel & Co.	$68,898,500	12.1%
47	44	First Niagara Risk Management Inc.	$66,821,605	(1.2%)
48	47	Assurance Agency Ltd.	$66,668,357	12.9%
49	48	Eastern Insurance Group L.L.C.[1]	$63,375,151	10.4%
50	50	MHBT Inc.[1]	$62,750,000	18.7%

2013 rank	2012 rank	Company	2013 U.S. broker revenue	% change
51	51	Oswald Cos.	$59,345,550	12.6%
52	57	Risk Strategies Co.[1]	$58,362,000	29.9%
53	49	Huntington Insurance Inc.	$57,381,390	2.7%
54	54	Lawley Service Inc.[1]	$54,885,215	7.7%
55	53	Marshall & Sterling Enterprises Inc.[1]	$54,726,074	5.1%
56	52	Associated Financial Group L.L.C.	$51,949,456	(0.5%)
57	58	SterlingRisk Inc., dba Sterling & Sterling Inc.	$50,100,000	14.2%
58	55	Horton Group Inc.[1]	$49,217,635	5.2%
59	62	Bowen, Miclette & Britt Inc.	$47,340,984	12.6%
60	56	Propel Insurance	$46,233,000	2.1%
61	59	InterWest Insurance Services Inc.	$45,824,448	7.2%
62	61	Frost Insurance Agency Inc.[1]	$45,298,342	7.1%
63	60	The Mahoney Group	$44,026,951	3.9%
64	67	M3 Insurance Solutions Inc.	$42,950,857	12.4%
65	**NR**	William Gallagher Associates Insurance Brokers Inc.	$42,125,107	2.9%
66	79	TrueNorth Cos. L.L.C.[1]	$42,103,000	34.7%
67	63	SilverStone Group Inc.[1]	$41,705,000	1.3%
68	66	The Graham Co.	$41,663,624	8.9%
69	71	Starkweather & Shepley Insurance Brokerage Inc.[1]	$41,387,000	15.8%
70	65	Riggs, Counselman, Michaels & Downes Inc.	$41,088,545	1.8%
71	68	Scott Insurance	$40,868,000	8.5%
72	64	M&T Insurance Agency	$40,400,000	(0.9%)
73	72	LMC Insurance & Risk Management Inc.	$39,407,232	11.4%
74	77	Towne Insurance Agency Inc.[1]	$38,582,522	19.1%
75	69	Moreton & Co.	$38,578,000	5.8%
76	70	Old National Insurance	$37,920,330	4.1%
77	73	Parker, Smith & Feek Inc.	$37,442,000	6.2%
78	75	Corporate Synergies Group L.L.C.	$37,160,000	4.2%**
79	76	Robertson Ryan & Associates Inc.	$34,299,272	5.6%
80	80	Roger Bouchard Insurance Inc.	$33,378,757	8.4%
81	82	The Loomis Co.	$33,246,500	9.3%
82	78	Lovitt & Touche Inc.	$33,174,306	3.4%
83	83	Charles L. Crane Agency Co.[1]	$33,000,000	14.6%**
84	**NR**	Gowrie Group	$32,453,886	6.2%
85	87	Cook Maran & Associates[9]	$31,020,000	9.2%
86	**NR**	James G. Parker Insurance Associates[4]	$30,406,458	10.3%
87	94	Bolton & Co. Insurance Brokers[1]	$29,952,789	22.8%
88	81	People's United Insurance Agency Inc.	$29,668,583	(2.8%)
89	84	Cobbs, Allen & Hall Inc.	$29,456,138	(0.9%)
90	91	J.W. Terrill Inc.	$29,000,000	7.4%
91	89	Tolman & Wiker Insurance Services L.L.C.	$28,439,643	2.0%
92	88	SullivanCurtisMonroe Insurance Services L.L.C.	$28,305,000	1.0%
93	86	Bankers Insurance L.L.C.	$28,199,909	(1.4%)
94	90	Haylor, Freyer & Coon Inc.[10]	$28,073,275	3.5%
95	93	Tompkins Insurance Agencies Inc.	$27,558,000	5.8%
96	92	The Underwriters Group	$27,554,670	5.5%
97	97	M.J. Insurance Inc.[10]	$24,913,083	11.3%
98	99	Murray Securus[11]	$24,393,000	10.3%
99	**NR**	Ansay & Associates L.L.C.[1]	$24,327,509	13.8%
100	100	Rich & Cartmill Inc.	$23,607,750	8.2%

NR: Not ranked in 2012. * Companies that derive less than 50% of revenue from commercial retail brokerage or employee benefits are not ranked. ** 2012 restated. 1 Reported U.S. acquisitions in 2013. 2 Fiscal year ending April 30. 3 British pound = $1.6529. 4 Fiscal year ending May 31. 5 Acquired by Marsh & McLennan Cos. in Feb. 2014. 6 Fiscal year ending March 31. 7 Fiscal year ending June 30. 8 British pound = $1.6244. 9 Fiscal year ending Feb. 28. 10 Fiscal year ending Aug. 31. 11 Fiscal year ending Sept. 30.

Source: *BI* survey

NUMBERS

Continued from page 13

year to focus more on market share, he said. “There still is growth in most cases, but not as competitive.”

“On average in (the first quarter of 2014), we saw pricing for large, medium and small accounts ease up a bit, rising at a rate of 1.5% compared with 2.1% in (the fourth quarter of) 2013,” Ken A. Crerar, president and CEO of the Council of Insurance Agents & Brokers, said in an email. “Our members overall seem to be positive about the market. They are making investments in their businesses and in talent.”

“What’s a little bit different in this marketplace is we’ve shifted from a hardening to a kind of stable market,” said Tim Cunningham, managing director at Optis Partners L.L.C. in Chicago.

“Organic growth definitely is more difficult,” Mr. Shields said. With smaller increases, insurance rates are “slowly transforming from a modest tailwind to a modest headwind.”

But Bobby Reagan, CEO of Reagan Consulting Inc. in Atlanta, said judging from his firm’s quarterly survey, organic growth actually improved in 2013 and this year, running slightly more than 6% on average.

A slightly improving economy and firming prices in the property/casualty market get the credit, as does brokerages’ greater focus on business development, he said.

However, “we are hearing a lot of concern about some softening in the P/C market and some question as to whether it’s going to level off or see some declines in pricing,” Mr. Reagan said. There are “a lot of questions as to whether we’re going to see much improvement in the overall economy” in 2014, he said.

One way brokers have enhanced organic growth is to buy wholesale brokerages, Marsh Berry’s Mr. Trem said. There were 36 wholesale broker transactions in 2012 and again in 2013; already there have been 40 this year.

In addition, brokers are focusing more on niche business. “Being a generalist is much more challenging than it was in the past. Organic growth is being helped by niche focus and specialty focus,” Mr. Trem said.

To that end, the private brokerage holding companies that debuted in our top 100 have kept the names of their respective regional brokerages and agencies in their local markets where they are well-known for their niche businesses.

“A practical asset of the agency is its name,” Mr. Reagan said. Over time, the acquiring company may change the name of the local agency to that of the parent, “but they’ll do it with a slow gradual transition,” he said.

Health care reform also has set up growth opportunities.

“The Affordable Care Act has created significant opportunities in the mid-market, where the client both needs and is willing to pay for good advice,” said John Wicher, a principal at John Wicher & Associates in San Francisco.

Mergers and acquisitions continued to support brokerage growth last year and into 2014.

“Buyers have come out of their cave and have been on the hunt over the last 3½ years,” Mr. Wicher said. “Given the low cost of capital, expect to see more acquisitions.”

Hub, Gallagher, Brown & Brown and USI Holdings “have demonstrated that they can court and close deals with brokers who share their vision of success,” Mr. Wicher said.

“Economic growth in the developing world far outpaces that of the U.S. or the eurozone. This has prompted even second-tier brokers to look at Latin America as an example for new markets.”

LEADING U.S. RETAIL BROKERS

Ranked by 2013 commercial retail brokerage revenue from U.S. offices*

Rank	Company	2013 revenue	% change
1	Aon P.L.C.	$2,546,000,000	2.9%
2	Marsh & McLennan Cos. Inc.	$2,485,000,000	5.2%
3	Willis Group Holdings P.L.C.	$1,061,000,000	8.2%
4	Arthur J. Gallagher & Co.	$862,567,000	11.8%
5	Brown & Brown Inc.	$705,473,792	18.8%[1]
6	BB&T Insurance Holdings Inc.	$649,678,100	11.0%
7	Wells Fargo Insurance Services USA Inc.	$609,560,000	(14.9%)
8	Lockton Cos. L.L.C.	$538,389,000	11.6%[1]
9	Hub International Ltd.	$442,368,000	20.5%[1]
10	Alliant Insurance Services Inc.	$352,153,400	9.3%

*Excludes revenue from placement of employee benefits. 1 2012 restated.

Source: *BI* survey

Universe of smaller brokers targets ways to grow business

BY DOUGLAS McLEOD

There's no shortage of commercial brokerage business in the U.S., and regional and smaller brokers are deploying an array of strategies to win bigger shares.

Niche expertise, strong client service offerings and acquisitions are only a few of the ways these firms look to expand their turf, industry sources say.

For midsize and small brokers, "it's all about growth," said Ken Crerar, president and CEO of the Council of Insurance Agents and Brokers in Washington.

The fragmented U.S. brokerage industry provides plenty of growth opportunities. Beyond top-tier brokers with more than $500 million in annual revenues, the market as of year-end 2012 included 919 regional brokers with revenues between $5 million and $500 million and 3,570 local firms with revenues of $1.25 million to $5 million, according to Atlanta-based Reagan Consulting Inc. Despite ongoing industry consolidation, the number of regional and local brokers actually increased by 29 and 270, respectively, between 2010 and 2012, Reagan reported.

"The story on this topic hasn't changed," said Bruce Ballentine, vice president and senior credit officer with Moody's Investors Service Inc. in New York. "There's plenty of business to go around for global players and mid-market players."

One road to growth for many brokers is developing niche specialties targeting a specific industry, line of coverage or geographical area, said Cathy Seifert, an equity analyst with Standard & Poor's Corp. in New York.

At Bellevue, Washington-based broker Parker, Smith & Feek Inc., for example, four industry specialties — real estate, construction, food processing and health care and human services — account for 60% of revenues, said CEO Greg Collins.

Mr. Collins said he views the firm as a risk consultant rather than as a seller of insurance, which has meant building staff expertise and technological capabilities in loss control, claims management, employee benefits and other services. Among other things, the firm provides secure websites for clients to manage policy and claims information, Web-based safety and risk management tools, and benefit program analysis for Patient Protection and Affordable Care Act and other cost issues.

Clients increasingly require expertise and demand accountability, noted Bruce S. Denson, CEO of Birmingham, Alabama-based Cobbs, Allen & Hall Inc. Cobbs Allen — which similarly focuses on industry specialties while offering a range of risk management, benefit and human resource consulting services — gives its clients quarterly stewardship reports outlining the firm's performance, Mr. Denson said.

Building client relationships is important, but "a lot of it has to do with delivery of what you promised," he said.

Niche expertise and value-added consulting resources are key drivers of broker growth, a 2012 Reagan Consulting study of 100 brokers found. Brokers with either industry-specific or product-specific practice groups reported compound annual organic growth rates of 2.8% and 3.5%, respectively, between 2008 and 2011 vs. growth rates of 1.1% and 1.5%, respectively, for those without.

Brokers offering value-added property/casualty resources such as claims management reported 2.6% growth vs. 1.3% growth for those with no such services, the Reagan survey found.

Winning and retaining business has long depended on a combination of good client relationships and technical expertise, but "that's probably gradually shifted to the expertise side," Mr. Ballentine noted.

Risk managers and business owners confirm that their long-term broker relationships are built on confidence in the brokers' technical skill and service capability.

Red Gold Inc., an Elwood, Indiana-based tomato processor, has found that its broker of more than 20 years — MJ Insurance Inc. of Indianapolis — consistently secures competitively priced coverage and provides superior services, said Bob Savage, the Red Gold's director of risk management. This included handling a complex $2 million boiler and machinery

See STRATEGY next page

Universe of smaller brokers targets ways to grow business

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See **STRATEGY** next page

Brokers need to sell the industry to recruits

BY STEPHANIE GOLDBERG

While many brokerages see retaining employees as a priority, some say they could put more effort into attracting talented workers.

Talented workers "are everywhere," said Tommy McDonald, vice president of Willoughby, Ohio-based Marsh, Berry & Co. Inc. "They're just typically not breaking down the door to come into the insurance industry."

"The broker side of the business really hasn't done an adequate job of positioning and selling either an account management or production role as being something interesting — as having a significant amount of variety and having a certain technical challenge to it," said Tim Cunningham, managing director at Chicago-based investment banking and consulting firm Optis Partners L.L.C.

Some think the insurance industry is "generic or monolithic, but when you get on the commercial (property/casualty) side or the employee benefits side, it's very diverse," he said.

Inspiring interest in the profession starts with talking about it, said Noelle Codispoti, Yardley, Pennsylvania-based executive director of Gamma Iota Sigma, a risk management, insurance and actuarial science college fraternity.

Most people working in the insurance industry didn't plan on it, Ms. Codispoti said, adding that she decided to study risk management and actuarial sciences as a result of listening to a guest speaker talk about the industry while she was in a college enrichment math program.

"I'm a product of what works," Ms. Codispoti said. "The biggest thing a company can do is really get on campus and tell people what they do … I don't care how many jobs you have to offer, but I do care if you share your story."

Some companies do a good job of appealing to college students though internship programs, job fairs and guest speakers, experts say. Insurance associations such as the Council of Insurance Agents & Brokers and the Independent Insurance Agents and Brokers of America Inc. educate students and young professionals about the industry.

"There aren't a lot of insurance programs at the college level that are pushing people into the agency and broker space," Mr. McDonald said. "Most of those insurance programs will push people to work for carriers because carriers have more engagement with (universities)."

However, the University of Cincinnati is among the risk management schools that are helping to mold future brokers by making sure they possess the additional skills brokerages seek, such as sales training, Ms. Codispoti said.

"One brokerage firm once told me that they wouldn't recruit risk management students because they didn't have as much success as with the students that just went through a sales program," she said.

Since talented workers aren't "breaking down the door," brokerages have had to be good recruiters, Mr. McDonald said.

LinkedIn, which allows recruiters to court "people from other firms within the industry, or just people with quality backgrounds," has aided their efforts, he said.

James Stevenson, managing director at Chesterfield Group Ltd. in London, said insurance has always been a relationship business, so it makes sense that many brokers rely on LinkedIn, networking and client referrals to identify top talent. The "aggressive" mergers and acquisitions market also creates opportunities to acquire talented workers, he said.

Companies such as Marsh Berry have had success attracting talented workers from other industries, Mr. McDonald said.

"Historically, organizations have focused on trying to hire former carrier employees and people with technical backgrounds to come in and be salespeople," he said. "Our approach has always been it's easier to teach the technical nature of insurance than it is to teach someone how to be a salesperson."

Brokerages need to do a better job of selling the benefits of working in the insurance industry to students and workers in other industries, Mr. Cunningham said.

"There's a lot of diversity in terms of your client base, which makes it interesting," he said. "Once you're in the industry and if you're good at what you do and you're well-positioned, there will always be a job for you."

"It's all about retention at the end of the day," said Marty Guastella, vice president of human resources at Cleveland-based broker Oswald Cos. And retaining employees leads to retaining clients, he said.

"If you're making an investment in people, they appreciate that," Mr. Guastella said. "We try to nurture our people with training and development and pay them fairly."

Giving employees the opportunity for equity is also a proven attraction and retention technique, Mr. McDonald said.

"There are privately held insurance agencies that have taken the ownership opportunity to the next level in their firm and are building perpetuation into their culture," he said. "So you're not only coming to an organization where you can be a high-performing employee and make a nice compensation and have a good work-life balance, but they also have the opportunity to make an investment in the firm and become a partner."

DEAL ACTIVITY EXPECTED TO PICK UP IN 2014

BY MATTHEW LERNER

Abundant seller-side supply coupled with equally plentiful capital on the buyers' side should make for an active consolidation environment in the commercial insurance brokerage space in 2014.

"I get calls every day — my phone never stops ringing," Robert Morris, president of The Rampart Group Inc., said of the offers he gets to buy Lake Success, New York-based Rampart, which has 250 employees in four office locations.

