

PRIVATE TERRORISM COVERAGE

- Capacity in the private, stand-alone U.S. terrorism insurance market ranges from an estimated \$3.2 billion to \$3.7 billion.
- Up to \$3 billion in coverage can be secured for lower-level risks in cities and towns outside of areas designated by insurers as tier 1 terrorism risks.
- Insurers may limit coverage to as little as \$250 million in the tier 1 risk areas, which include New York, Chicago and San Francisco.

TERRORISM INSURANCE

Terror cover capacity rises, rates decrease

Demand grows as TRIA renewal nears

BY MATTHEW LERNER

Demand is up for terrorism insurance in the private market amid increased capacity and greater competition that have dropped rates as much as 40% in the lowest-risk locales, while rates are flat in cities considered at greatest risk of a terrorist attack.

The private market has been active, despite uncertainty whether Congress will extend the federal terrorism insurance backstop established by the Terrorism Risk Insurance Act of 2002, experts say.

Congress is expected to consider the reauthorization of the program, which is scheduled to expire Dec. 31, during a lame duck session following the November

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RISK MANAGEMENT

FARM BILL SOWS SEEDS FOR RISK MANAGEMENT CHANGE

U.S. crop cover subsidy no longer unconditional



ORIENTALY/SHUTTERSTOCK.COM

Large farms are increasingly using risk management tools based on sophisticated technology.

BY BILL KENEALY

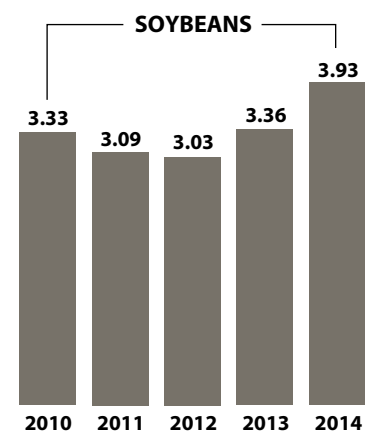
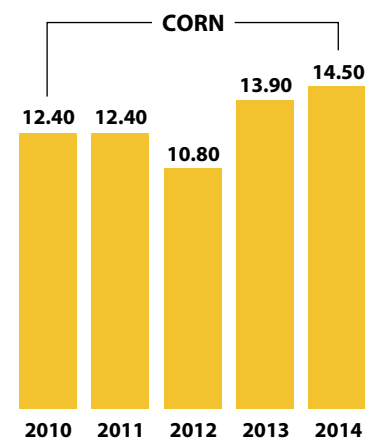
U.S. farm policy that holds farmers financially accountable, coupled with expensive emerging technology, are forcing Craig Hill and other farmers to change how they manage their risks.

The president of the Iowa Farm Bureau Federation, who last week was harvesting corn and soybeans on his 1,750-acre farm in Warren County, Iowa, said more sophisticated agriculture risk management is now imperative to remain competitive. And farmers have to be able to use data-driven analysis of their

See AGRICULTURE page 40

HIGH YIELD

The U.S. Department of Agriculture expects a record harvest of corn and soybeans this year. The forecast for 2014 compared with the previous five years, in billions of bushels.



HEALTH CARE BENEFITS

EEOC targets wellness incentives

Agency says programs violate disability law

BY MATT DUNNING

The U.S. Equal Employment Opportunity Commission recently filed lawsuits against two Wisconsin companies that underscore the need for more clarity on rules that govern employers' use of financial incentives to motivate employee participation in workplace wellness programs.

Legal experts say the lawsuits — in which two private companies are accused of violating the Americans with Disabilities Act — are the most concrete indication yet of the EEOC's position on applying the ADA to workplace wellness programs.

"The EEOC is obviously sending out a broad message that blanket requirements for all employees regarding wellness programs are going to be looked at analogous to blanket requirements for criminal background checks or credit checks, in that they're viewed as a punitive measure that could disparately impact a certain class of employees," said Ricki Roer, a New York-based partner at law firm Wilson Elser Moskowitz Edelman & Dicker L.L.P.

However, Ms. Roer said, the suits illustrate a more complex and largely unaddressed conflict between the EEOC's enforcement of workplace nondiscrimination

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Q&A: DOMINIC BURKE

CEO of Jardine Lloyd Thompson Group P.L.C. discusses plans for specialty business in the U.S.

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The tide turns in employers' favor, but the battle to control health care costs is not over.

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40 UNDER 40 BROKER AWARDS

STAR PERFORMERS SET TO LEAD

Business Insurance's second annual 40 Under 40 Broker Awards program salutes honorees from the Northeast, South, Midwest and West who are part of the new generation of talent.

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A missed opportunity in T-TIP



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Hacked celebs bash Google

More than a dozen female celebrities are fighting for their reputations over private images leaked online. **42**

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NEWS

DIRECTORS & OFFICERS LIABILITY

RISE IN PUBLIC STOCK OFFERINGS TRIGGERS INCREASE IN LITIGATION

JOBS Act creates new avenue for plaintiffs bar

BY JUDY GREENWALD

The number of initial public offerings of stock, many under the Jumpstart Our Business Startups Act, has surged, and IPO-related litigation has increased as well.

There were 220 U.S. IPOs as of the third quarter, a 42% increase over the same period a year ago, according to Ernest & Young L.L.P. The technology, financial and energy sectors have been the largest issuers of IPOs.

While IPO-related litigation traditionally rises with IPOs, experts say the JOBS Act makes this latest round unique because the vast majority of IPOs have been filed under the 2012 law.

“I think it’s fair to say that the altered landscape as a result of the JOBS Act could lead to additional ways in which plaintiff lawyers try to attack companies that benefited” from the legislation, said Carl E. Metzger, a partner with law firm Goodwin Procter L.L.P. in Boston.

Waves of IPO-related litigation in the past sometimes “takes on its own flavor,” said Brenda Shelly, New York-based managing director at Marsh L.L.C.’s FINPRO unit.

Under the law, emerging growth companies with total annual gross revenue of less than \$1 billion are

See IPO page 38

IPO LITIGATION

Plaintiff attorneys have filed suit in connection with several initial public offerings of stock. Recent litigation includes:

■ A September 2014 suit against nutritional products supplier Enzymotec Ltd., which launched an IPO in September 2013, on grounds that it failed to disclose significant compliance issues in the Chinese market in its baby formula business.



■ A September 2014 suit against theme park operator SeaWorld Entertainment Inc., which launched an IPO in April 2013, on grounds that it failed to disclose that an orca whale documentary could hurt attendance.

■ A September 2014 suit against Internet marketer Rocket Fuel Inc., which launched an IPO in September 2013, on grounds that it is unable to eliminate fraud and bot traffic in its advertising campaigns.

■ An August 2014 suit against auto loan provider Santander Consumer USA Holdings Inc., which brought an IPO in January 2014, on grounds that it did not disclose a U.S. Department of Justice subpoena of documents relating to underwriting and securitization of subprime auto loans.

Source: D&O Diary, company filings, court records

WORKERS COMPENSATION

Part-time employee trend may add to comp costs

BY SHEENA HARRISON

With employers such as Wal-Mart Stores Inc. reducing their costs by cutting health insurance for part-time workers, workers compensation and safety experts worry that uninsured part-time workers may drive a spike in the frequency of comp claims and

reduce the savings on group health plans.

Experts say employers should provide adequate safety training and support to help part-time workers avoid accidents that lead to comp claims, as well as provide information about obtaining health insurance outside their employment.

“If you don’t invest in safety, then you’re throwing a lot of money out the door,” said Duane R. Grange, Springfield, Oregon-based safety and human resources director of temporary staffing firm Selectemp Employment Services.

Wal-Mart announced last week

See PART TIME page 37

CORRECTIONS

■ Alternative Service Concepts L.L.C. was misidentified in the Sept. 29 edition profiles of the 2014 Best Places to Work in Insurance winners. The Nashville, Tennessee-based firm is a workers compensation and property/casualty third-party administrator.

■ Safeware, The Insurance Agency Inc., also was misidentified in the Best Places to Work in Insurance profiles. It is a Dublin, Ohio-based agency and third-party administrator with 39 employees.

RISK MANAGEMENT

Supreme Court to rule in cases targeting EEOC

Latest term also covers BP spill, fraud law dating to WWII

BY MARK A. HOFMANN

The U.S. Supreme Court’s October term opened with the justices poised to consider a handful of risk management-related cases.

Unlike some previous terms in which groups of cases revolved around a single issue, the new term deals with a scattershot of issues that range from accommodating religion in the workplace to imposing a World War II-era criminal fraud law on civil actions brought against civilian contractors.

Instead of a theme, the current docket is “more unfinished business,” said Robin Conrad, a partner in the Washington office of McKenna Long & Aldridge L.L.P. and former executive vice president of the Washington-based U.S. Chamber Litigation Center, which handles litigation for the U.S. Chamber of Commerce.

The U.S. Equal Employment Opportunity Commission is providing the court with two cases this term.

In *EEOC v. Abercrombie & Fitch Stores Inc.*, the high court will decide whether the retailer violated discrimination law by not hiring an applicant who did not tell the company her Muslim religion required her to wear a hijab.

Gerald L. Maatman Jr., a partner at Seyfarth Shaw L.L.P. in Chicago, said the case “tees up the extent that the EEOC is entitled deference in construing employer obligations under anti-discrimination laws.”

He said businesses have criticized the EEOC for “legislating through regulation” in ways Congress never intended.

Meanwhile, *Mach Mining L.L.C. vs. EEOC* asks whether and to what extent may a court enforce the EEOC’s duty to resolve discrimination claims before filing suit.

The EEOC is required to attempt to conciliate complaints before entering litigation, and most appeals courts have upheld the requirement. However, a three-judge panel of the 7th U.S. Circuit Court of Appeals held that courts are forbidden from investigating

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10/13/14

ONLINE
FEATURES

TOP 10 STORIES

Read the top 10 news stories and features of the week

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

www.BusinessInsurance.com/BITop10

VIDEO: IN FOCUS



The industry's next generation

This new video explores how firms are recruiting young talent.

www.BusinessInsurance.com/InFocus

VIDEO: BROKER BEAT

Oswald Cos.