"I'm getting calls from the large public insurance brokers as well as from the private equity shops that have given money to smaller brokers to go out and find acquisitions," Mr. Morris said.

Though the callers see him as a seller, Mr. Morris said Rampart could just as well be a buyer, looking for acquisitions of firms that generate between $5 million and $20 million in annual revenue, he said.

There could be as many as 30,000 to 40,000 brokers and agents, from sole practitioners to large firms, in the U.S., providing ample sell-side inventory for any consolidation in the industry, said Julie Herman, associate director at rating agency Standard & Poor's Corp. in New York.

Increased interest and capital from private equity firms looking toward the brokerage space complements the sell-side, she said. "I think private equity and the capital that they bring in is increasing the trend toward consolidation."

Combined with a low-interest-rate environment that provides easy access to credit, this abundance of buyers and sellers makes for a fertile merger and acquisition environment. "All the ingredients are there for a very active M&A year," Ms. Herman said.

"The brokerage segment remains very fragmented, and it's ripe for continued roll-up activity," said John Ward, CEO of Cincinnatus Partners L.L.C. in Loveland, Ohio.

"At the same time, there is a lot of private equity capital aggressively coming into the segment, so that's accelerating the rate of consolidation that a normally fragmented segment would generate on its own," Mr. Ward said.

"All the factors are pointing toward more consolidation and more M&A activity," said Mr. Ward.

Mike Sicard, chairman, president and CEO of USI Insurance Services L.L.C., Valhalla, New York, also sees inventory as a driver of consolidation.

STRATEGY

Continued from previous page

claim, which included costs of lost sales, after an accident temporarily shut down one of Red Gold's facilities in 2000, he said.

"It's good to have somebody who knows your business," Mr. Savage said.

Gil Shapiro, founder of New York-based retail chain Urban Archaeology, said he has been able to rely on longtime broker Cook Maran & Associates of East Hampton, New York, for coverage and claims management, freeing him to focus on running his business. The broker has also been proactive, coming to him to discuss the ACA's potential effects months before any coverage decisions had to be made, Mr. Shapiro said.

Meanwhile, without the far-flung office networks of global brokers, regional and smaller brokers also compete by joining correspondent networks. These include Columbus, Ohio-based Assurex Global; Menlo Park, California-based RiskProNet International; and specialist groups such as TechAssure Association Inc. of Austin, Texas, whose broker members focus on technology risks.

Red Gold recently sought to place a line of coverage in the London market and went to a top-tier broker with a London office for a quote, but found that MJ Insurance — working through an Assurex London partner — was able to get a better price, Mr. Savage said.

Broker networks can offer more than geographical diversity: Assurex Global last year launched a private health insurance exchange for members to offer clients.

Meanwhile, some brokers are taking a long-established path to growth: acquisitions. The first six months of 2014 saw 165 announced broker mergers in North America, the most active first half and second most active six-month period since 2008, Chicago-based investment banking and consulting firm Optis Partners L.L.C. said. While top-tier brokers were among the most aggressive buyers, several smaller brokers also made two to five acquisitions apiece, Optis said.

Reagan Consulting described the regional and local brokerage market as "a target-rich environment," with 4,489 potentially acquirable firms producing $18.4 billion in 2012 revenues.

In the merger context, a broker's success developing niche expertise and value-added services can be a double-edged sword, S&P's Ms. Seifert said.

"If they stand out in the marketplace, they also stand out to potential acquirers," she said. "There's probably a bull's-eye target on the back of those smaller firms."

LARGEST PRIVATELY OWNED BROKERS*

Largest U.S.-based privately owned brokers, ranked by 2013 brokerage revenue**

Rank	Company	2013 brokerage revenue	% change
1	Hub International Ltd.	$1,147,560,000	16.1%[1]
2	Lockton Cos. L.L.C.	$1,116,822,000	10.9%[1]
3	USI Holdings Corp.	$782,207,827	9.8%
4	National Financial Partners Corp.	$757,117,149	1.0%
5	Alliant Insurance Services Inc.	$547,491,500	8.6%
6	AssuredPartners Inc.	$354,298,000	48.0%
7	Leavitt Group	$202,642,000	13.0%
8	Keenan & Associates	$157,127,000	5.2%
9	Hays Group Inc., dba Hays Cos.	$154,600,000	10.0%
10	BroadStreet Partners Inc.	$151,100,000	31.4%

*Brokerage firms that are not owned by banks or private equity firms. **Companies that derive less than 50% of revenue from commercial retail brokerage or employee benefits are not ranked. 1 2012 restated.

Source: *BI* survey

"There are over 38,000 brokers and agents across the United States, and each year typically 200 to 300 will trade, so the market is large and highly fragmented," he said. "As a result, there are continuous opportunities for USI and other brokers to find great acquisition partnerships annually."

USI in May closed on its $602.5 million acquisition of 42 Wells Fargo Insurance Services USA Inc. offices across the U.S., and the company expects to be a part of 2014's active consolidation environment, Mr. Sicard said.

"The second half of 2013 and so far 2014 have appeared to resume a continuing robust period of acquisition that we would expect to continue for the year. USI has been and will continue to be one of the most active acquirers in the industry," he said.

Similar sentiments came from Brown & Brown Inc. and Arthur J. Gallagher & Co., two leading commercial brokerages.

"I would agree that 2014 has been an active year so far," said Daytona Beach, Florida-based Vaughn Stoll, director of acquisitions for Brown & Brown.

> "I'm getting calls from the large public insurance brokers as well as from the private equity shops that have given money to smaller brokers to go out and find acquisitions."
>
> Robert Morris,
> The Rampart Group Inc.

"We will continue to see a lot of buyer interest. As long as interest rates stay low, I think you will continue to see that buyer demand stay high," Mr. Stoll said.

Activity may even increase, he said. "When you get to the latter part of the year, I think you often see the fourth quarter as a pretty busy time," due to tax planning and other concerns, he said.

"2014 has been an active year for consolidation, and we expect that to continue," said J. Patrick Gallagher, Jr., chairman, president and CEO, Arthur J. Gallagher & Co. "Acquisitions have long been a key component of our company's growth strategy. Our typical focus is on companies that generate between $1 million and $15 million in annual revenues, and our pipeline of those candidates is very strong."

"The acquisition environment for the broker community is so vast because so much of the total business is very fragmented. There are so many small and regional brokers all around the country," said Howard Mills, director and chief adviser of the insurance industry group at Deloitte L.L.P. and a former New York state insurance commissioner.

"I think that most people expect, and I would agree, that it will be an active year in the broker space for mergers and acquisitions," Mr. Mills said.

"Organic growth is difficult to achieve, so one of the best ways for any broker looking to grow is by acquisition," he said.

LARGEST BENEFITS BROKERS

Ranked by 2013 global benefits revenue

Rank	Company	2013 employee benefits revenue	% change	% of 2013 revenue
1	Marsh & McLennan Cos. Inc.	$4,241,000,000	2.3%	34.5%
2	Aon P.L.C.	$2,417,000,000	8.9%	20.5%
3	Arthur J. Gallagher & Co.	$565,448,000	18.9%	17.8%
4	Willis Group Holdings P.L.C.	$532,000,000	8.4%	14.6%
5	National Financial Partners Corp.	$456,007,097	6.7%	41.0%
6	Jardine Lloyd Thompson Group P.L.C.	$421,820,080	28.0%	24.0%
7	USI Insurance Services	$349,361,818	2.9%	44.3%
8	Lockton Cos. L.L.C.	$302,526,000	12.4%[1]	26.9%
9	Gras Savoye & Cie	$279,887,680	10.4%	37.4%
10	Wells Fargo Insurance Services USA Inc.	$227,920,000	(15.4%)	15.3%

1 2012 restated.
Source: *BI* survey

SPECIAL REPORT

1 MARSH & McLENNAN COS. INC.

2013 gross revenue:	$12.28 billion
Percent change:	2.8% ▲

2013 brokerage revenue:	$12.27 billion
Percent change:	2.9% ▲

Marsh & McLennan Cos. Inc. enjoyed solid growth in 2013 and into 2014 despite the challenges of the economy as a whole.

Daniel S. Glaser, president and CEO

The New York-based brokerage's organic growth, which it calls underlying growth, slipped to 3% in 2013 from 4% in 2012, but picked up again to 4% during the first quarter of 2014.

Brokerage revenue increased 2.9% in 2013 over the previous year to $12.27 billion, making Marsh No. 1 on *Business Insurance*'s 2014 ranking of the world's largest insurance brokers.

Meanwhile, revenue for the first three months of 2014 increased 4.4% to $3.26 billion.

"I think they've performed very well," said Dan Farrell, managing director at Sterne Agee Group Inc. in New York. "They've been able to demonstrate very strong margin improvement despite macro headwinds and, at the same time, they've also consistently invested into the business."

"They're certainly not lagging in any aspects. They've got some of the strongest franchise businesses in brokerage and consulting," he said.

"Marsh is doing remarkably well. It's sort of the old reliable of the insurance brokerage industry," said Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore. "It's a professionally run organization. They act in a very thoughtful way."

Daniel Glaser, president and CEO of Marsh, said the challenge facing the brokerage and consulting giant has "been a combination of (gross domestic product) growth and waxing and waning business confidence." But its operating units have been able to rise to the occasion, he said.

Marsh L.L.C., the company's retail brokerage and risk management consulting unit, has "continued to build its share around the world and continued to excel in terms of new business — both brand new and expanded business," Mr. Glaser said. Marsh is "particularly interested in expanded business where existing clients give you another piece of business."

Commercial retail brokerage revenue rose 3.9% to $5.44 billion in 2013. U.S commercial retail brokerage revenue rose 5.2% to $2.49 billion.

The company's Marsh & McLennan Agency L.L.C., which operates in the small and mid-market brokerage marketplace, continued to grow in 2013 and into 2014, said Peter Zaffino, president and CEO of Marsh L.L.C.

"We're really pleased with the progress we have made with Marsh & McLennan Agency," he said. "The quality of the acquisitions we have made, the ability to attract companies that have not been attracted to larger companies in the past — we have been quite successful."

He said Marsh & McLennan Agency has made about 40 acquisitions since it was launched in 2009. "Greater penetration of the middle market is part of Marsh's short- and long-term strategy throughout the world with a keen focus on the United States," Mr. Zaffino said.

"Marsh is doing remarkably well. It's sort of the old reliable of the insurance brokerage industry."

Meyer Shields, Keefe, Bruyette & Woods Inc.

A key 2014 acquisition was Barney & Barney L.L.C., a San Diego-based brokerage with annual revenue of $100 million that will act as Marsh & McLennan Agency's Western regional hub.

"They need to be in California, and Barney & Barney gave them a presence in both Northern and Southern California," said John Wicher, a principal at John Wicher & Associates Inc. in San Francisco. "They're strong in both the benefits and the (property/casualty) side. It rounded out their dance card."

Marsh's 2013 performance was "a continuation of delivering another strong year of performance both in terms of revenue growth, financial performance and client solutions," said Mr. Glaser.

Mr. Glaser said Guy Carpenter & Co. L.L.C., Marsh's reinsurance brokerage unit, was another top performer in 2013.

"If anyone would have told me four years ago that Guy Carpenter would be our fastest growing operating company for several years in a row, I'd be surprised," he said. "For several years they've been in that 5% growth kind of area."

Guy Carpenter's revenue rose 4.8% in 2013 to $1.13 billion, with underlying growth of 5%. Growth slowed in the first quarter of 2014, though, to $381 million, a 1.6% increase.

Mr. Glaser said that Marsh's consulting businesses, Mercer L.L.C. and Oliver Wyman, also performed well in 2103.

Mercer had a "terrific year," growing 4% organically in 2013, he said. "They've had 4% steady growth for several years."

"Oliver Wyman has more exposure to macroeconomic conditions and business confidence than other operating companies, but each quarter of the year they improved," Mr. Glaser said.

"Overall, Marsh & McLennan is a unique organization," said Mr. Glaser. "We've got tremendous strategic positioning in the areas of risk strategy and people, and the world is sort of rising to meet us between complexity, globalization, technological change — companies need advice."

He said that the pace of change in the world "creates a lot of opportunity for us as an organization."

By Mark A. Hofmann

2 AON P.L.C.

2013 gross revenue:	$11.82 billion
Percent change:	2.6% ▲

2013 brokerage revenue:	$11.79 billion
Percent change:	2.7% ▲

The past year has seen Aon P.L.C. record strong results in its core brokerage business while beginning to reap the benefits of years of investments in ancillary businesses and its decision to redomicile abroad.

Gregory C. Case, president and CEO

London-based Aon tallied 2013 brokerage revenue of $11.79 billion, a 2.7% increase over the previous year, leading to its No. 2 ranking on *Business Insurance*'s 2014 list of the world's largest insurance brokers.

Adam Klauber, Chicago-based analyst at investment banking and asset management firm William Blair & Co. L.L.C., said Aon is "firing on all cylinders" as it completes a decade of repositioning, which includes its 2010 acquisition of Hewitt Associates and its 2012 decision to move its headquarters to London.

The decision to redomicile helped Aon lower its tax rate as well as improve its cash flow, which should help future growth initiatives, Mr. Klauber said.

"We are already seeing the move pay dividends," he said.

Mr. Klauber also credited Aon's decision to invest significant upfront capital in its Aon Hewitt Corporate Health Exchange as early as 2010, giving it a head start over other broker exchanges.

While the $197 million in revenue the exchange generated in 2013 is nominal, Mr. Klauber said it will be increasingly lucrative for Aon in the years ahead as more clients join the exchange.

Aon President and CEO Gregory C. Case said he expects exchange enrollment to grow as more clients look to bend the health care cost curve and eliminate the volatility previously associated with their self-insured plans, noting that the exchange currently has over 600,000 covered lives.

"With our own survey showing that 33% of employers expect to move into private exchanges in the next three to five years, we will continue to invest in this area and we are excited about the market and our long-term growth opportunity," Mr. Case said.

The health care exchange and other major capital-intensive investments such Aon's Global Risk Insight Platform, a global repository of Aon's placement information, highlight its commitment to long-term growth, he said.

"We are driving a set of initiatives across our risk solutions and (human resources) solutions businesses that are strengthening the underlying performance of the firm," Mr. Case said.

Michael J. O'Connor, Chicago-based CEO of Aon Risk Solutions, said data-centric offerings such as Aon GRIP are crucial to Aon differentiating itself from competitors and better serving its clients.

"We believe data and analytics will support distinctive client services," Mr. O'Connor said.

One example of the company adapting to better serve clients was Aon's 2013 launch of its London facility with Berkshire Hathaway International Insurance Ltd., which grants 7.5% of Aon's London market business to Berkshire Hathaway's U.K. arm on a quota share basis, Mr. O'Connor said.

"Because our clients are telling us they have unmet needs, we are going to push ourselves and the industry to innovate," he said. "The Berkshire sidecar is a great example of that. The client feedback has been extremely positive."

Moreover, Mr. O'Connor said Aon's January 2013 acquisition of claims preparation and forensic accounting firm Dempsey Partners L.L.C. is an example of the company making an investment to add to its expertise.

"The Dempsey acquisition is a great example of where we may already have great capabilities but are willing to double down where we see a fit," he said. "It brought us a real depth of expertise and ability to help our clients with some of the more complicated claims issues that they face."

Taken as a whole, the investments have helped Aon round out its service offerings and steel it against fluctuations in the global economy, Mr. O'Connor said.

"The economic growth around the world is not as strong as everybody would like," he said. "If you understand the needs of companies, you can identify issues that need solving everywhere. So we feel we can grow consistently around the world, even if we face challenging economic times."

One potential area of concern for Aon is changes in the reinsurance market, where overcapacity and the influx of alternative capital have put downward pressure on rates, which affects reinsurance brokers such as Aon Benfield.

But the situation is unlikely hurt Aon in the near term, said Paul Newsome, managing director Sandler O'Neill & Partners L.P. in Chicago.

"Aon is an enormous broker of reinsurance but it's still a relatively small fraction of what they do," he said.

By Bill Kenealy

3 WILLIS GROUP HOLDINGS P.L.C.

2013 gross revenue:	$3.66 billion	2013 brokerage revenue:	$3.63 billion
Percent change:	5.0% ▲	Percent change:	5.1% ▲

Dominic Casserley, CEO

In the year since taking the reins as its CEO, Dominic Casserley said Willis Group Holdings P.L.C.'s positive performance is a return to form for the broker.

"I think what we saw in 2013 was sort of a return to normality more than anything else," Mr. Casserley said.

Willis' brokerage revenue grew 5.1% in 2013 over the previous year to $3.63 billion, placing it at No. 3 in *Business Insurance*'s 2014 rankings of the world's largest commercial insurance brokers.

In particular, the company's largest operating segment, Willis North America Inc., grew in the past 18 months following a disappointing 2012, reporting 4.9% organic growth in 2013. Meanwhile, client retention rose to 92%, the highest rate since 2010.

Overall, analysts said that while Willis has met the organic growth objectives outlined in the long-term strategic plan it rolled out in July 2013, the company has yet to achieve the profit margin growth goals it set for itself under the plan.

"The business performance hasn't been quite up to the pace that I think some investors would have liked, but it's been OK," said Paul Newsome, managing director of equity research at financial adviser Sandler O'Neill & Partners L.P. in Chicago.

"They've done a pretty good job of managing a fairly challenging business environment overall, including softening insurance rates and a global economy that's not been terribly strong."

"I think the key performance driver in the North America segment was stability in the business," said Todd Jones, who succeeded Victor Krauze as CEO of Willis North America in July 2013. Aside from attracting and retaining talent, "it also was reflected in better client retentions and new-business wins; and when you can achieve all of those things, it drives better performance in the overall portfolio."

Mr. Jones said he expects the North America unit to continue performing at a high level, particularly after reconfiguring its regions earlier this year and focusing on California.

Looking ahead, analysts said Willis' efforts in 2013 and early 2014 to establish its human capital practices as top-tier providers of employee benefits brokerage and consulting services worldwide should position both the company's North America and international segments for decent revenue growth in the coming years.

"It makes perfect sense," said Mark Hughes, a Nashville, Tennessee-based director at SunTrust Robinson Humphrey Inc. "They think there's going to be much greater demand for value-added expertise in the human capital area."

Indeed, two of Willis' most significant acquisitions in the first half of 2014 were benefits service providers: Hong Kong-based Charles Monat Associates Ltd., a life insurance adviser to high-net worth clients; and Max Matthiessen A.B., a Stockholm-based employee benefits adviser in which Willis purchased a 75% controlling stake.

Additionally, it launched its global human capital and benefits practice in January, combining all of Willis' pension and retirement planning, health care and group life consulting services outside the U.S. and Canada.

"Our focus on human capital and benefits globally is generally what I like to call 'modern benefits,'" Mr. Casserley said. "We're focusing on defined contribution and personal savings markets on the retirement side and on health care provision, which is a constantly evolving market with huge demand."

Willis also recently signaled a renewed focus in paring down its operating costs. Mr. Casserley said the company is in the early stages of implementing the multiyear program announced in April to reduce operating expenses by about $420 million through 2017, and $300 million annually starting in 2018.

Mr. Casserley said the savings will be realized largely through relocating about 3,500 support roles from "high-cost" locations such as New York and London to Willis' lower-cost locations, including its regional offices in Nashville and Ipswich, England.

The savings, he said, "will be used to reduce our operating costs significantly and create capacity for investment into front-office capabilities, including our sales force, enhanced analytics and other areas of innovation."

Willis said some support staff reductions also are likely, but has not specified how many positions may be lost.

"Because this is a multiyear initiative, I think clients can assume that they're not going to see much of a difference in their service experience with Willis," Mr. Hughes said.

"It might be improved, in that it allows the company to keep committing resources without necessarily demanding near-term margin results," he added.

By Matt Dunning

SPECIAL REPORT

4 ARTHUR J. GALLAGHER & CO.

2013 gross revenue:	$3.18 billion	2013 brokerage revenue:	$2.74 billion
Percent change:	26.2% ▲	Percent change:	15.0% ▲

While Arthur J. Gallagher & Co. continues to make the smaller acquisitions that have become routine for the broker, a string of large purchases that started with Gallagher's August 2013 acquisition of Bollinger Inc. have drawn considerable insurance industry attention and could transform the company.


J. Patrick Gallagher Jr., chairman, president and CEO

Meanwhile, 2013 was a "rock star year" for the broker, said J. Patrick Gallagher Jr., the company's chairman, president and CEO. "Everybody in the company accomplished so much, and it was things that were not happenstance — a lot of planning, a lot of effort," Mr. Gallagher said.

Gallagher reported brokerage revenue of $2.74 billion in 2013, a 15.0% increase over 2012, placing the company fourth in *Business Insurance*'s annual ranking of the world's largest brokers.

Gallagher also posted 6% growth in organic commissions and fees in 2013 vs. 4% in 2012.

Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore, groups Gallagher's acquisition activity into two types.

"We've seen a really steady stream of small acquisitions at Gallagher, probably more than any other broker," Mr. Shields said of the first type. The second type is "transformative deals on the international front," he said.

While the Bollinger purchase wasn't international, Mr. Shield includes the $319.6 million deal among the "transformative" acquisitions because of its size.

Transformative international deals included the acquisition of Toronto-based Noraxis Capital Corp. in May for about $388 million; the acquisition of the insurance brokerage units of Australia's Wesfarmers Ltd. in April for $938 million — Gallagher's largest deal to date; the April acquisition of London-based Oval Group of Cos. for $350.2 million; and the September 2013 acquisition of the London-based Giles Group of Cos. for $291.7 million.

"By taking all these international stakes, what Gallagher is doing is laying the groundwork to be a global broker," Mr. Shields said. "I don't think they'll do it quickly, but I think that's their long-term goal."

While the purchases have raised questions from investors and Wall Street, Mr. Gallagher said it's not a change in strategy.

"If you look at each one of these transactions, including Bollinger, you had someone that looks and feels very much like Gallagher who's been very active themselves in acquiring businesses for well over a decade," Mr. Gallagher said. "So when we got into the due diligence and looked, what we saw was: You know what, these folks bought what we would have wanted to buy."

Gallagher still applies what John W. Wicher, principal at John Wicher & Associates Inc. in San Francisco, calls a "no jerks" philosophy in acquisitions.

"If you fit (Gallagher's) culture, it is a very positive place to be," Mr. Wicher said. "You might be a fabulous producer, 30% margins. But if the culture of your organization doesn't, fit they're not going to do the deal."

While Mr. Gallagher said he expects the broker to slow its buying pace somewhat for the rest of this year, "the press releases will continue because we're not going to stop our bolt-ons."

> "If you fit (Gallagher's) culture, it is a very positive place to be. You might be a fabulous producer, 30% margins. But if the culture of your organization doesn't, fit they're not going to do the deal."
>
> John W. Wicher,
> John Wicher & Associates Inc.

Wherever they make acquisitions, "I see them remaining primarily a middle-market broker," said Timothy J. Cunningham, managing director at investment banking and consulting firm Optis Partners L.L.C. in Chicago.

Mr. Gallagher said the company's brokerage operations had a limited benefit from the insurance rate environment and insurer discipline in 2013. "Our results, as good as they were, had less than 1% revenue impact from the rate environment and the exposure growth," he said.

The broker's Gallagher Bassett Services Inc. third-party administration operation also had a strong 2013.

"I do believe that we are building the pre-eminent, premier claim organization in the world," Mr. Gallagher said. "What we are becoming is the claims department for insurance companies."

Gallagher Benefit Services Inc., the broker's employee benefits operation, also posted a strong performance and built a compliance team to deal with requirements of the Patient Protection and Affordable Care Act. "We've also expanded our platform in benefit consulting into Canada and into the U.K.," Mr. Gallagher said. "We've got good global coverage for clients in countries where we don't have an owned presence" with Gallagher Global Alliance.

Gallagher's Risk Placement Services wholesaling operation also is performing well, he said, offering "a solid, strong open-market broking team as well as program management capabilities."

"I could not have said this five years ago, but I can say with confidence today that for any account of any size located anywhere in the world in any area of insurance, we can be helpful," Mr. Gallagher said. "We can handle that account."

By Rodd Zolkos

5 JARDINE LLOYD THOMPSON GROUP P.L.C.

2013 gross revenue:	$1.06 billion	2013 brokerage revenue:	$1.06 billion
Percent change:	20.6% ▲	Percent change:	20.9% ▲

A focus on being a specialist in insurance, reinsurance and employee benefits helped London-based insurance brokerage Jardine Lloyd Thompson Group P.L.C. increase its brokerage revenue in 2013.


Dominic Burke, group CEO

The acquisition last fall of Towers Watson & Co.'s reinsurance brokerage business to establish JLT Towers Re helped JLT boost its 2013 brokerage revenue by 20.9% to $1.06 billion, moving it up two notches to No. 5 in *Business Insurance*'s 2014 ranking of the world's largest insurance brokers.

The $250 million deal was "transformational" for JLT, said Eamonn Flanagan, a director at investment adviser Shore Capital Group Ltd. in Liverpool, England.

It provided JLT with a large reinsurance staff as well as access to analytics, making the broker a "serious player" in the reinsurance market, Mr. Flanagan said.

Since JLT set up a reinsurance arm in 2006, it has grown steadily, and the record purchase of the Towers Watson business was a highlight of 2013 for JLT, said Dominic Burke, the broker's group CEO.

"We had made it clear for some time that we were committed to reinsurance," Mr. Burke said of the purchase of the Towers Watson business.

For the year ended June 2013, Towers Watson's reinsurance brokerage posted revenues of $166.2 million. Combined with JLT Re's $99.3 million revenues for the same period, the enlarged unit would rank as the fourth-largest reinsurance brokerage in the world, according to a company statement.

Despite having earmarked the Towers Watson operation as a potential takeover target, JLT declined to bid when it was put up for sale, as it does not take part in auctions, Mr. Burke said. An auction process is incompatible with a "people business" such as broking, he said.

"However, we clearly did have an interest in the business and had started to build relationships within the business and garner support," he said. "So when an opportunity presented itself in September, we were able to successfully engage with (Towers Watson) … and explained the rationale of JLT as an acquirer."

> "When an opportunity presented itself in September, we were able to successfully engage with (Towers Watson) … and explained the rationale of JLT as an acquirer."
>
> Dominic Burke,
> Jardine Lloyd Thompson Group P.L.C.

With a positive client reception, the combined JLT Towers Re launched in November and "is as busy as it could hope to be," with integration efforts progressing well, Mr. Burke said.

The reception from large reinsurance buyers to the deal has been very favorable, said Shore Capital's Mr. Flanagan.

JLT, however, is not "deal crazy" and seeks to retain its culture of being a specialist people business despite its increasing size, Mr. Burke said.

Yet retaining its reputation as a specialist while offering large clients access to the services they need could be a challenge for JLT, Mr. Flanagan said.

During 2013, JLT moved its headquarters to the new St. Botolph Building in the City of London, the city's financial district, to house nearly 3,000 staff members, Mr. Burke said. JLT also has active training and mentoring programs to attract and retain talented staff while it also seeks to grow organically, he said.

JLT posted 8.5% organic growth in 2013 vs. 7% in 2012.

"We are confident in our ability as a firm to be able to grow organically," Mr. Burke said as JLT seeks to deepen its specialty offerings "in areas of the world where our clients" are located.

The company is seeking to complement its strong base in the United Kingdom with operations in Asia and Latin America, predominantly in health care business, he said.

For example, JLT in January acquired 75% of SCK Corretora e Administradora de Seguros, a Rio de Janeiro-based employee benefits and insurance brokerage operation, he noted.

Employee benefits continues to be a growth area and now accounts for about 20% of the company's revenue, Mr. Burke said.

While insurance rates are falling for many lines because of abundant capacity, "JLT has shown itself to be able to grow in all market conditions," Mr. Burke said.

By Sarah Veysey

6 BB&T INSURANCE HOLDINGS INC.

2013 gross revenue:	$1.67 billion	2013 brokerage revenue:	$1.58 billion
Percent change:	7.2% ▲	Percent change:	6.9% ▲

Organic growth and strategic acquisitions in 2013 helped BB&T Insurance Holdings Inc. retain its position as the sixth-largest insurance brokerage in the world in *Business Insurance*'s 2014 ranking.

H. Wade Reece, chairman and CEO

BB&T grew its brokerage revenue by 6.9% to $1.58 billion in 2013 and posted organic growth of 4.7% in 2013, unchanged from 2012.

In addition, the insurance arm of bank parent BB&T Corp. increased its revenue contribution to 16% in 2013 from 4% in 2000, said Chris Mutascio, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

"What's happened is you now have an insurance line item that is becoming a fairly sizeable piece of the overall revenue," Mr. Mutascio said. "This provides a little bit of protection in a very-low-interest-rate environment."

Now that it has finished digesting its $570 million 2012 acquisition of Roseland, New Jersey-based wholesale broker Crump Group Inc., the insurance arm again is looking to acquisitions, having completed two deals already this year — the March purchase of Woodbury & Co. of Wilmington, North Carolina, and Myrtle Beach, South Carolina, and Caledonian Insurance Group Inc. of Mercer Island, Washington — through BB&T subsidiary McGriff, Seibels & Williams Inc.

"I would say things are getting more back to normal on the acquisition front," said H. Wade Reece, BB&T Insurance Holdings' chairman and CEO. The Crump purchase "really did dominate what we did" during the latter part of 2012 and most of 2013, he said.

"We would view ourselves as a strategic buyer that's looking to increase revenues within certain niches or certain industry specializations," Mr. Reece said. "We would not view ourselves as an aggregator."

"I do think you've seen a combination of both organic growth in terms of their business in trying to cross-sell their commercial borrowers and commercial insurance customers and, on top of that, with certainly meaningful acquisitions," Mr. Mutascio said.

Gaining a platform for growth was the goal behind the 2011 acquisition of Irvine, California-based employee benefits firm Precept Group Inc., Mr. Reece said.

"We spent a lot of time and resources making that acquisition and then building it out as a national platform" for employee benefits, he said.

While its 2013 employee benefits revenue fell 2.8% to $152.4 million, BB&T sees employee benefits as a major growth area in the future.

"We anticipate our employee benefits division to be in double-digit growth year over year," said David Pruett, CEO of the company's retail division and vice chairman of BB&T Insurance Holdings.

"Our single greatest opportunity for growth in the retail division is in the execution of our employee benefits strategy," added Mr. Reece. The company plans to use the transformed Precept as a national employee benefits platform to give "all of our producers … the resources and infrastructure available to meet client needs," said Mr. Reece.

"We are seeing some fairly significant growth in our surety area, which I think may be a sign of improving economic conditions, when you have contractor and construction surety growing in double digits," said Mr. Pruett.

The company's two private insurance exchanges — CarePlus Benefits Exchanges, available in standard and custom options — set up last November, are "fully operational today" but have yet to see robust activity, largely due to the changing implementation dates of the health care reform law.

"The real need, in my opinion, for the exchanges is now not happening until late 2014 and 2015," Mr. Pruett said.

Soft rates are a concern for the company's wholesale division, which grew its 2013 revenue by 6.7% to $680.8 million.

"When I look at the marketplace, I think it is becoming a little bit more challenging," said John Howard, Roseland, New Jersey-based CEO of BB&T's wholesale division and vice chairman of BB&T Insurance Holdings.

Cross-marketing through all BB&T channels, including the parent company, will give the wholesale division an avenue for growth, Mr. Howard said.

In a May upgrade of its bank parent to outperform from neutral, Credit Suisse Group A.G. analyst Craig Siegenthaler said the insurance brokerage is undervalued.

"BB&T's insurance brokerage value is not fully embedded in the stock," he said in an analyst note. "We estimate BB&T is not receiving full value for its (approximately) $4 billion insurance brokerage business in its current valuation."

Indeed, Credit Suisse is so bullish on BB&T Insurance that it identified several ways for the bank to unlock additional value from the brokerage: A tax-free spinoff to shareholders; a public sale of 20% to 30% of the insurance business stock; or several ways to sell the insurance arm.

However, "BB&T has been in the insurance business since 1922," said Mr. Pruett. "It has been and will continue to be a significant part of BB&T's income diversification strategy."

By Matthew Lerner

7 BROWN & BROWN INC.

2013 gross revenue:	$1.36 billion	2013 brokerage revenue:	$1.36 billion
Percent change:	13.6% ▲	Percent change:	14.0% ▲

Brown & Brown Inc. continues its journey on the acquisition trail, with no planned stop in sight.