Oswald Cos. CEO Robert Klonk talks about how the ACA is affecting its benefits practice and exchange.

www.BusinessInsurance.com/BrokerBeat

DIRECTORY

Risk management schools



Business Insurance's 2014 Directory of Risk Management and Insurance Schools includes information on 36

U.S. schools, along with editorial content, lists and more.

www.BusinessInsurance.com/schooldirectory

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NEWS

WORKERS COMPENSATION

COMP RULING HIGHLIGHTS
EXPOSURE TO COMMUTER RISKS

Employer liable for injuries suffered en route to work

BY STEPHANIE GOLDBERG

Workers in all states who are injured while commuting to or from their jobs typically are not entitled to workers compensation under the “going and coming” rule, but employers would be wise to defend themselves against exceptions.

Common exceptions, experts say, include employees driving company-owned vehicles to work and those on “special missions,” such as when they take on unusual duties or aren’t reporting to work at their typical location or time.

It was the company-owned vehicle exception that led the Mississippi Court of Appeals on Sept. 30 to vote 7-1 to award workers comp benefits to a technician for an industrial gas supplier who suffered a back injury in a 2010 vehicle accident, according to court records.

Technician Larry Edmonds, who worked for Linde Gas USA L.L.C., had the accident when speeding in a company-owned vehicle on little sleep, with the headlights off, without a seat belt on, after taking pain medication for a previous back injury. Linde Gas in Columbus, Mississippi, and Zurich American Insurance Co. were not protected by the going and coming rule, the

“We tell (employers) they need to actually have their employees start out and end their day at the normal work facility as much as possible.”

Rich Bleser,
Marsh Risk Consulting



Mississippi appellate court said in its decision.

This case is “an extreme example, but unfortunately, extreme examples end up becoming case law,” said David Barry, senior vice president and national technical director of casualty risk control at brokerage Willis North America Inc.

Mississippi employers assume “the hazard associated with an employee traveling to and from work when the employer either provides an employee’s means of transportation or pays the employee’s transportation costs,” according to the state appellate court ruling.

Experts say the same would be true for employers in most states, particularly in those such as New

See **VEHICLES** page 37

HEALTH CARE BENEFITS

Self-insurance group prepares for regulatory battle

BY JOANNE WOJCIK

PHOENIX — The Self-Insurance Institute of America Inc. is mobilizing for battle as self-insured group health insurance comes under attack from lawmakers at the state and federal levels.

In addition to some states’ regulatory crackdowns on the use of stop-loss coverage by self-funded employers, there are potential threats at the federal level to employers’ use of self-funding, SIIA President and CEO Mike Ferguson said.

“The regulation of stop-loss insurance is a hot issue both at the state and federal levels. We may

see some regulation at the federal level to make it more difficult for small and midsize employers to access stop-loss. So this very much remains a tier 1 issue for us,” Mr. Ferguson said.

The issue also affects SIIA members “involved in the stop-loss captive marketplace. Rest assured that we have this as a primary focus for SIIA now and in the foreseeable future,” he said.

More assessments on self-insured employers and their business partners is another issue, he said during SIIA’s 24th annual National Educational Conference & Expo last week that attracted more than 1,700 self-insured

employers and their providers to Phoenix.

“We saw a little bit of this earlier this year when the state of Connecticut tried to impose an assessment on the self-insurance marketplace” to subsidize a state program designed to implement value-based health care payment rules, Mr. Ferguson said.

“We think that is going to be a hot issue to watch in 2015,” he said, adding that SIIA also plans on seeking U.S. Supreme Court review of a federal appellate court decision upholding a similar tax assessment.

See **SIIA** page 37

WORKERS COMPENSATION

Virtual event
addresses
comp concerns

Experts provided strategies to control workers compensation costs related to managing opioids and the aging workforce during *Business Insurance's* fifth annual Workers Comp & Safety Virtual Conference.

During a keynote speech, William Zachry, vice president of risk management at Safeway Inc., offered a series of recommendations such as connecting utilization review



and bill review processes, using pre-employment screenings to avoid placing workers in jobs they are physically unfit to perform and reducing litigation by showing an interest in injured workers.

Kimberly George, senior vice president and senior health care adviser at Sedgwick Claims Management Services Inc., talked about the challenges and opportunities that accompany the Patient Protection Affordable Care Act.

Dr. Steven Feinberg, chief medical officer for Feinberg Medical Group in Palo Alto, California; Alex Swedlow, president of the Oakland, California-based California Workers’ Compensation Institute; and Vennela Thumula, policy analyst at the Cambridge, Massachusetts-based Workers Compensation Research Institute, discussed guidelines and best practices to control the use of opioids and avoid overprescribing.

While older workers are less likely to be injured on the job, those who are hurt often take longer to return to work at full capacity, said David Barry, senior vice president and national technical director of casualty risk control at Willis North America Inc.

Debbie Villegas, manager of human resources at Jordan Foster Construction L.L.C., said some companies are bringing back knowledgeable older workers who retire as consultants to help manage projects. Lance Perry, senior ergonomist and professional engineer at Zurich Services Corp., said ergonomics is the key to keeping older workers safe and healthy.

Nearly 900 risk managers, safety managers, human resources and benefit managers, brokers and third-party administrators, among other attendees, registered for last week’s free online event.

The virtual conference is available on demand at BusinessInsurance.com/CompCosts.



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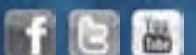


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BENEFITS MANAGEMENT

PRINTER DROPPING DIRECT HEALTH CARE CONTRACTING

Wisconsin firm switching to Anthem national network for all U.S. workers

BY KAREN PALLARITO

Quad/Graphics Inc., a longtime national leader in direct health care contracting, is canceling its roughly 400 medical provider contracts in Wisconsin and shifting to Anthem Inc.'s national network effective Jan. 1, 2015.

The Sussex, Wisconsin-based commercial printer will save “millions of dollars” a year by switching to Anthem’s network for all health care services for its employees, said John Neuberger, Quad’s director of client partnerships.

The move is the opposite of the trend among self-insured employers, in which 11% already contract directly with providers for various health care services and 28% are considering doing so in the next three to five years to reduce costs, according to an Aon Hewitt survey released earlier this year.

Quad offers its 6,200 Wisconsin employees a narrow network of doctors, hospitals and ancillary providers.

Many directly contracted health care relationships go back 15 years, with pricing that historically beat national insurers, Mr. Neuberger said. But as health plans have expanded their presence in

the state, their discounts have improved, he said.

“We did get good pricing, but in large markets like this, I’m learning it’s just hard to compete with the big guys,” Mr. Neuberger said.

Quad conducted a request for proposals in the first half of the year to compare its direct contract pricing with national insurers’. By summer, it decided to go with

“You’re going to see dramatic purchasing pattern changes” as insurers offer new products and target different markets, and providers align to deliver value-based care.

Gerald Frye,
The Benefit Services Group Inc.

Anthem’s proposal.

The new package replaces about 400 direct contracts with providers covering a broad range of services.

“We were buying everything, and that was kind of the challenge of renegotiating all of those things,” Mr. Neuberger said.

Gerald Frye, president of The

Benefit Services Group Inc., an employee benefits consultant in Pewaukee, Wisconsin, said the rise of accountable care organizations under the federal health care reform law, the growth of health insurance exchanges and the emergence of new health-system partnerships in the state means “you’re going to see dramatic purchasing pattern changes” as insurers offer new products and target different markets, and providers align to deliver value-based care.

Quad’s decision “is not abnormal at all” given the changing dynamics, Mr. Frye said.

A. Michael La Penna, founder and a principal at Grand Rapids, Michigan-based health industry consultant The La Penna Group Inc., said if Anthem came along with better pricing, “it was because Quad set a standard that Anthem had to achieve.”

But A.J. Lester, president of the Houston-based direct contracting

consultant A.J. Lester & Associates Inc., questioned whether large managed care companies’ discounts offset administrative fees and other costs of doing business with commercial insurers.

Quad declined to discuss specifics of its deal with Anthem.

Quad, which has about 25,000 employees at 70 facilities in North America, Europe and Latin America, dropped its rental network and direct contracts with providers outside of Wisconsin about four years ago and shifted to a national U.S. network with Anthem.

The printing company also is growing by acquisition, including the May purchase of Waseca, Minnesota-based Brown Printing Co. and the February purchase of Woburn, Massachusetts-based UniGraphic Inc.

“We’re in 35 states now, so to go out and develop direct contracts is kind of impractical,” Mr. Neuberger said.

He insists that Quad remains committed to maintaining a dialogue with quality medical providers in Wisconsin and, if possible, selectively contracting with them.

“While we’re getting out of the network contracting business, we’re not getting out of the provider-employer relationships business,” he said.

Mr. Neuberger expects disruption of existing patient-provider relationships of no more than 1% to 2% since employees will have access to a broader provider network.

Health plan members may continue to receive primary care through clinics operated by the company’s QuadMed subsidiary, which still has outside clients.

Quad’s priority in the next year will be steering patients to high-value hospitals, specialists and other providers within Anthem’s network, Mr. Neuberger said.



FURNITURE RETAILER SOLD ON DIRECT CONTRACTING BENEFITS MODEL

Family-owned furniture and mattress retailer Steinhafels Inc. is building its private medical network.



While Quad/Graphics Inc. is pulling the plug on its direct health care contracting efforts, family-owned furniture and mattress retailer Steinhafels Inc. is building its private medical network.

Through a partnership with Quad, the Waukesha, Wisconsin-based retailer’s 450 health plan participants have used Quad’s network of primary care clinics and specialists for the past 12 years.

Lynda Malmberg, Steinhafels’ senior human resource manager, is convinced that direct contracting is the way to go for the company, citing average annual health care spending of \$5,000 to \$5,500

per employee.

That compares with a Milwaukee area average of \$10,987 per employee and statewide average of \$11,754, according to a 2013 Mercer L.L.C. survey.

Steinhafels has a direct contract with Wheaton Franciscan Healthcare in Glendale, Wisconsin, for hospital care, and retains access to Quad’s QuadMed clinics.