J. Powell Brown, president and CEO

That should help fuel its growth, despite the relatively slow economic recovery of its key middle-market business, said President and CEO J. Powell Brown.

Still, Brown & Brown grew its brokerage revenue 14% in 2013 to $1.36 billion, due in large part to acquisitions, and rose to No. 7 in the 2014 *Business Insurance* ranking of the world's largest brokers.

Brown & Brown also grew its retail brokerage revenue by 18.8% to $705.5 million and its wholesale revenue by 16.8% to $194.7 million in 2013, while its reinsurance revenue fell 8.6% to $14.8 million. The broker posted 6.7% growth in organic commissions and fees in 2013 vs. 2.6% in 2012, according to a filing with the U.S. Securities and Exchange Commission.

Its most recent major acquisition was completed in May: the $602.5 million purchase of Wright Insurance Group of Uniondale, New York. The biggest piece, $587.5 million, was for Wright's program business, which provides services for government-sponsored insurance programs and proprietary national and regional programs, while $7.5 million purchased Wright National Flood Insurance Co.

This follows Brown & Brown's $336.5 million purchase of Atlanta-based Beecher Carlson Holdings Inc. in 2013.

In April, Brown & Brown entered into a five-year, $1.35 billion unsecured credit facility to fund acquisitions and future growth. That was "just a natural evolution of our capital structure. As we've gotten to be larger, it'll help us to continue to grow and finance our growth and operations in the future," said Mr. Brown.

"There is competition for transactions" with other publicly traded brokers and equity backed firms, which "can be a challenge from an acquisition standpoint," Mr. Brown said.

Brown & Brown's acquisition strategy "for the most part, I think, is well-planned out," with the brokerage "taking advantage of the market opportunities," said Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore.

However, the recovery from the financial crisis "has been uneven in Brown & Brown's best market," which is Middle America, compared with larger urban centers, "so there's not the growth we've seen" historically, said Joshua Shanker, New York-based analyst at Deutsche Bank Securities Inc.

Mr. Brown agreed. Smaller companies, in particular private firms, "were the last to lay off people when the economy slowed down" and "have been reticent to rehire people, so they're trying to do more with the same number," he said.

Smaller companies also have been slow to make capital investments. "It affects us, because two-thirds to three-quarters of Brown & Brown's business is driven by exposure units," he said.

> The recovery from the financial crisis "has been uneven in Brown & Brown's best market," which is Middle America, compared with larger urban centers, "so there's not the growth we've seen" historically.
>
> Joshua Shanker, Deutsche Bank Securities Inc.

Still, Brown & Brown is "looking at all sizes and shapes of acquisitions," Mr. Brown said.

In June, for instance, the brokerage announced the acquisition of certain assets of Gaston & Associates Inc., which has annual revenue of about $2.4 million. The operation, which offers property/casualty and employee benefits insurance and services to clients throughout the Northeast, will operate from Brown & Brown of New York Inc.'s existing Rye Brook, New York, location.

Mr. Brown said the brokerage plans to seek acquisitions in all four of its divisions: retail, its largest; national programs; wholesale brokerage; and services.

"We're actively looking to invest in high-quality operations in all four of those divisions. There is not a geographic or a specific type of an acquisition," he said.

"We think there continues to be a number of very high-quality acquisition opportunities out there. Different people sell for different reasons at different times," he said. "The most important thing is cultural fit."

But with Mr. Brown firmly established as CEO as an element of stability, "as long as the economy keeps grinding upward" and insurance rates move up or basically remain stable, the brokerage should "continue to see positive low- to mid-single-digit organic growth," Mr. Shields said.

"Our goal is to grow our business organically and through acquisitions where it makes sense, and that's where we're continuing to invest," whether in people or acquisitions, Mr. Brown said.

By Judy Greenwald

8 WELLS FARGO INSURANCE SERVICES USA INC.

2013 gross revenue:	$1.49 billion	2013 brokerage revenue:	$1.35 billion
Percent change:	(15.3%) ▼	Percent change:	(14.3%) ▼

The sale of several smaller offices and restructuring efforts by Wells Fargo Insurance Services USA Inc. likely signal a company effort to focus on core pieces of its commercial insurance brokerage, such as placing cyber liability insurance and assisting mid-size clients.

Laura Schupbach, executive vice president

Chicago-based Wells Fargo reported a 14.3% decrease in brokerage revenue last year, which fell to $1.35 billion. "The brokerage business recognized small positive organic growth," a spokeswoman said in a email.

It declined to No. 8 in *Business Insurance*'s ranking of the world's largest insurance brokers as it sold off several pieces of its business.

Last year, Wells Fargo sold its disability management unit. In 2011, it sold its workers compensation third-party administration and wholesale brokerage businesses. And this year, Wells Fargo sold 40 insurance brokerage and consulting offices to Valhalla, New York-based USI Insurance Services L.L.C. — all for an undisclosed amount.

"You would expect them to continually or consistently trim areas in which they're not meeting the overall profitability goals and to reallocate those resources elsewhere," said Chris Mutascio, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

Wells Fargo opted to leave out revenue data for the smaller offices in order to allow the 2013 data to be compared with future results. It also excluded revenue for an identity theft product that has been shifted to another unit of its banking parent, San Francisco-based Wells Fargo & Co.

"It really is about sharpening the focus, restructuring ... divesting or moving pieces to other parts of Wells Fargo that aren't part of our go-forward strategy," Laura Schupbach, executive vice president and head of Wells Fargo's insurance unit, said of the recent deals.

Wells Fargo's restructuring efforts represent the company's commitment to its commercial insurance brokerage going forward, Ms. Schupbach said.

"It's actually a sign that we are doubling down in the brokerage business because we were willing to kind of take that step ... so that we can focus our time and our energy and our investments on growing the part of the business that we think we're uniquely qualified to grow," she said.

Ms. Schupbach and Kevin Kenny, executive vice president and head of Wells Fargo's insurance brokerage, said Wells Fargo plans to grow by hiring dozens of sales associates in the next 12 to 18 months. It also plans to focus on cross-selling personal insurance lines to customers of its bank parent, such as homeowners insurance to mortgage customers, as well as placing commercial insurance and providing risk management services to middle-market and upper mid-market employers, Mr. Kenny said.

"We're having success in the private equity arena, and our specialty lines continue to excel, particularly environmental, cyber risk and owner-controlled insurance programs," Mr. Kenny said of the commercial lines that Wells Fargo sees as growth areas.

KBW's Mr. Mutascio agreed that Wells Fargo is working to grow its commercial insurance brokerage business.

> "We're having success in the private equity arena, and our specialty lines continue to excel, particularly environmental, cyber risk and owner-controlled insurance programs."
>
> Kevin Kenny,
> Wells Fargo Insurance Services USA Inc.

"Despite the slower growth you're seeing year-over-year, I still think it's a business that (Wells Fargo & Co.) looks at being at in the long haul because it is a business that does not provide a lot of underwriting risk," Mr. Mutascio said.

But John Wicher, a principal at John Wicher & Associates in San Francisco, said the Wells Fargo sale to USI could be viewed as an effort to build the business going forward or as a potential exit strategy for the insurance brokerage.

It's possible to view the Wells Fargo sale to USI as a move toward a larger sale "so that they could basically have a core business which would be attractive for sale, because the natural buyer of the larger offices wouldn't necessarily want those small operations," Mr. Wicher said.

"The flip side is that Wells Fargo was, in fact, repositioning themselves for the long term and identifying those offices which were consistent with their strategy (while) selling those smaller operations which really weren't," Mr. Wicher said.

Ms. Schupbach emphasized Wells Fargo's commitment to its insurance brokerage and that the recent changes have positioned the business for near-term growth.

"We're really excited about the future," Ms. Schupbach said. "This year is a good year."

By Sheena Harrison

9 HUB INTERNATIONAL LTD.

2013 gross revenue:	$1.15 billion
Percent change:	16.3% ▲

2013 brokerage revenue:	$1.15 billion
Percent change:	16.1% ▲


Martin P. Hughes, chairman and CEO

For the third year in a row, Hub International Ltd. reported organic growth in its insurance brokerage operations in 2013, and it continued its growth-by-acquisition strategy with new private equity owners.

About $94 million in merger and acquisition revenue, coupled with its organic growth — which Hub said in a statement "continues to improve," though it declined to disclose figures — pushed its 2013 global brokerage revenue up 16.1% vs. 2012 to $1.15 billion. A third of that brokerage revenue came from non-U.S. clients, mainly in Canada.

The Chicago-based brokerage now is No. 9 on the 2014 *Business Insurance* ranking of the world's largest brokers, up from No. 10 last year.

Hub completed 28 mergers and acquisitions in 2013, making it one of the year's most acquisitive brokers, and it has already announced 16 deals in 2014.

"(Last year) was much an average year for us in terms of M&A," Chairman and CEO Martin P. Hughes said. "Our goal is to do $80 million to $120 million every year, so that was pretty much in the middle of what our expectations are."

John Wicher, a principal at John Wicher & Associates Inc. in San Francisco, said what he finds most impressive about Hub is that it has completed so many acquisitions in a short period.

"They've been careful in terms of their acquisitions to ensure that the partners are not only good companies but share their values," Mr. Wicher said. "It sounds simple, but the road of acquisitions is filled with some very bad decisions — ones where people thought short-term about the opportunities rather than really thinking about whether it was a good fit."

Kevin P. Donoghue, managing director of Mystic Capital Advisors Group L.L.C. in New York, said Hub's approach to deals is one of the biggest secrets to the brokerage's success.

"They're constantly looking for areas they should be in, but at the same time they've avoided the areas where the prices are maybe too high and the timing isn't right," Mr. Donoghue said.

"We work hard to identify and source our own deals," Mr. Hughes said. "Secondly, we have a history of success that I think is unparalleled."

Hub has completed 330 acquisitions since it launched in 1998.

Hub reverted to a privately held firm when it was acquired in 2007 by Apax Partners L.L.P. and Morgan Stanley Principal Investments Inc. The brokerage recapitalized after being bought for $4.4 billion by San Francisco-based private equity firm Hellman & Freidman L.L.C. last October.

The decision to recapitalize instead of going through an initial public offering was made "because we were able to save $10 million a year," Mr. Hughes said.

Currently, Hub is concentrating on expanding in the Southeast, though the focus is still making sure the fit is right.

"The fact is," Mr. Hughes said, "we're very opportunistic. If it fits us strategically, culturally, financially, we're going to fight to do the deal. If it doesn't, we won't. The biggest mistakes we've ever made in M&A is when we've used geography over the other three issues. We don't make those mistakes anymore."

The company hasn't made any acquisitions outside North America since acquiring São Paulo-based Harmonia Corretora de Seguros Ltda. in 2011. Mr. Wicher said getting into Brazil was an important step for Hub, "one they needed to take" to enter a growth market.

The brokerage also is focusing on employee benefits as clients continue seeking advice on health care reform, Mr. Wicher said.

"Given the circumstances in the property/casualty industry in general here in the States, it's a tremendous growth opportunity for all brokers, including Hub," Mr. Wicher said. "That's a strength of Hub, in that they've made some acquisitions which have created fee-based opportunities in the benefits space."

Scott Goodreau, Hub's Chicago-based chief sales officer, said the firm is well-positioned in the middle market to advise clients in a "time of uncertainty."

"For us, we've always been about the customer," Mr. Goodreau said. "Whether that is risk services, whether that is in the employee benefits space where we see we can bring some consultative resources around it, we're going to take advantage of that. We've identified four to five of these growth initiatives we think are going to be important to take us to the next level."

Mr. Donoghue said it's too soon to tell if Hub will do another recapitalization or a public offering in the years to come, but they're likely only going to get bigger. "The market will dictate the timing," he said. "I expect that they'll have at least 24 months of focusing on M&A and being private before any transaction occurs."

"I think what you'll see is that we'll have the same options available to us in five years that we had available to us this time," Mr. Hughes said. "If the world is the same as is it today, it probably means we'd do another private equity deal. If the world is different, which you have to believe will probably be the case, an IPO would probably make more sense."

By Stephanie Goldberg

10 LOCKTON COS. L.L.C.

2013 gross revenue:	$1.13 billion
Percent change:	10.7% ▲

2013 brokerage revenue:	$1.12 billion
Percent change:	10.9% ▲


David M. Lockton, executive chairman

Lockton Cos. L.L.C.'s entrepreneurial environment, which fosters producer creativity centered on clients' needs, continues to drive the Kansas City, Missouri-based commercial insurance broker's growth.

After surpassing the $1 billion milestone in 2012, Lockton tallied nearly $1.12 billion in brokerage revenue in 2013. Despite this 10.9% surge, Lockton dropped a notch in *Business Insurance*'s 2014 ranking of the world's largest commercial insurance brokers to No. 10 due to bigger gains by Hub International Ltd.

It posted 11% organic growth in 2013, unchanged from 2012.

Unlike brokers that have grown by acquiring other businesses, Lockton generally sees its growth driven by acquiring the best people.

Lockton's focus is giving clients specifically what they need, whether it be tailored programs, enhanced analytics or consultative services, said John L. Lumelleau, president and CEO.

"Because Lockton is privately held, they are not obsessed with profit margin metrics, so they stay focused on their clients," said John W. Wicher, principal at John Wicher & Associates Inc. in San Francisco.

"Lockton also does very few acquisitions, meaning that they don't need to be in the capital markets," Mr. Wicher said. "Generally, they can fund the business from operating cash flow. This was of great importance through the Great Recession when they were able to attract real talent at a time when some public brokers were cutting not just fat, but bone. You don't hear about talent leaving Lockton, rather you hear about Lockton attracting it."

"The strength of our company is the ability to bring to bear for large clients and middle-market clients a very effective relationship-driven application of program development and broker placement," Mr. Lumelleau said. "Whether it's in London or Singapore or here in the United States, that's where our focus is. We're engaged with our clients at every juncture around where we can help them make their businesses better."

This emphasis on serving clients' needs is reinforced by the way Lockton compensates its producers, said Timothy J. Cunningham, managing director of Chicago-based investment banking and consulting firm Optis Partners L.L.C.

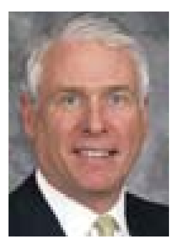
"Because producers are compensated based on their sales results, producers are very client-focused," he said. Lockton also is known for its entrepreneurial spirit, which attracts talented producers who have the freedom to design and implement creative solutions for their clients, he said.

As such, Lockton's biggest growth challenge going forward may be its ability to continue to attract the best talent, said David Lockton, executive chairman.

"I think it's vital that we continue to attract the best talent, because you're only as good as your people are," Mr. Lockton said. "We estimated that we may need to recruit as many as 10,000 new people over the next 10 years at all levels within the organization and worldwide."

Indeed, much of Lockton's future growth opportunities are likely to be outside the United States, Mr. Cunningham said.

"If history is any indicator, their future growth will likely be foreign, not domestic," he said. "They can acquire a team … and they can help support that from other offices. It's easy to do that today with technology. There's an old adage in this business: You either buy or build. Lockton has demonstrated they buy outside of the country and they build inside of the country."



> "Whether it's in London or Singapore or here in the United States, that's where our focus is. We're engaged with our clients at every juncture around where we can help them make their businesses better."
>
> John L. Lumelleau, Lockton Cos. L.L.C.

Lockton also places a premium on hiring indigenous broker and consulting talent, Mr. Lockton said. "We're recruiting throughout Asia in countries in which we do business. It's a significant focus for us," he said.

Lockton also is using technology to provide clients access to analytical tools to measure claims exposures, deductibles or limits of liability. It also provides health insurance exchange technology to its employee benefits clients and plans to launch a digital commerce site for direct-to-consumer insurance sales next year.

"Technology's changing our world, and we're flexible enough to change with it. We're not abandoning our existing approach, but we're adding a new stream of revenue to our already strong model," Mr. Lockton said.

Lockton also is expanding its portfolio of financial and retirement advisory services after recruiting industry veteran Pam Popp to be president of its retirement services businesses, Lockton Financial Advisors L.L.C. and Lockton Investment Advisors, effective Sept. 2.

Lockton's retirement services business has grown from $12 billion in assets under advisement in 2011 to $32 billion now, serving 940 U.S. employer-sponsored retirement plans.