In the meantime, Ms. Malmberg is reaching out to specialists with direct contracting offers.

“I don’t know how many will accept and how many will say no, but we’re going to move forward,” she said.

By Karen Pallarito

“I don’t know how many will accept and how many will say no, but we’re going to move forward.”

Lynda Malmberg,
Steinhafels Inc.

OVERARCHING INSIGHT

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Risk retention groups see drop in written premium

■ A review of risk retention groups' performance through the second quarter of 2014 finds the sector healthy despite a drop in direct written premium and a rising combined ratio. RRGs collectively reported nearly \$1.5 billion of direct written premium through second quarter 2014, a decrease of 13.4% from second quarter 2013, Dublin, Ohio, financial analysis firm Demotech Inc. said in a report, adding that RRG underwriters were more selective in their underwriting in the quarter. The sector's combined ratio of 100.2% for the second quarter of 2014, compared with 93.3% for the second quarter of 2013, was aberrational; much of the underwriting losses are due to one RRG, Chicago-based Attorneys' Liability Assurance Society Inc., which assumed significant assets and liabilities on the part of its parent company, ALAS Investment Services Ltd., during the quarter, the report said. "Despite political and economic uncertainty, RRGs remain financially stable and continue to provide specialized coverage to their insureds," the report said.

Commercial rates up 1.5% in September: MarketScout

■ Commercial insurance rates in the U.S. rose 1.5% in September on a composite basis, MarketScout said. Leading the way on rate increases were contractors, who paid an average of 4% more than last year, followed by the transportation sector, which was up 3%, according to the Dallas-based electronic insurance exchange. Small accounts up to \$25,000 were up the most at 3%, followed by medium accounts of \$25,001-\$250,000 at 2% and large accounts of \$250,000-\$1 million at 1%. Jumbo accounts of over \$1 million did not see rate increases. Some lines of coverage, including commercial property and workers compensation, were up 2%, while others such as inland marine and business interruption were up 1%. "Rates clearly continue to drift downward," Richard Kerr, CEO of MarketScout, said in a statement.

Calm weather expected to result in strong quarter for insurers

■ Property/casualty insurers should report "very strong" underwriting results for the third quarter, according to an analysis issued by Keefe, Bruyette & Woods Inc. In "The Mice Sure Got to Play: 3Q14 Preview," KBW analysts said results were bolstered by "near-total absence of Atlantic hurricanes" as well as generally low catastrophe losses except for some regional storm activity in the Southwest, Midwest and Northeast. Otherwise, most of the industry's prior trends persisted throughout

the third quarter, including steadily decelerating primary commercial lines rate increases; significant and broadening reinsurance rate decreases, often with looser policy terms and conditions; and modest interest rate increases, especially on the 2- and 5-year U.S. treasuries, the report said. Reinsurance rates are expected to fall 1% to 2% globally at the Jan. 1 renewals, with U.S. property catastrophe pricing down 5% to 10%, the report said. "Lines with recent losses, like aviation and war risk, should see rate increases, but there's probably too much capacity waiting breathlessly on the sidelines to allow for the 50-100% increases some have discussed," according to KBW.

Former AIG chief Sullivan named chairman of Cooper Gay



Mr. Sullivan

■ Martin Sullivan has been named nonexecutive chairman of London-based Cooper Gay Swett & Crawford. He succeeds Frank Witthun, who has stepped down after eight years in the post and will take on a consultancy role for the brokerage. Mr. Sullivan has been nonexecutive chairman of Cooper Gay Swett & Crawford Delaware, the main board for the group's North American operations, since October 2013. Previously, he had been deputy chairman of Willis Group Holdings P.L.C. and president and CEO of American International Group Inc.

Employers remain committed to providing health care: Survey

■ Most employers will not reduce the number of health care plans or the scope of coverage they offer to their employees in 2015, according to preliminary results of a survey by San Francisco-based benefits consultant Benz Communications Inc. As employers brace for the onset of new coverage and reporting rules due to take effect in 2015 under the health care reform law, 39% percent of more than 330 employers polled in the 2014 "Inside Benefits Communication Survey" said they intend to maintain their current selection of group health insurance plans in the coming plan year without reducing the breadth of covered procedures and treatments or increasing employees' share of total premium costs. Another 33% said the number of plans and scope of coverage they offer to employees will remain the same in 2015, but that employees will be responsible for a greater share of the total cost of their coverage. Additionally, 16% said they plan on some reduction in the number of plans they offer to employees next year in order to mitigate anticipated cost increases as a result of the health care reform law's implementation, and 2% say they plan to

scale down on the number of full-time workers they employ in order to reduce their exposure to the reform law's coverage mandate. The survey was conducted jointly with the Washington-based National Business Coalition on Health over the summer. The full results will be published in November.