By Joanne Wojcik

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PUBLIC NOTICES

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF DAN YORAM SCHWARZMANN
AND MARK CHARLES BATTEN,
AS PROVISIONAL LIQUIDATORS OF
INDEPENDENT INSURANCE COMPANY LIMITED,
DEBTOR IN A FOREIGN PROCEEDING
CASE NO. 01-13899 (SMB)

NOTICE IS HEREBY GIVEN THAT ON JUNE 26, 2014, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. §304 ORIGINALLY ENTERED IN THIS CASE ON JULY 31, 2001. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING SCHEDULED TO BE HELD ON DECEMBER 23, 2014 AT 10:00 A.M. (THE "RETURN DATE") BEFORE THE HONORABLE STUART M. BERNSTEIN, UNITED STATES BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT LOCATED AT ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING THE CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE STUART M. BERNSTEIN AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

CHADBOURNE & PARKE LLP
ATTORNEYS FOR THE PETITIONERS
30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK 10112
(212) 408-5100
ATTN: HOWARD SEIFE, ESQ.
FRANCISCO VAZQUEZ, ESQ.

MEDIA PARTNER

MARKET PULSE

Data breach service offered to U.K. companies

London-based commercial law firm Reynolds Porter Chamberlain L.L.P. has launched an integrated data breach response service for U.K.-based businesses.

ReSecure offers a combination of legal, information technology, public relations, incident response and remediation expertise for businesses dealing with a data breach, along with access to a multidisciplinary team of experts from RPC, digital forensic consultants Blackthorn Technologies Ltd., Internet and credit monitoring services provider Experian P.L.C. and crisis communications experts Mattison Public Relations, RPC said in a statement.

"Data breaches are emerging as a huge problem for businesses, with reports of hackers attacking leading companies making headlines almost daily," RPC partner Alex Hamer said in the statement. ReSecure "streamlines the process of dealing with a breach of security for a business, and is flexible in terms of scale and specialism, allowing businesses to deal with the problem as efficiently as possible."

CNA website gets interactive makeover

Commercial insurer CNA Financial Corp. has unveiled its redesigned CNA.com website, which offers a guided path to industry-specific information and resources, content designed for specific risks, a responsive smartphone and tablet design, and the ability to share site content via email or users' own social media conversation.

"We listened to our customers and reinvented our site to provide them with a better online experience," Tom Motamed, Chicago-based CNA's chairman and CEO, said in a statement. "The new site is transformed from an information site to a guided sales experience that's educational and helps customers easily understand their risks and how we can help."

The site uses multimedia tools to help visitors learn more about their business insurance needs and provides related products, services and risk control materials to help alert customers about additional exposures.

The site is integrated with the insurer's distribution strategy and helps visitors connect with producers, CNA said in the statement.

PRIMA survey to focus on knowledge gaps

The Public Risk Management Association has launched a public risk management needs survey to identify public-sector risk managers' information and skills needs and help them perform more effectively.

The survey, funded by Alexandria, Virginia-based PRIMA's partner organization, the Public Entity Risk Institute, also is intended to help organizations better integrate risk management into their organizational cultures and elevate the status of risk management within the public sector and society.

In a statement, PRIMA said it would use findings from the survey to identify educational needs and plan programs to improve public risk management. Public-sector risk managers and PRIMA members will be encouraged to share the online survey with elected and appointed officials in their communities and others on their risk management teams.

A number of other organizations also will distribute the survey to their members to broaden participation. They include: the American Public Transportation Association's Risk Management Committee; the American Society of Safety Engineers; the Association of Governmental Risk Pools; the California Association of Joint Powers Authorities; the California Association of School Business Officials; and the Housing Authority Risk Retention Pool.

PRODUCTS & SERVICES

RMS, UN offer open access to global cat model

Catastrophe modeling firm Risk Management Solutions Inc. has announced a public-private partnership with the United Nations that will enable government officials worldwide free access to a catastrophe model.

The deal, struck with the United Nations Office for Disaster Risk Reduction, or UNISDR, and the World Bank, will give government officials from both developed and developing nations access to the office's new global multiperil probabilistic risk model, RMS(one), the modeler's cloud-based exposure and risk management platform.

"Availability of our model on RMS(one) will greatly increase its relevance towards achieving the broader objective of risk-sensitive public- and private-sector investment, in particular in low- and lower-middle-income countries and regions where commercial catastrophe models are not currently available," Andrew Maskrey, coordinator of the UNISDR's Global Assessment Report on Disaster Risk Reduction, said in a statement.

Paul VanderMarck, chief products officer for RMS, said wider availability of catastrophe models will help support disaster risk reduction work in the public sector. "RMS is leveraging the scalability of the RMS(one) platform and the RMS Cloud to enable governments to benefit from many of the same catastrophe risk modeling capabilities used widely by the insurance industry to quantify and manage catastrophe risk," he said.

Hamilton Re joins Iron-Starr as insurer

Ironshore Inc. has added Hamilton Re as a subscribing insurer to its Iron-Starr Excess Agency Ltd.

Iron-Starr will be able to offer more capacity for the full suite of Iron-Starr insurance products in casualty, financial lines and health care with the addition of Hamilton Re, Hamilton, Bermuda-based Ironshore said in a statement.

The addition of Hamilton Re to Iron-Starr, both also based in Hamilton, extends Iron-Starr's capabilities and creates a larger pool of excess capacity available to current and future clients, the insurer said.

Iron-Starr underwrites on behalf of Ironshore Insurance Ltd. and Starr Insurance & Reinsurance Ltd. and was founded to offer syndicated capacity to clients for excess liability products through a single access point, according to the statement.

FERMA to offer certification program

The Federation of European Risk Management Associations has agreed on a framework and funding provision to create a certification program for European risk managers.

The program, proposed by Brussels-based FERMA at its conference last October, will certify the professional competencies and experience of individual risk managers and accreditation for the risk management programs of educational entities, the association said in a statement.

FERMA said it plans to start accepting applications for certification in 2015.

The association said its general assembly had agreed to fund the development and implementation phase of the project from its reserves. The program will be run on a nonprofit basis.

AIR updates storm model, adds crop hail version

Catastrophe risk modeler AIR Worldwide has updated its severe thunderstorm model and released a crop hail model for the U.S.

The updated thunderstorm model enhances its hazard, engineering, and financial components, the Boston-based firm said in a statement. Improvements are based on new data including damage data collected and analyzed by AIR scientists and engineers following major thunderstorm outbreaks in 2008, 2011 and 2013. The new crop hail model features crop-specific damage functions for corn, soybeans, wheat, cotton, rice and barley.

DEALS & MOVES

Progressive Medical and PMSI renaming as Helios

Progressive Medical Inc. and PMSI Inc., two workers compensation pharmacy benefit managers that merged in October, will begin operating in August under the name Helios.

Helios will be based in Memphis, Tennessee, and employs more than 1,400 workers nationwide, including those at Progressive Medical's Westerville, Ohio, location, PMSI's Tampa, Florida, office and offices in Salt Lake City and Price, Utah. The rebranding will be fully effective Aug. 18.

Buck Consultants taking Xerox name for unified brand

Buck Consultants L.L.C. said it has adopted the brand name of its parent company, Norwalk-Connecticut-based Xerox Corp.

Effective July 15, the New York-based employee benefits and human resources consulting firm was renamed as "Buck Consultants at Xerox," according to a post on the Xerox company blog.

"We believe the time is right for Buck Consultants to transition to the Xerox brand to present a unified face to our clients and the marketplace globally," a spokesman for Buck Consultants at Xerox said in an email to *Business Insurance*.

Buck Consultants was added to Xerox's human resources outsourcing services group following its 2010 purchase of Buck's former parent company, Affiliated Computer Services Inc.

Ironshore International opens Hong Kong office

Ironshore Inc.'s Ironshore International operation has opened an office in Hong Kong, the Hamilton, Bermuda-based underwriter said.

Melody Qian has been named general manager of Ironshore Hong Kong Ltd. Before joining Ironshore, Ms. Qian was manager for Asia at Liberty International Underwriters in Hong Kong.

Ms. Qian will report to Chen Dai, Ironshore International head for Asia, who is based in Singapore.

"Ironshore has undertaken a consistent, measured approach to the Asian market, which contributed to the success of the Singapore office over the past two years," Mr. Dai said in a statement.

Brazilian bank to buy Ariel Re from Global Atlantic

São Paulo-based investment banking firm Banco BTG Pactual S.A. will acquire Hamilton, Bermuda-based reinsurer Ariel Re from Global Atlantic Financial Group Ltd., the two companies said.

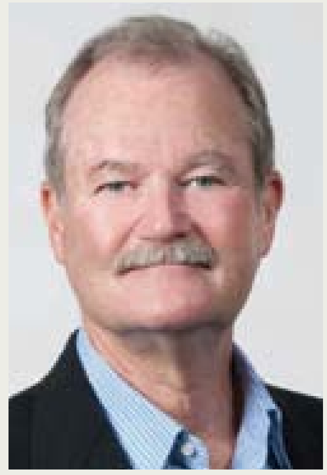
Terms of the deal, which is subject to regulatory approval, were not disclosed.

Ariel Re will continue to operate with its own name, the companies said in a joint statement.

"Ariel Re will be the cornerstone of BTG Pactual's international reinsurance venture, which builds on the success of its London-based reinsurance principal investment business and establishes a permanent presence in the industry," according to the statement.

Ariel Re, which operates offices in Bermuda and London, will continue its Lloyd's of London syndicate.

DUPERREAULT PLOTS STRATEGY TO GROW HAMILTON INSURANCE



BRIAN DUPERREAULT

HAMILTON INSURANCE GROUP

Insurance industry executive Brian Duperreault has a new challenge. After an acclaimed career spanning time at American International Group Inc., Ace Ltd. and Marsh & McLennan Cos. Inc., last year with hedge fund partner Two Sigma Investments L.L.C. he formed Hamilton Insurance Group in Bermuda, which is based on the reinsurance business of the former SAC Re Ltd. acquired by Hamilton in December. His ambitious plans for Hamilton include expanding in the U.S. and building a presence at Lloyd's of London. Mr. Duperreault recently spoke with *Business Insurance* Editor Gavin Souter. Edited excerpts follow.

Q&A

Q Clearly there's a lot of capital that's interested in the insurance and reinsurance markets. What makes Hamilton different?

A Customers are asking that question, brokers are asking that question, and I think you do need to have some differentiation. You have to think about it in terms of carving out a reason for your company to be chosen to be a partner, and in our case we have, I think, several things going for us. One, we have a very good team. And that still matters in this business. Decisions are made for a variety of reasons, but one of them is that both sides like to do business with each other. I think we have, in our case, people who are sought after.

And we have a great investment partner in Two Sigma, so our ability to make money is enhanced because the investment side is quite good.

Lastly, and I think ultimately most importantly, our investment partner is also our technology partner, and they are very good at what they do. What I would like to do is take that technology partnership and see if we can further the science of underwriting in our business. Move it along particularly in the commercial space using their technology and capabilities married with our own skill sets. Ultimately, I think that will make the difference in our company.

Q What sort of technology are you talking about?

A I guess the buzz words today are "big data," right? So use of data in everything — it's touching everything we do from buying airline tickets, to buying insurance, to buying stock.

If you look at that evolution, it's gotten deeper embedded in other industries and less so in our business, but I think there's certainly the possibility that more could be done with big data than is being done. It's a situation where you have to experiment, and I'm not sure which experiments are going to give us the best results. We're going to try different places, different things, different lines of business and different geographies, and we'll see where we go with it.

I think it's more likely to be in the insurance world (rather than reinsurance), and we need some capabilities first, so we're getting a U.S. operation up and running and getting into Lloyd's.

We're in the process of acquiring a shell company in the U.S., putting the technology in that we believe would yield good results.

Q And in Lloyd's, are you looking for an acquisition?

A My preference would be an acquisition, given all that goes into starting an operation from scratch in Lloyd's. If I could speed up that time frame with an acquisition, I would, but I'm not dependent on that.

Q The SAC Re purchase came about through regulatory circumstances that were related to the owner. Was the book of business problematic?

A Oh no, the company was well-run with great people in the company.

Their portfolio was well-constructed with patience, and its future is ahead of it. It's in great shape, and I'm thankful that the opportunity came along. It was a wonderful opportunity, and they created a good company.

COMINGS & GOINGS

UP CLOSE: JOHN SCHACK

SAN DIEGO-BASED SENIOR VICE PRESIDENT OF BUSINESS DEVELOPMENT

ACI Specialty Benefits Corp.

PREVIOUS POSITION: San Diego-based chief sales officer for Hub International Insurance Services Inc.

LOOKING FORWARD TO: The ultimate goal for me is to take my skill set and, over time, make ACI a professional household name when it comes to wellness programs for large companies as well as the concierge benefits that are available for companies and employee assistance programs. My job is to grow that footprint in the U.S. and internationally.

CHALLENGES FACING INDUSTRY: With health care costs increasing, a lot of (human resources) directors don't understand the return on investment for wellness programs and (employee assistance) programs. It's an educational sell or consultation. They'll understand that through healthier minds and bodies, they reduce health care costs.

INDUSTRY OUTLOOK: The outlook is very positive. The environment in the workplace today is not what it was years ago. To attract and retain good talent, you have to have perks. A good wellness program and an EAP support that.

FIRST INDUSTRY JOB: Intern at a small property/casualty and employee benefits firm outside of Los Angeles.

WHAT STOOD OUT: You need to look behind the product or service offering. When a distraught employee or student calls in for help, it's amazing the lives we are touching and making a difference in.

OUTSIDE THE INDUSTRY, A DREAM JOB: Surfing instructor.

HOBBIES: Surfing, cooking and spending time with my family.

WHEN I RETIRE: Travel.

FAVORITE MEAL: My wife's lasagna.

CAN'T-MISS TELEVISION SHOW: "Anthony Bourdain: Parts Unknown."

Professional Moves & Promotions

Visit ***www.businessinsurance.com/ComingsandGoings*** for a full list of this week's personnel moves and promotions. Check our website daily for additional postings and sign up for the weekly email.

BROKERS

All Risks Ltd.	Patrick Hucker
All Risks Ltd.	Danielle Julien
Marsh L.L.C.	Dean Klisura
USI Insurance Services L.L.C.	Mary Jo Jacobs
U.S. Risk Insurance Group Inc.	Dean Mills
Willis Group Holdings P.L.C.	David Martin
Willis Group Holdings P.L.C.	Steve Hearn

REINSURANCE

Cooper Gay & Co. Ltd. and Newman Martin & Buchan L.L.P.	Martin Stephenson

INSURERS

Liberty Mutual Holding Co. Inc.	Constance Bayne
Markel Corp.	Tim Pasik
Markel Corp.	Richard Grinnan
Secura Insurance Cos.	Dave Gross

OTHER

Risk Partners Inc.	Sotirios Thomas

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: Kate Shepherd, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. ***kshepherd@businessinsurance.com***.

MERGERS

Continued from page 4

in the overall M&A picture and have led the M&A count over all other categories since 2012. With 67 deals in the first half of 2014 and 70 in the second half of 2013, there have been more private equity-backed M&As in a 12-month period than any other buyer category since tracking began. The private equity sector likes the agent-broker space as it generates reasonably predictable cash flow, does not require large capital expenditures and has negligible balance-sheet risk.

Given the well-capitalized existing and new private equity-backed buyers, we are likely to see a sustained high level of agent and broker M&As from this group of buyers for several years.