AIR offers flood model for inland U.S. exposures

■ Catastrophe modeling firm AIR Worldwide Corp. has unveiled an inland flood model for the United States. Boston-based AIR said the new model will provide insurers and risk managers with a tool for assessing and managing inland flood risk. The probabilistic model assesses the inland flood risk for all 18 hydrological regions across the contiguous United States — an area of approximately 3 million square miles with a river network 1.4 million miles long — simulating both the weather systems and the flooding they cause and accounting for snowmelt, local soil conditions, land use and topography. The model also uses a physically based hydraulic model that calculates the extent of flooding and the depth of inundation at each location of interest on the flood plain, AIR said. The flood model is available for both the Touchstone and CATRADER catastrophe risk management systems from AIR, the company said.

Former Integro chief Garvey joins brokerage EPIC as COO

■ Former Integro Ltd. leader Peter Garvey has joined San Francisco-based brokerage Edgewood Partners Insurance Center as chief operating officer. Mr. Garvey most recently served as president and CEO of New York-based brokerage Integro, which he helped co-found in 2005. He left the brokerage in May, and Integro declined to comment on his departure. Before joining Integro, Mr. Garvey served as co-president of Marsh Inc., now Marsh L.L.C., and CEO of Marsh North America.

Large companies' pension funding holds steady in September

■ The average funded level of pension plans sponsored by large companies held steady in September as equity market declines offset rising interest rates, which reduced the value of plan liabilities, according to a Mercer L.L.C. survey. On average, pension plans sponsored by companies in the S&P 1500 were 84% funded as of Sept. 30, unchanged from August and down from 85% at the end of July. In all, the plans' aggregate deficit was \$352 billion at the end of September, down from \$369 billion as of Aug. 31, but up from \$340 billion at the end of July.

BI names audience development head

Business Insurance has hired Sherry Skalko as its director of audience development.

With a strong background in digital media, leadership and journalism, Ms. Skalko is tasked with building *Business Insurance's* online and conference audiences, among other duties.

Ms. Skalko joined *Business Insurance* from The Chicago Reporter,

where she had been managing editor since January.

Previously, she spent nearly three years as the Midwest editorial director for more than 200 of AOL Inc.'s Patch local news websites; nearly two years as an editor for the Online News Association's *Journalists.org* website; and held online positions during several years with the Tribune Co.

An avid sports fan, Ms. Skalko was an editor with the South Florida Sun-Sentinel and *ESPN.com*, and was communications director for the Central Collegiate Hockey Association.

Ms. Skalko graduated from Boston University with a bachelor's in journalism. Ms. Skalko later earned a certificate in Web design from Truman College.



Ms. Skalko

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New Allianz CEO takes control in May 2015

Allianz S.E. has appointed Oliver Bäte to succeed Michael Diekmann as CEO of the German insurer, effective May 7, 2015. Mr. Bäte will continue to be responsible for Allianz's global property/casualty insurance business until the company's annual general meeting May 6, 2015, Allianz said in a statement. His contract runs through Sept. 30, 2019, according to the statement. The company's supervisory board appointed Sergio Balbinot to Allianz's management board for four years beginning Jan. 1, 2015, with responsibility for the insurance business in western and southern Europe, including France, Benelux, Italy, Greece and Turkey. Axel Theis, CEO of Allianz Global Corporate & Specialty S.E., has also been appointed by the supervisory board for four years, in charge of the global industrial insurance business, credit insurance and the insurance business in Ireland and Great Britain and, beginning May 7, he will also take over global property/casualty from Mr. Bäte. He succeeds Clement Booth, who is retiring. Others had their appointments to the management board extended, including Manuel Bauer, until the end of 2015; Dieter Wemmer and Werner Zedelius for three years; and Helga Jung for five years. Beginning in 2015, Mr. Bauer will become responsible for the insurance business in Australia while Jay Ralph will take over responsibility for the insurance business in the U.S. Chris Fischer Hirs, chief operating officer of Allianz Global Corporate and Specialty S.E., will succeed Mr. Theis as CEO, according to a separate statement from the company.

JLT Re, Spanish partner form JLT March Re

JLT Re, the reinsurance arm of London-based Jardine Lloyd Thompson Group P.L.C. has entered into a joint venture with March JLT Correduria de Seguros S.A., its Spanish network partner, to form JLT March Re. Ross Howard, executive chairman of JLT Re, said the joint venture would allow JLT Re to "strengthen the services and product offerings which will be supported with a high level of technical and reinsurance broking skills from London for the benefit of existing and prospective clients." Richard Shinner, who previously headed JLT Re's operations in Spain, will relocate to London to be part of the company's marine and energy

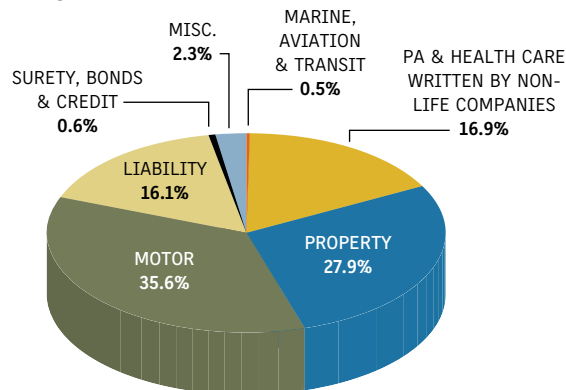
PROFILE: IRELAND

\$3.5 BILLION

The Irish property/casualty insurance market, which ranks 39th worldwide, has experienced negative annual premium growth from 2008 to 2012, the latest year for which data is available. It's the result of intense competition and little new business in the slow Irish economy. The majority of major Irish business risks are covered by large international underwriters such as Aviva P.L.C., Allianz S.E., Liberty Mutual Holding Co. Inc. and Zurich Insurance Group Ltd. The top 10 P/C insurers collect about 90% of the market premiums.

◀ 2012 P/C gross premiums

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Workers compensation
- Auto third-party liability
- Professional indemnity for insurance brokers
- Professional indemnity for accountants, stockbrokers
- Airport operators' liability

NONADMITTED

Nonadmitted insurance is not permitted in Ireland because the law requires that insurance must be purchased from locally authorized insurers. Exceptions to the law are marine hull and cargo coverage and aviation hull and cargo coverage, all of which can be placed with insurers abroad.

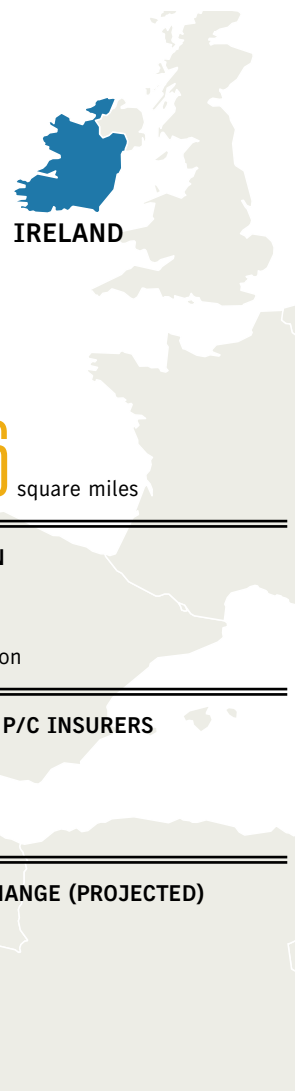
INTERMEDIARIES

Agents and brokers have to be licensed to sell insurance in Ireland. Intermediaries are not allowed to place business with nonadmitted insurers. Brokers who sell nonadmitted aviation or marine insurance must be registered with the regulator, the Central Bank of Ireland.

MARKET PRACTICE

Generally, international insurers, through subsidiaries or branches, issue local policies to their multinational clients in Ireland for all relevant classes of their primary insurance programs.

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



MARKET DEVELOPMENTS

UPDATED
SEPTEMBER 2014

- In June 2014, the Irish Insurance Federation changed its name to Insurance Ireland.
- In June 2014, the government said it is considering a 1% levy on P/C premiums to pay for financial aid for flood victims who can't obtain flood insurance from the commercial market.
- In June 2014, the Central Bank of Ireland issued the Corporate Governance Code for Credit Institutions and Insurance Companies, effective Jan. 1, 2015.
- In December 2013, the Central Bank of Ireland revised regulatory fees for financial services companies, including insurers and reinsurers.
- In April 2013, the Central Bank of Ireland updated capital requirements and solvency levels for insurers.

wholesale practice, JLT said in a statement. March JLT is headed by CEO Carlos Navarro. JLT has a 25% stake in March JLT, which is based in Madrid.

Aon hires London-based global marketing chief

Andy Weitz has assumed the position of senior vice president of global marketing and communications of Aon P.L.C. Mr. Weitz, who will be based in London, will lead Aon's external corporate communications and oversee corporate citizenship, according to an Aon statement. He also will be responsible for defining Aon's content marketing strategy and building an integrated approach to product marketing. Mr. Weitz will report to Phil Clement, Aon's global chief marketing and communications

officer, and will serve as a member of Aon's executive leadership team, Aon said. Mr. Weitz most recently served as Austin, Texas-based president and CEO of the U.S. region for business advisory firm Hill+Knowlton Strategies.

Search is on to replace XL reinsurance chief

James Veghte will retire as CEO of XL Group P.L.C.'s reinsurance segment, effective Dec. 31. Dublin-based XL has begun a search for a new reinsurance chief, the company said in a statement. Mr. Veghte was appointed XL's chief executive of reinsurance general operations in 2006. He previously held various senior executive positions with XL including president of XL Re America, chief operating officer of XL Re Europe and president of

XL Re Latin America. Before joining XL, Mr. Veghte held various positions with Winterthur Reinsurance Co. of America and Mid Ocean Re.