Among other buyer categories:

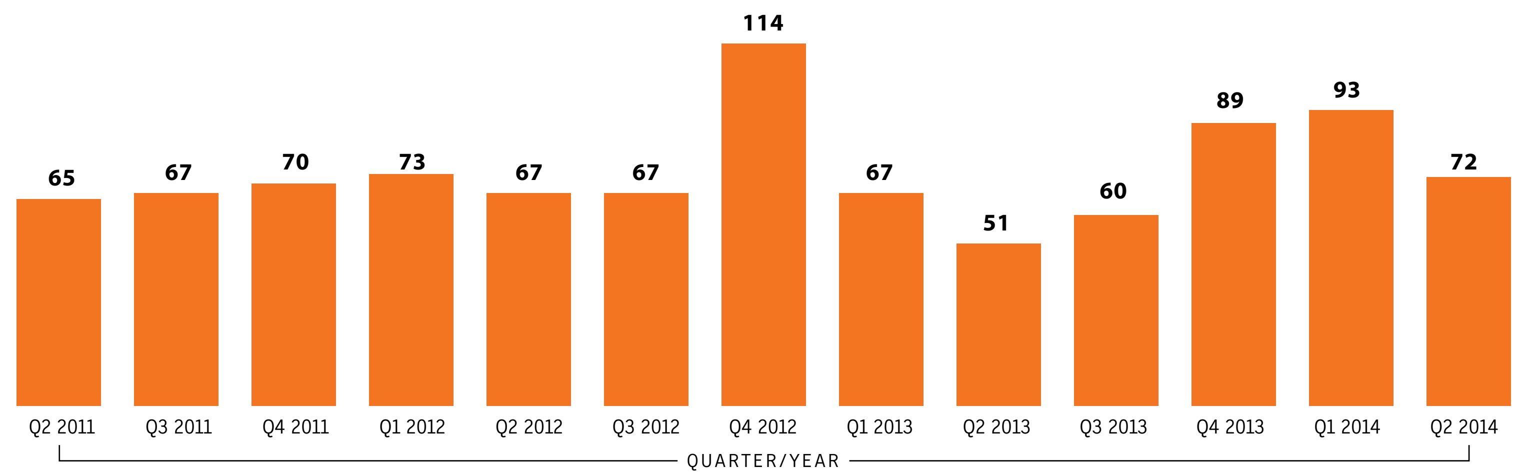
- Publicly held brokers picked up their pace with 27 announced transactions through June, better than the first half of 2013 but short of the banner count of 30 in 2012.
- Privately held buyers also posted a strong first half with 54 deals, equaling the second half of 2012 and No. 2 only to the record 58 in the first half of 2008.
- Bank-owned and all other buyer activity continued to fall, with only 17 transactions in the first half of this year, the lowest since the same period in 2010.

Seventy-five buyers completed the 165 first-half deals. Five of the 16 active private equity-backed buyers completed five or more transactions; only three of the six active publicly traded brokers had more than three deals.

Thirty-five privately owned buyers completed the 54 first-half deals, and represent the largest group of potential buyers of agents and brokers. Privately held buyers are a disparate group, and many do not report their purchases, making any trends difficult to identify.

AGENT/BROKER MERGERS BY QUARTER, 2011-2014

U.S. and Canadian insurance agent and broker mergers, number of deals by quarter



Source: Optis Partners L.L.C.

MOST ACTIVE BUYERS

The most active buyers of insurance agents and brokers since Jan. 1, 2011

Company (ownership type)	Total	2014H*	2013H*
Hub International Ltd. (private equity-backed)	94	16	14
Arthur J. Gallagher & Co. (publicly held)	83	10	3
AssuredPartners Inc. (private equity-backed)	56	13	4
BroadStreet Partners Inc. (private equity-backed)	54	9	4
Brown & Brown Inc. (publicly held)	44	6	3
Confie Seguros Insurance Services (private equity-backed)	42	2	4
Digital Insurance Inc. (privately held)	33	3	6
USI Holdings Corp. (private equity-backed)	32	5	4
Marsh & McLennan Agency L.L.C. (publicly held)	28	7	2
Acrisure L.L.C. (private equity-backed)	19	8	4

*First-half activity

FIRST-HALF M&A DEALS, 2012-2014

Agent and broker deals by type

Type	2014H*	2013H*	2012H*
Private-equity owned	67	44	47
Privately owned	54	44	40
Publicly held	27	12	30
Bank-owned	9	14	10
All other	8	4	13
Total	**165**	**118**	**140**

*First-half activity

Based on announced deals since Jan. 1, 2011, six of the 10 most active buyers are private equity-backed firms led by Hub International Ltd. Behind Hub, the most active private-equity backed buyers were AssuredPartners Inc. and a newcomer to the most-active list, BroadStreet Partners Inc.

Among publicly held brokers, Gallagher led the pack; and among privately held brokers, Digital Insurance Inc. led the way.

Among noteworthy agent and broker deals that were announced or closed in the first half of 2014 were:

- Marsh & McLennan Agency L.L.C. bought San Diego-based Barney & Barney L.L.C. in February and Greensboro, North Carolina-based Senn Dunn Insurance in May.
- Gallagher in July closed a deal to acquire Toronto-based Noraxis Capital Corp.

With the lack of tax incentives or other motivating factors, M&As so far this year reflect a very optimistic view of the agent-broker space especially in addition to the continued inflow of private equity capital. Further, the conventional public and private buyers continue to acquire as organic growth remains a challenge.

Transaction values have continued their aggressive trends due in large part to competition, the quality of the sellers and the economics of the insurance marketplace. Absent a calamitous event or severe economic slip, buyers' appetites will continue to drive stiff competition in agency valuations for top-shelf operations, and M&A activity in general likely will remain a key industry focal point.

Timothy J. Cunningham (left) and Daniel P. Menzer are principals at Optis Partners L.L.C., a Chicago based investment banking and financial consulting firm that serves the insurance distribution industry. Mr. Cunningham can be reached at 312-235-0081 or cunningham@optisins.com and Mr. Menzer can be reached at 630-520-0490 or menzer@optisins.com.

SAFETY

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organization's top-level executives as well as a true understanding of the organization's culture, according to Ward Ching, vice president of risk management operations at Safeway Inc., who was involved in implementing an internally branded Culture of Safety at the Pleasanton, Calif.-based grocery store chain.

"The question is, what is your culture, how do you influence behavior and how do you influence processes to make it all work," he said.

Safeway's effort to build its Culture of Safety drew several disciplines together, Mr. Ching said. One is behavioral economics, focusing on creating the right incentives and deterrents to drive behavior. Another is behavioral safety, identifying behaviors that contribute to losses. Safeway also employed some Big Data and Six Sigma elements into its Culture of Safety.

> "The question is, what is your culture, how do you influence behavior and how do you influence processes to make it all work."
>
> Ward Ching, Safeway Inc.

Safeway estimates that the program has saved the grocery chain $100 million in four years through lower workers compensation and general liability costs.

Ann Masse, global safety, health and environment leader-strategy at E. I. du Pont de Nemours and Co. in Wilmington, Delaware, said safety is ingrained in the company's culture. "We had our first safety rules in 1812," Ms. Masse said. "Our leader, our owner at that time, E.I. du Pont…said we have to have safety rules, all our supervisors have to understand safety."

"The most important thing is safety comes from the top," Ms. Masse said. The emphasis on safety then flows down through line leadership into every department and every employee, she said. "We start every meeting with a safety contact," Ms. Masse said. "It really happens throughout the organization, every day, every time."

DuPont's culture of safety helps the company attract and retain talent, Ms. Masse said. "It helps us retain people in the company. It's all about employee engagement," she said. "We get incredible business value out of that."

Aspen's Mr. Thompson cited the Institutional Grassroots Safety Committee at the Lawrence Livermore National Laboratory in Livermore, Calif. as another example of the successful implementation of a culture of safety.

According to Herk Van Noy, chair of the IGSC, Lawrence Livermore's grassroots safety program was prompted by employee suggestions and started in 2009. "In addition to enabling a stronger safety culture at the lab, it has helped boost employee morale and improved communication between employees and managers," Mr. Van Noy said.

Creating the IGSC program required the backing senior management, identification of as many grassroots teams from across the organization as possible and a mission and vision for the committee, Mr. Van Noy said.

The committee includes 15 active members, each representing their organization's grassroots team or an area of the laboratory. The IGSC chair participates in regularly scheduled meetings with senior management to present the committee's views, Mr. Van Noy said, and the IGCS's mission and vision is reviewed yearly, with the updated mission and vision presented to senior management.

At Lawrence Livermore, "The IGSC has provided an avenue for sharing unfiltered safety concerns with senior management, and a means for distributing safety information from senior management through our grassroots safety teams," Mr. Van Noy said. The effort also "stimulates safety-oriented communication," he said, which leads to increased safety awareness and safe work practices.

BASIC REQUIREMENTS

According to the U.S. Equal Employment Opportunity Commission, an employer must comply with the following provisions of the Pregnancy Discrimination Act:

- **Current pregnancy.** Under the PDA, an employer cannot fire, refuse to hire, demote or take any other adverse action against a woman if pregnancy, childbirth or a related medical condition was a motivating factor in the adverse employment action.
- **Past pregnancy.** An employer may not discriminate against an employee or applicant based on a past pregnancy or pregnancy-related medical condition or childbirth.
- **Potential pregnancy.** An employer may not discriminate based on an employee's intention or potential to become pregnant.
- **Medical condition related to pregnancy or childbirth.** An employer may not discriminate against an employee because of a medical condition related to pregnancy and must treat the employee the same as others who are similar in their ability or inability to work but are not affected by pregnancy, childbirth or related medical conditions.

Source: EEOC

PREGNANCY

Continued from page 3

that need them," Ms. Martin said.

Others contend that by addressing issues such as light duty, the EEOC is pushing the Pregnancy Discrimination Act beyond its original intent.

"They are certainly interpreting the language of the existing law as broadly as you could interpret it," said Kristine J. Feher, Florham Park, New Jersey-based shareholder with law firm Greenberg Traurig L.L.P. "That's why there's been some pushback."

While employers would not find fault with most of the guidance, there is "no statutory basis" for the EEOC to address light duty requirements absent new laws or a decision by the Supreme Court, said Paul H. Kehoe, Washington-based senior counsel with Seyfarth Shaw L.L.P.

"The rules are controversial because although the PDA amended Title 7 of the Civil Rights Act, there is simply no basis to import reasonable accommodation requirements as the terms are understood under the Americans with Disabilities Act," he said, noting that proposed federal legislation that would require reasonable accommodation, the Pregnant Workers Fairness Act, has thus far failed to pass in either chamber of Congress.

Mark J. Girouard, a Minneapolis-based shareholder in the labor and employment practice of law firm Nilan Johnson Lewis P.A., agreed that the updated guidance was overly broad.

"If anything, the fact that Congress thinks that the Pregnancy Discrimination Act needs to be amended to allow for accommodations for pregnant workers suggests that the law doesn't currently require that," Mr. Girouard said. "It really undermines everything that the EEOC did here."

Moreover, by extending the rules to include workers who have the potential to get pregnant, the EEOC was interpreting the statue too broadly, said Philip Voluck, Philadelphia-based managing partner with Kaufman Dolowich & Voluck L.L.P.

"An employee who says she wants to start a family or has the potential to become pregnant is now a protected category, according to the new guidelines," he said. "It's stunning. This has to trigger an immediate surge in discrimination charges," Mr. Voluck said.

Mr. Voluck also questioned the timing of the guidance.

"It's unprecedented that a federal regulatory agency issued guidelines only two weeks after the Supreme Court said it would be looking at the same issue," he said.

Mr. Kehoe, who served as a special assistant to EEOC Commissioner Victoria A. Lipnic until September 2013, called the timing of the release questionable.

"Why did a majority of the EEOC commissioners seek to do this now?" he said. "It's clearly an attempt to get updated guidance out there and influence the Supreme Court."

Ms. Feher said numerous laws being passed at the state level involving businesses' obligations to their pregnant workers may have influenced the EEOC's decision to update its guidance.

"It's a very timely issue," Ms. Feher said. "New York and New Jersey have both recently adopted legislation that requires businesses to give reasonable accommodation to pregnant women, and more states are likely follow suit. So, I think the EEOC is trying to push the federal law more in line with what the states are doing."

Mr. Girouard predicted the EEOC's expansive interpretation of the rules may not reconcile with the Supreme Court's eventual decision.

"The Supreme Court is likely to rule on this next summer or in the fall, and frankly this interpretation of the law flies in the face of what nearly every court that has considered the issue has concluded," he said. "In addition, the courts have recently been viewing EEOC guidance in general much more skeptically than in the past."

Still, Mr. Voluck said employers would be wise to abide by the EEOC guidance until the Supreme Court renders its decision.

"Try arguing with an EEOC investigator processing a pregnancy discrimination charge under the guidelines that their jurisdiction is invalid because the Supreme Court is taking up the case," he said. "Good luck with that defense."

SOLVENCY

Continued from page 3

because of uncertainty about how the rules likely would be applied, their relative lack of complexity means that most have a simpler task than traditional insurers in getting ready for new rules, said David O'Connor, a senior consultant at Towers Watson & Co. in Dublin.

Most captives are now making strong progress in preparing for Solvency II, experts say.

For example, many captives are well advanced in complying with the so-called Pillar II requirements of Solvency II that concern corporate governance, noted Marsh's Mr. Connell.

There has not been a mass movement of captives away from E.U. domiciles to non-E.U. domiciles as a result of the upcoming Solvency II regime, sources said. So far, Willis has not seen any captives opt to close down or move away from an E.U. domicile because of a fear of Solvency II imposing capital requirements that are prohibitive, said Seamus Gallagher, director of consulting at Willis Group Holding P.L.C.'s global captive practice in London.

"We haven't seen the migration out of the European Union that was originally projected," said Vincent Barrett, managing director of captive and insurance management at Aon Global Risk Consulting in Dublin. In fact, he said, many captives based in Dublin have grown in size.

And while Solvency II may affect future captives' choice of domicile, other factors, such as the qualifying policies that a captive will underwrite, are more likely to affect that decision, said Richard Bulmer, principal actuary at Towers Watson.

Some captives are using the diversification benefits that Solvency II offers to bring in new lines, such as employee benefits, and "optimize the Solvency II capital position," he said.

But some captives have restructured as a result of Solvency II requirements, said Nigel Goodlad, managing director of Willis Management Ltd. in Malta. Under Solvency II, well-diversified companies will be subject to lower capital requirements than those that are monoline, he said.

Many captive owners began their discussions about Solvency II around the subject of how best to comply with the rules, Mr. Barrett said, but now those discussions have in many cases moved on to "what is the optimal efficiency point of Solvency II compliance."

Those debates have resulted in many cases in captives increasing the lines of business they underwrite and "the optimization of the captive as a risk financing tool."

For example, some captives have been assuming risks such as cyber or supply chain and acting in an "incubator role" between their parent company and the insurance and reinsurance markets, Mr. Barrett said.

Many captive owners are adopting a scientific approach to underwriting and using the Solvency II template to put uncorrelated risks through their captives, Aon's Mr. Richardson said.

While Solvency II may not be the only driver for captives to diversify their underwriting, there certainly is a trend for E.U. captives to assume, for example, some of the employee benefit risks of their parent companies, Towers Watson's Mr. O'Connor said.

Marsh's Mr. Connell said that while he has seen no dramatic move to diversify captives' underwriting in the wake of the European Insurance and Occupational Pensions Authority's fifth quantitative impact study into Solvency II, some captives have restructured their programs in an effort to reduce their capital requirements. The study, published in 2011, was the first in which captives took part.

For example, Mr. Connell said, some have altered their reinsurance buying or the amount of fronting that the captive undertakes. And "we certainly haven't seen any lines taken out of captives as a result of Solvency II."

DISASTER

Continued from page 4

establish the National Institute of Standards and Technology to plan and coordinate the national windstorm impact reduction program and enhance the scope and depth of data collected on windstorm damage and mitigation techniques. Congress' emphasis on controlling costs could aid the effort to enact the bills.

Looking at the debt, the deficit and where disasters are going in terms of cost, "we have no choice but to look at mitigation," said Bill Webb, executive director of the Congressional Fire Services Institute, a Washington-based nonpartisan policy group and a member of BuildStrong.

"We've not faced any public opposition to these bills and, in fact, most members are receptive to and supportive of a comprehensive disaster mitigation policy," Mr. Grande said. "Members of Congress are sick and tired of passing emergency appropriations bills after a disaster occurs and would love to begin addressing our deficits sooner rather than later. Simply put, there are no sound arguments for opposing the call for safer homes and businesses. Everybody agrees that we should have some basic minimum life standards in place."

"We look for opportunities to support legislation that will strengthen building codes and incentives for mitigation," said Chris Hackett, Chicago-based director of personal lines policy at the Property Casualty Insurers Association of America, another BuildStrong member. "We typically support tax incentives to encourage mitigation. We hope these bills gain traction this session."

Proponents of the legislation say the barriers to passage involve procedure rather than disagreement with the substance of the bills.

"The challenge with any piece of legislation is the process — scoring the bill, the calendar. There are externalities that are wholly unrelated to the substance of the bill that could tie it up," said Julie Rochman, president of the Tampa, Florida-based Insurance Institute for Business and Home Safety, another BuildStrong member.

"All of these pieces of legislation are worth serious consideration," she said. "They take a variety of approaches that are nonpartisan. They're straight-ahead efforts at incentivizing individuals, builders and states to do the right thing — that is, to make buildings stronger and safer."

Agreeing with Mr. Grande, Ms. Rochman said Congress often responds after a catastrophe strikes.

"Unfortunately, disasters tend to focus the legislative mind, so if we have a serious landfalling hurricane, members will be looking for something to do, and we hope they will reach for these proposals," she said.

"Unfortunately, it takes events such as Arthur to get their attention," Mr. Webb said. "Given that we're in the political season right now, the pressure is on to get the appropriations bill. It's a daunting task to get any kind of legislation passed. You can't sit back and expect things to happen. You have to get out there and push, push, push."

CAT BONDS

Continued from page 1

annual cat bond issuance record of more than $7 billion in 2007.

"I would be surprised if we didn't go over $7.2 billion" in 2014, said Gary Martucci, director of financial services ratings at Standard & Poor's Corp. in New York.

"The odds are good that we will have a record year," said Aileen Meehan, New York-based partner at law firm Edwards Wildman Palmer L.L.P., which advises clients on cat bonds.

"We had a record-setting quarter and I think we are likely to see by the end of 2014 a record year," said Bill Dubinsky, head of ILS at Willis Capital Markets & Advisory in New York, which said the nonlife cat bond total this year could reach $8 billion to $9 billion.

Cat bonds placed during the first half of the year covered primarily U.S. risks such as storms and earthquakes, and included Japanese quakes and European windstorms. The record $1.5 billion cat bond by Citizens Property Insurance Corp. covered its hurricane risks in Florida.

Demand for the Everglades Re Ltd. deal sponsored by the Jacksonville, Florida-based insurer was so strong that it grew twice from its original offering of $400 million.

"We were very pleased with the strong investor demand," said Jennifer Montero, chief financial officer of Citizens.

Favorable pricing and conditions in the cat bond and traditional reinsurance markets allowed Citizens to replace a $750 million cat bond and $854 million in traditional reinsurance, nearly doubling its overall 2014 reinsurance program to $3.27 billion from $1.85 billion last year at "virtually the same cost," Ms. Montero said.

"You have a maturing market," said Willis' Mr. Dubinsky. "The products have been around for 20 years and most of the larger potential sponsors, insurers and reinsurers are familiar with the products."

"It certainly feels like the foundation is much stronger than it's ever been," said Paul Schultz, CEO of Aon Benfield Securities in Chicago. "The clients' acceptance of the products is growing."

"Insurers have gotten more comfortable with catastrophe bonds as part of their catastrophe reinsurance programs," said Jim Auden, managing director at Fitch Ratings Inc. in Chicago.

Interest in the catastrophe bond market is strong from both investor and sponsor sides, said Ben Brookes, London-based vice president of capital markets at modeling firm Risk Management Solutions Inc.

"There is pretty significant growth happening at the moment," said Mr. Brookes. "We see increasing interest using RMS products on both sides; on the issuance side in terms of helping insurance companies and reinsurance companies think about how they transfer risk to the capital markets, and equally on the investor side."

Favorable pricing is forging the way for market growth, he said.

"The combination of the attractive pricing, broadness of coverage, and fully collateralized and multiyear nature of catastrophe bonds has become very attractive to people looking for protection and is driving the growth in the marketplace," said Cory Anger, global head of insurance-linked securities structuring at GC Securities in New York.

The pricing has been so attractive, she said, that it has lead to price softening in reinsurance cover, forcing the traditional sector to react.

"It's really been the traditional market moving in response to how the capital markets are currently viewing risk," Ms. Anger said.

The market in which catastrophe-related losses have been limited is not entirely without its setbacks, however.

Munich Reinsurance Co. in June withdrew its latest cat bond, Queen Street X Ltd., "due to weak demand," Fitch said in a statement.

"Pushback on the deal's pricing could be a sign that investors are approaching a limit on acceptable catastrophe risks," Fitch said.

CONTRACEPTIVE

Continued from page 1

coverage for certain contraceptives if such a requirement conflicts with the owners' religious beliefs against birth control.

Less than a week later the Supreme Court granted a rare emergency injunction to Wheaton College, a Christian college in the Chicago suburbs, that it did not have to sign a form indicating it objects to the contraceptive coverage mandate. That injunction, along with guidance issued by the U.S. Department of Labor late last week, could make dropping ACA-mandated contraceptive coverage even easier for employers, legal experts say.

Meanwhile, Senate Republicans blocked an effort last week to pass a new law to essentially override the Supreme Court decision that allows some for-profit companies to deny health insurance coverage for birth control. Democrats had needed 60 votes to consider legislation that would protect the birth control mandate in the Affordable Care Act but got 56.

The high court's *Hobby Lobby* decision came in a case involving the Oklahoma City-based chain of craft stores and two other companies. The court ruled that closely held, for-profit corporations were covered by a 1993 law aimed at protecting the free exercise of religion and that the birth control mandate was an improper burden on the faith of Hobby Lobby's owners.

"The plain terms of RFRA (Religious Freedom Restoration Act) make it perfectly clear that Congress did not discriminate this way against men and women who wish to run their businesses as for-profit corporations in the manner required by their religious beliefs," the majority of the court said in their written opinion. "Protecting the free-exercise rights of closely-held corporations thus protects the religious liberty of the humans who own and control them."

Justin T. Curley, an attorney at Seyfarth Shaw in San Francisco, said the potential effect of the court's decision is "huge" because the opinion "left open the potential for other religious-based objections to ACA by closely held for-profit companies, as well as for the potential for such objections to be asserted by companies that are not closely held."

When the health care reform law was passed in 2010, an automatic exemption to the contraception mandate was granted to religious organizations as defined under Internal Revenue Service Code Section 6033. Other organizations that objected to the mandate were required to self-certify.

However, the Wheaton College case essentially removed the obligation of employers that don't automatically qualify for the exemption from the ACA's contraception mandate to self-certify, Ms. Gordon said.

Since the *Hobby Lobby* decision, Ms. Gordon said she has received several inquiries from clients asking if they could drop contraceptive coverage.

"I have some employers that never would have considered taking this out of their plan before the ruling," she said. "But now they are asking, 'What if other competing employers drop it?'"

A third-party administrator executive who asked not to be identified said he fielded numerous calls from employers in the wake of the *Hobby Lobby* decision asking if they might qualify for an exemption from contraceptive coverage.

The labor department's issuance of guidance in the form of frequently asked questions regarding contraceptive coverage so quickly following the *Hobby Lobby* decision suggests the department already has received a number of inquiries, said Sharon Cohen, a principal at Buck Consultants at Xerox in Washington.

"I think it's the first step in the government acknowledging changes that will be made to existing guidance in light of the Supreme Court's decision," she said.

One of the labor department's questions asks: "My closely held for-profit corporation's health plan will cease providing coverage for some or all contraceptive services mid-plan year. Does this reduction in coverage trigger any notice requirements to plan participants and beneficiaries?"

The department's answer could make it easier for employers to drop contraceptive coverage based on religious grounds, Ms. Gordon said.

"Under Subsection 2715 of the ACA, if there's a material change in coverage that is impacted in the summary of benefit coverages, you actually need to notify the participants 60 days in advance, and this is citing the normal ERISA material change in benefits rule, which gives the plan within 60 days of the change to notify participants," Ms. Cohen said. "That means that an employer can terminate contraceptive coverage tomorrow, notify plan participants in mid-September, and still be in compliance."

However, both *Hobby Lobby* and *Wheaton* rulings may apply only to self-insured plans if states are successful in adding contraceptive coverage to their mandated benefits, experts say.

Already, the New York state attorney general is proposing a bill — the Reproductive Rights Disclosure Act — that would do just that. New York is one of at least 28 states that already require insured health plans to cover the full range of contraceptive drugs and devices if they offer prescription drugs in their plans, according to an analysis by the nonprofit Guttmacher Institute, which supports reproductive health issues. Those laws appear to remain in place, attorneys say, because the *Hobby Lobby* decision applied only to the federal regulation.

"No woman should have her personal health care decisions dictated by the religious beliefs of her boss," New York Attorney General Eric T. Schneiderman said in a statement. "... In the wake of the Supreme Court's deeply misguided *Hobby Lobby* decision, we need to go further to empower the women of New York state with the information they need to make their own health care choices. That is what the Reproductive Rights Disclosure Act would accomplish."

CONTRACEPTIVE USAGE

- The health care reform law mandate requiring most employers to provide cost-free contraceptives to employees reduced employee out-of-pocket costs by $483 million in 2013.
- 95 million hormonal contraceptive prescriptions were issued in 2013, a 4.6% increase over 2012.
- $5.6 billion was spent on contraceptive prescriptions in 2013, a 2.1% increase over 2012.

IMS Institute for Healthcare Informatics

TPAs STUCK WITH THE BILL IN CONTRACEPTION DISPUTE

Even before rulings in Hobby Lobby Stores Inc. and Wheaton College court cases, third-party administrators were paying millions of dollars for contraceptive services on behalf of their religious organization clients that automatically qualified for an exception to this coverage mandate.

Now that the U.S. Supreme Court has essentially given an exemption to closely held, for-profit employers that self-insure, some TPAs are even more concerned about how they might recoup these expenses.

"We have paid several hundreds of thousands of dollars, and we have yet to find a confirmed source of reimbursement," said one TPA executive who declined to be identified. "If the accommodation granted to religious organizations ... could be applied to closely held corporations that object to providing the contraceptives for religious reasons, it would open up another whole segment of the population that could somehow transfer the cost of this coverage to us as the TPA. A lot of our clients would consider themselves closely held corporations."

Citing undue financial burdens placed on TPAs, the Self-Insurance Institute of America Inc. sent a letter to the U.S. departments of Health and Human Services, Justice and Treasury earlier this month saying it was "deeply concerned" about the prospect of expanding the accommodation to other employers.

HHS regulations allow for TPAs to seek reimbursement from the insurers participating on the public health insurance exchanges, which in turn would receive a reduction in their participation fees. However, so far no insurers have agreed to reimburse the TPAs, according to Mike Ferguson, president and CEO of the SIIA. This could eventually force TPAs to withdraw from that business segment, he said.

"In the short run, the TPAs serving those companies will have problems maintaining those business relationships. In the long run, they may withdraw from serving those businesses, and they may have to discontinue self-funding or drop coverage," Mr. Ferguson said.

By Joanne Wojcik

TRUCKS

Continued from page 1

the "30 Rock" comedy sitcom star, sued Wal-Mart Stores Inc., accusing the world's largest retailer of negligence connected with the allegedly overworked driver of the rig that crashed into his limo on the New Jersey Turnpike.

Meanwhile, insurance covering the commercial trucking industry remains competitive with adequate capacity, and experts say a relatively new federal monitoring system has helped insurers underwrite such risks.

Regulations issued by the U.S. Department of Transportation's Federal Motor Carrier Safety Administration that took effect July 1, 2013, allow truck drivers who reach the maximum 70 hours of driving within one week to resume driving only if they have rested for 34 consecutive hours. That period must include at least two nights when, according to the agency, their body clock demands they sleep the most: from 1 a.m. to 5 a.m. After that, a "restart" to resume driving only can be done once in a 168-hour or seven-day period.

On a 21-9 bipartisan vote last month, the Senate Appropriations Committee approved a proposal by Sen. Susan Collins, R-Maine, that would suspend for a year the so-called "restart" rules and require the federal motor carrier safety administration to conduct a study to assess the rules' operational, safety, health and fatigue effects.

However, the Collins amendment has generated opposition in Congress. Sen. Cory Booker, D-N.J., introduced an amendment to a Senate appropriations bill backed by several other senators that would retain the trucking safety regulations.

Sen. Booker said in a statement a recent National Transportation Safety Board report indicates the Wal-Mart truck driver was minutes away from the maximum hours of service federal rules permit truck drivers to work.

"I am deeply concerned that truck drivers are being pushed to the absolute limits by the industry in order to make a decent wage and maintain their job security. The current state of the industry puts them in danger," he said.

Trucking firms and the industry's Washington-based American Trucking Association say these regulations significantly affect truck drivers' productivity, as well as increase traffic — and hence the danger of accidents — during busier daylight hours.

These regulations "don't make any sense. What they're trying to do is control the drivers' sleeping habits," said Barry Pottle, president of Bangor, Maine-based Pottle's Transportation Inc. Mr. Pottle said he favors simply limiting drivers to 70 hours of work during any eight-day period.

The regulations are "really going to hurt the economy and the industry" by requiring more trucks to handle the same amount of freight, said Kevin Burch, president of trucking firm Jet Express Inc. in Dayton, Ohio.

"The general feeling in the insurance industry is that the new hours of service regulations were set up to help with the fatigue problem, and anything that could help with that is a good thing," said Greg Golden, Little Rock, Arkansas-based chief operating officer for Aon Risk Solutions' transportation and logistics practice.

However, Tim Horgan, vice president of transportation at Greenville, South Carolina-based Canal Insurance Co. said, while "the goal is for us to have safer operating trucking companies," there "needs to be a lot more study done" before a decision can be made "as to whether that's going to impact insurance or not."

Forcing more trucks on the road after 5 a.m., when there is more traffic, could lead to higher insurance rates "because experience would be worse, and losses would be higher, so accidents equates to premium," said Dave Manning, president of Nashville, Tennessee-based trucking firm Tennessee Express Inc.

Experts, meanwhile, point to the value of the information generated by the federal motor carrier safety administration's "Compliance, Safety, Accountability" program, rolled out in December 2010, which measures hours of service compliance, driver fitness, the use of controlled substances, vehicle maintenance, among other performance indicators.

"Just about every underwriter I know is utilizing" this data, Mr. Golden said.

Underwriters now "have more power to be able to get information on the performance of transportation companies," said David A. Barry, Overland, Kansas-based national technical director for casualty risks control at Wills North America Inc.

The program has made trucking firms "much more aware of safety elements" with which they need to comply, said Rich Bleser, Milwaukee-based senior vice president of Marsh Risk Consulting.

Also valuable is the move toward "electronic logging," which electronically tracks factors including driver hours and rest periods, in place of the sometimes-unreliable paper versions previously used, experts say.

While electronic logging is expected to eventually become mandatory, many trucking firms have moved toward this system already, which will help insurers evaluate risks, experts say.

Meanwhile, the commercial trucking insurance market overall remains competitive, they say.

"Capacity is still plentiful and that rates are moderately soft, especially for those accounts that have a good loss history and a good track record with their insurance carrier," said Matthew Payne, Kansas City, Missouri-based senior vice president and transposition unit manager for Lockton Cos. L.L.C.

HEAR INTERVIEW

Access *Business Insurance*'s interactive digital edition to hear Tim Horgan, vice president of transportation for Greenville, South Carolina-based Canal Insurance Co., discuss the insurance market for the commercial trucking industry with *Business Insurance* Senior Editor Judy Greenwald.

MORGAN SUES WAL-MART AND ITS TRUCKING UNIT

Comedian Tracy Morgan is accusing Wal-Mart Stores Inc. with being "careless and negligent" in a lawsuit following an accident in the early morning of June 7 on the New Jersey Turnpike in which a Wal-Mart truck driver hit his limousine, killing one passenger and seriously injuring him and other passengers.

Mr. Morgan

The driver, Kevin Roper, began his shift at about 11:22 a.m. June 6 after a 700-mile commute from his home in Jonesboro, Georgia, to a Wal-Mart facility in Smyrna, Delaware. The accident happened at 12:54 a.m. June 7.

The lawsuit, filed July 10 in U.S. District Court in Trenton, New Jersey, against Bentonville, Arkansas-based Wal-Mart and its Wal-Mart Transportation L.L.C. subsidiary, claims Mr. Roper fell asleep behind the wheel of his truck because of fatigue. Mr. Roper has been charged with one count of death by auto and four counts of assault by auto.

The estate of James McNair, the victim killed in the crash, is not among the suit's plaintiffs.

"We know it will take some time to resolve all of the remaining issues as a result of the accident, but we're committed to doing the right thing for all involved," Wal-Mart said in a statement.

By Judy Greenwald

HEAT

Continued from page 3

heavy protective gear are involved.

At least 3,000 heat-related illnesses among workers occur a year, according to the U.S. Bureau of Labor Statistics. While that number has declined slightly in recent years, "the more workers you have, the greater amount of exposure you have," said Ronald Sokol, president and CEO of the Safety Council of Texas City, Texas, where a construction boom is underway, particularly homebuilding.

"Generally, the contractors that are working in the home building industry don't have as sophisticated safety and health protective systems or programs and procedures as you'd find in a lot of the larger industrial environments," Mr. Sokol said.

High temperatures are just one concern as the workforce ages, Mr. Kilcullen said.

"Someone can have heat-related illness by working in moderate temperatures because if you're aging, your metabolic rate isn't what it used to be when you were in your 30s and possibly 40s," he said. "That metabolic rate plays a huge factor in how you can acclimate and how you can handle a job in heat."

A general rule of thumb for employers is to "start looking at what the heat index is and what type of work they're doing" once it gets above 85 degrees, said Dennis Gardner, Hartford, Connecticut-based technical manager of the loss control team for construction at The Hartford Financial Services Group Inc.

New and temporary workers also are at risk since the body takes seven to 14 days to adjust to a new climate and workload, Mr. Sokol said.

"The acclimation process is really a key component," said Mr. Gardner. "Even a worker who's used to working in a heavy-labor type of job in a hot environment, if they're out of that environment for a week or two weeks … they have to be reacclimated."

In addition to providing water, electrolytes, rest and shade, and educating workers about heat stress, Cindy DePrater, Dallas-based vice president of environmental health and safety at Turner Construction Co., said making sure workers have access to cool wraps for their necks or inside their hard hats helps protect them.

Another strategy is changing work hours.

"I've seen them pour concrete at midnight to 6 a.m. and then shut the project down after 11 in the morning," she said.

"Or they make sure no outside work is going on during certain periods of time."

Setting misting fans up along fences or in break areas not only helps cool workers off but also controls dust around mortar mixing operations, Ms. DePrater said.

But what works on one job site might not work on another, and Ms. DePrater said each of Turner's business units "all recognize their version of what heat looks like and what it does to workers."

Fans that increase airflow and reduce the overall temperature and humidity might be a better option in certain cases, Mr. Kilcullen said.

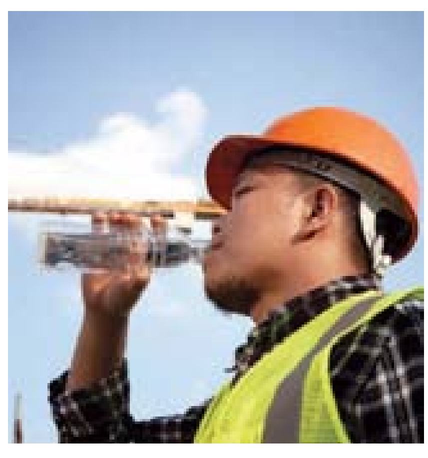
"Misters decrease the air temperature, but they increase the humidity, so that's kind of a double-edged sword," he said.

"You need to identify the risk and choose the right control for every situation."

Regardless of the risk factors in play, the most important thing to remember is that "thirst is not an adequate barometer" of adequate fluid intake, Mr. Sokol said.

"If you only drink every time you're thirsty, you're going to be in a deficit," he said.

"You really have to hydrate yourself in the morning before you get started and continue to replenish your fluids as you work through the day."



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Dennis Gardner,
The Hartford Financial Services Group Inc.

IN BRIEF

Allianz, Atrium lead coverage on downed Malaysian Airlines jet

Insurance on the Malaysian Airlines plane brought down over Ukraine, led by Allianz Global Corporate & Specialty for liability and Atrium Underwriting Group for war coverage, is likely to pay out relatively quickly if the cause of the crash is determined. But observers say settling insurance for the loss of 298 lives and other liability could be complex and lengthy. Malaysia Airlines said flight MH-17 disappeared as it flew over eastern Ukraine toward the Russian border, bound for Asia. Flight tracking data indicated it was cruising at 33,000 feet when it lost contact with air traffic controllers, apparently struck by a missile. AGCS, a division of Allianz S.E., is the lead reinsurer covering the aircraft, which insurance broker Aon P.L.C. has valued at about $97.3 million. AGCS is also the lead liability reinsurer for Malaysian Airlines, the company said in a statement. Atrium Underwriting Group leads the war policy covering Malaysia Airlines, Barclays P.L.C. said. An Atrium spokesman declined to comment. Hannover Re S.E. said it shared some of the reinsurance coverage for the aircraft but declined to offer details. Willis Group Holdings P.L.C., confirmed that Malaysia Airlines was a client.

Reuters

Seven-year TRIA extension approved by Senate

The Senate last week voted 93-4 to approve legislation that would reauthorize the federal government's terrorism insurance backstop program for seven years. The Terrorism Risk Insurance Program Reauthorization Act of 2014 — S. 2244 — would maintain the current trigger for the program for catastrophic terrorist attacks of all kinds at $100 million. The program was originally created by the Terrorism Risk Insurance Act of 2002 in response to the Sept. 11, 2001, attacks, The reauthorization, however, would require insurers to shoulder a greater share of losses from future terrorist attacks. The bill also would create the National Association of Registered Agents & Brokers, which would launch an independent nonprofit body allowing for multistate licensing for insurance producers. The House is expected to take up its own TRIA extension bill soon.

Liberty in reinsurance deal with National Indemnity

Liberty Mutual Insurance Co. has entered into a multibillion-dollar retroactive reinsurance transaction with Berkshire Hathaway Inc.'s National Indemnity Co. to cover asbestos-related and other long-term liabilities. The transaction provides "combined aggregate adverse development cover for substantially all of Liberty Mutual Insurance's U.S. workers compensation, asbestos and environmental liabilities, attaching at approximately $12.5 billion of combined aggregate reserves with an aggregate limit of $6.5 billion," Liberty Mutual said in a statement. The agreement is retroactive to Jan. 1 of this year.

Hurricane Arthur insured losses to stay below $250M: RMS

Insured losses from Hurricane Arthur will not exceed $250 million, according to catastrophe modeler Risk Management Solutions Inc. RMS said the losses from Arthur, which made landfall on the southern end of North Carolina's Outer Banks on July 3, were primarily to residences. The main driver of loss from the storm in North Carolina was from wind and coastal flooding. In Nova Scotia, where Arthur made a second landfall as a post-tropical storm on July 4, losses mostly came from inland flooding, the company said. Brian Owens, senior director, business solutions at RMS noted that Arthur was the first significant storm to make landfall in the U.S. since Superstorm Sandy in 2012. "What is unusual about Arthur, particularly for this time of year, is that it rapidly deepened to become a Category 2 hurricane," Mr. Owen said. "It's also rare for hurricanes to form in early July, which climatologically is the quietest time of the hurricane season."

New USGS maps show expanded earthquake risks in U.S.

New seismic hazard maps from the U.S. Geological Survey show 42 states facing a "reasonable" chance of experiencing damaging ground shaking from an earthquake in 50 years, with 16 of those states facing a high risk of damaging ground shaking: Alaska, Arkansas, California, Hawaii, Idaho, Illinois, Kentucky, Missouri, Montana, Nevada, Oregon, South Carolina, Tennessee, Utah, Washington and Wyoming. These states historically have experienced earthquakes with a magnitude 6 or greater, the USGS said in a statement. The Eastern U.S. is shown to have the potential for larger and more damaging earthquakes than reflected in previous maps and assessments, and estimates of earthquake risks near Charleston, South Carolina, have increased, the USGS said. In the Central U.S., the New Madrid Zone has a larger range of potential earthquake magnitudes than previously identified, while on the West Coast the new maps show earthquake hazards extending over a wider area of California than previously. In the Pacific Northwest, new research on the Cascadia Subduction Zone led to earthquake magnitude estimates of up to 9.3, the USGS said.

Colorado high court to hear case over worker fired for pot use

The Colorado Supreme Court has accepted the case of a former Dish Network L.L.C. employee who says he was wrongfully fired for using medical marijuana, according to the law firm representing the plaintiff. Oral arguments are scheduled for Sept. 30 in *Brandon Coats v. Dish Network L.L.C.*, according to a court order posted online Tuesday by Denver-based The Evans Law Firm. Mr. Coats, who worked as a telephone customer service representative for Englewood, Colorado-based Dish Network, is quadriplegic and licensed to use medical marijuana in Colorado, according to court records. The company fired him in 2010 after he tested positive for marijuana in violation of its policy.

UnitedHealth revenue up as membership jumps

UnitedHealth Group Inc. reported higher revenue, helped by the addition of 270,000 health care members and strong growth in its Optum pharmacy services division. Net income was $1.41 billion in the second quarter ended June 30, compared with $1.44 billion a year earlier. Total revenue rose 7% to $32.6 billion. Optum, which includes health-technology related businesses, reported earnings from operations of $728 million, up 23%.

Reuters

New sales staff join *Business Insurance*

Business Insurance has expanded its sales team with the recent hires of Spencer Moysey as Midwest/West advertising manager and Pegeen Prichard as account executive.

Mr. Moysey, who is based in Chicago, is handling all sales solutions for the Midwest, Southwest and West territories. He has substantial experience in selling traditional print and digital media advertising, as well as conference events.

He also has experience in broadcast advertising sales.

Ms. Prichard is handling classified ad sales for *Business Insurance*, and providing sales support for conferences nationwide and *Crain's Benefits Outlook*, a quarterly supplement to *Business Insurance* and sister publication *Pensions & Investments*. Based in Chicago, she has diverse experience in advertising sales, marketing and media planning.

Mr. Moysey joined *Business Insurance* last month from mGage L.L.C. in Chicago, where he was sales manager for the Midwest region, responsible for creating mobile engagement and marketing solutions for marketing executives at Fortune 1000 companies. Earlier in his career, he worked for The Financial Times as an account director in Chicago, selling advertising in the Midwest and West for FT digital properties, newspaper and financial trade publications and conferences.


Mr. Moysey


Ms. Prichard

Mr. Moysey graduated from The Catholic University of America in Washington with a bachelor's degree in media studies and played on the college's varsity lacrosse team.

Ms. Prichard joined *Business Insurance* last month from The Nature Conservancy in Chicago, where she had been Midwest account manager for print and digital media sales for Nature Conservancy magazine.

From 1995 to 2009, Ms. Prichard worked for Crain Communications Inc., the parent company of *Business Insurance*, as a senior sales manager for the East region for former Crain publication RCR Wireless News and RCRWireless.com.

Ms. Prichard graduated from Michigan State University in East Lansing with a bachelor's degree in telecommunications.

She can be reached at *pprichard@businessinsurance.com* or 312-649-5446. Mr. Moysey can be reached at *smoysey@businessinsurance.com* or 312-649-5248.

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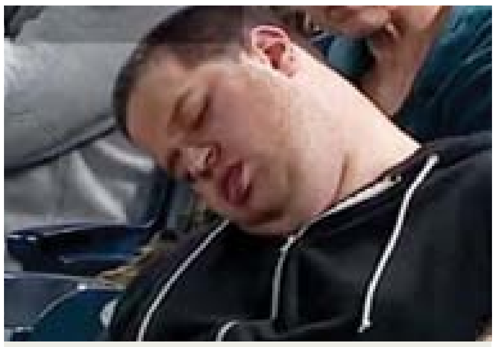

Andrew Rector alleges that he was defamed by the Yankees.

Fan cries foul over TV comments

A yawning New York Yankees fan is reportedly suing the baseball team and sports network ESPN for $10 million after he was shown asleep in his seat at Yankee Stadium during a game broadcast.

Andrew Rector alleged in a July 3 court filing that he was defamed by the Yankees, ESPN, Major League Baseball and ESPN commentators Dan Shulman and John Kruk, according to reports.

The lawsuit, filed in Bronx Supreme Court, reportedly says the defendants caused him emotional distress by showing him sleeping in the stands during an April 13 game between the Yankees and the Boston Red Sox.

Mr. Rector reportedly alleges that comments made about him by Mr. Shulman and Mr. Kruk during the game unfairly painted him as a "fatty cow that (needs) two seats" and a "symbol of failure."

A video posted on YouTube shows the commentators laughing while showing Mr. Rector asleep at the game during various shots, saying that he's "oblivious to how good" the Yankees vs. Red Sox game was.

Judge lets DJ go for a spin

The Old Bailey in London is one of the most historic law courts in the United Kingdom, but one judge recently shrugged off any accusations of being a fuddy-duddy when he granted an alleged insurance fraudster the freedom to travel to Ibiza to play a DJ set — confessing that he had "been behind the wheels of steel" himself.

DJ James Parker is accused, with three other men, of submitting a string of fake invoices to Marsh Ltd. over a three-year period, the Daily Mail reported.

Mr. Parker denies the charges of fraud by false representation.

Judge Nicolas Cooke Q.C. gave permission for Mr. Parker, whose bail conditions require him to remain in his home in West Norwood in southeast London, to fly to Ibiza between July 24 and July 29 to play a gig at the Es Paradis club.

During court proceedings, Mr. Cooke, who became a judge in 1998, said that he was no stranger to DJ-ing.

According to MixMag, the judge joked with the defense lawyer about his own musical past.

BALLERINA CAN'T AFFORD TO COVER LEGS

AP PHOTO

Ballerina Tamara Rojo said many insurers believe ballet dancers to be too injury-prone to make insurance coverage affordable.

A ballerina who was so tough that she finished a performance even though her appendix had burst on stage was unable to buy insurance for her legs because the premiums quoted were so high. It is not uncommon for stars of the screen and the sports field to insure body parts that are critical to their careers, but a dance star told BBC radio that the prices she was quoted to insure her legs were unaffordable.

Spanish dancer Tamara Rojo, principal dancer and artistic director with the English National Ballet, told BBC Radio 4's "Desert Island Discs" program that an underwriter once quoted £30,000 ($51,105) a week to insure her legs.

Ms. Rojo told the program that having heard about stars insuring various body parts, she thought she would look into getting some coverage. But she soon realized she was deemed too risky by many insurers.

While star of the silver screen Fred Astaire was able to insure his feet for $151,612, and Riverdance star Michael Flatley insured his legs for a cool $39.2 million, Ms. Rojo said many insurers believe ballet dancers to be too injury-prone to make insurance coverage affordable.

Business Insurance isn't all business all the time, and we know you're not either. So visit **www.businessinsurance.com** for more Off Beat stories and monthly photo galleries featuring the best of the weirdest news about insurance, fraud, liability issues and related topics that make people and companies do funny, silly and strange things.

Fake Oscar vendor gets short run

Movie professionals as well as cinema wannabes dream their entire lives about bringing home an Oscar.

But one would-be entrepreneur's efforts to fulfill that dream — albeit with the minor caveat the Oscar was fake — was not appreciated by the Academy of Motion Pictures Arts and Sciences, which is in charge of distributing the real thing.

According to a report in the Hollywood Reporter, the Academy learned Jaime De La Rosa was selling an "Academy Award Hollywood Metal Movie Acting Trophy Prop Replica" on eBay and Etsy.

The Beverly Hills, California-based Academy contacted Mr. De La Rosa and asked him to surrender all replicas in his possession. Although he appeared to have cooperated at first, he then allegedly sold more statues online. The Academy then filed a copyright and trademark lawsuit against him in U.S. District Court in Austin, Texas, earlier this year.

"Given the willful and recidivist nature for De La Rosa's copyright infringement and his prior misrepresentations under penalty of perjury, the need for deterrence is especially acute," said the Academy in its lawsuit.

Last week, U.S. District Court Judge Sam Sparks imposed a $375,000 fine on Mr. De La Rosa, including $300,000 for his use of the Oscar statuette design and his use of the "Oscar" and Academy Award" terms, and $75,000 for copyright infringement.

Duke vs. The Duke in brand battle

To many, college and liquor go hand in hand, but Duke University doesn't see it that way.

That's why the school's latest trademark tiff with the estate of legendary actor John Wayne is over the use of — guess what — the moniker "Duke," this time as it pertains to the naming of a bourbon.

"Consistent with its policies and in order to prevent tarnishment of its brand, (Duke University) does not permit use of confusingly similar marks associated with unapproved goods or services, of uncertain quality and/or unregulated by (Duke University)," the school reportedly told the U.S. Patent and Trademark Office in its notice of opposition.

The Duke's heirs scoffed at the claim.

"Duke University is not and never has been in the business of ... selling alcohol," states the complaint. "The actual and potential customer base of Duke University is vastly different from the customer base of John Wayne Enterprises," stated the company in its federal court claim filed in response to the university's trademark objection.

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