Tokio Marine scouts for buyout targets

Japan's Tokio Marine Holdings Inc. sees many attractive acquisition opportunities in North America, its chief executive said, even after already spending more than \$7 billion to buy insurance companies there in the last six years. "There are still possible options in the North American market," Tsuyoshi Nagano, CEO and president of Japan's largest insurer by market capitalization, told Reuters in an interview. "The insurance market is big, and there are many specialty companies. There are

still many good targets." Also, the insurer is looking for international growth prospects to offset a domestic market that will shrink as Japan's population declines. Tokio Marine and its rival property/casualty insurers in the country have been aggressively expanding overseas in recent years to avoid geographic concentration of risks. Insurers say that by spreading business exposure over various regions, they can lessen the impact on earnings of natural disasters, such as typhoons or floods, hitting individual countries in any given year. Mr. Nagano, 61, took over in June last year from Shuzo Sumi, who in his six-year tenure acquired several overseas firms including U.S. insurer Philadelphia Consolidated for \$4.7 billion and Lloyd's of London insurer Kiln for \$671 million. Thanks to its aggressive overseas expansion, Tokio Marine's insurance premium rev-

enue from overseas businesses have grown nearly 10-fold in the past 10 years, while domestic non-life insurance premium revenue grew about 30% during the same period. Premiums from non-Japanese business are expected to reach 1.1 trillion yen (\$10.1 billion) for the current financial year ending in March 2015. Profits from overseas operations are expected to come in at 105 billion yen this financial year, accounting for about 36% of total earnings compared with 15% 10 years ago.

Reuters

Deals enlarges Lockton footprint in Scotland

■ Lockton Cos. L.L.P. has acquired the Glasgow, Scotland, general insurance business of Griffiths & Armour. Terms of the transaction were not disclosed. The deal to acquire Griffith & Armour's Scottish operations builds on Lockton's investments in the Scottish corporate insurance market and raises the company's Scotland staff

above 25, Lockton said in a statement.

Willis Canada names national partner and CEO

■ Brian Parsons has been named national partner and CEO of Willis Canada, Willis Group Holdings P.L.C.'s Willis North America unit said. Mr. Parsons was most recently national practice leader for Marsh Canada's mining practice. Mr. Parsons will be based in Toronto. He succeeds Rick Hynes, who is leaving Willis at year's end, and will report to Willis North America CEO Todd Jones. Willis said in a statement that in his new role, Mr. Parsons will be responsible for the strategic direction of Willis North America's Canada operations focusing on business development and "expanding Willis' footprint in the marketplace, while aligning resources from across Willis' global platform to deliver industry leading solutions and services to Willis clients." The appointment "under-

scores our commitment to the Canadian marketplace and better positions us to deliver on our goal to be the premier partner to local firms," Mr. Jones said in the statement.

Tokio Millennium Re names executive changes

■ Tokio Millennium Re A.G. is making several management changes, including the appointment of deputy CEO Stephan Ruoff to the position of CEO, replacing Tatsuhiko Hoshina, who was appointed vice chairman. Ian Brimecome has been appointed chairman of the board, effective immediately, the Zurich-based reinsurer said in a statement. The rest of the appointments become effective April 1, 2015. Mr. Ruoff, who is also chief underwriting officer and head of Europe, will retain these roles as he takes overall leadership of the company. Additionally, Kiichiro (Ken) Hatakeyama, chief operating officer, will relocate from Zurich to the newly

established U.S. branch in Stamford, Connecticut, to continue in his position of COO and assume the role of head of U.S., according to the statement.

JLT appoints AIG veteran as nonexecutive director

■ Jardine Lloyd Thompson Group P.L.C. has appointed Nicholas Walsh as a nonexecutive director, the London-based broker said. Mr. Walsh was most recently vice chairman of AIG Property & Casualty Inc., a unit of American International Group Inc. He also served as chairman of AIG Europe Ltd. and AIG Asia Pacific Insurance Pte. Ltd. during a 42-year career with AIG. "Nic has significant insurance expertise following a long and distinguished career at AIG," Geoffrey Howe, chairman of JLT, said in a statement. "Having spent the last 12 years based in New York, Nic also has specialist knowledge of the U.S. insurance market, which will prove invaluable to JLT as we build our U.S.

operations, including the expansion of our specialty capabilities and the development of our reinsurance broking business JLT Re."

RSA Insurance selects chief risk officer

■ RSA Insurance Group P.L.C. has appointed William McDonnell as group chief risk officer. Mr. McDonnell currently is group risk director at London-based RSA and will take up his new post on Dec. 1, subject to regulatory approval. He will succeed David Weymouth who will retire from the insurer in May 2015 to take up several nonexecutive roles. Mr. McDonnell will be based in London. "I am pleased to appoint William McDonnell to the group executive team. His extensive risk management experience will ensure we continue to enhance the operational effectiveness of the group's risk oversight and control assurance processes," Stephen Hester, group chief executive at RSA, said in a statement.



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EDITORIAL

HEALTH CARE COSTS UNDER CONTROL

It wasn't that long ago that group health care plan cost increases were totally out of control, with hikes typically several times that of the inflation rate. Among some employers, there was a feeling of despair that cost increases were out of their control. Many other employers, along with their advisers and insurers, did not think the cost situation was hopeless, and they began to take steps to better hold the line on cost increases.

The success of those efforts has become increasingly evident. For example, last year, a comprehensive survey by Mercer L.L.C. found that costs on average rose 2.1% in 2013, the smallest increase in 15 years.

Similarly, according to a recent survey by the Kaiser Family Foundation, cost increases averaged only 3% in 2014, an increase foundation President Drew Altman aptly described as one of "historic moderation."

These modest increases are not flukes but the result of many years of employer analysis and action.

There is no question that the biggest reason for the moderation in cost increases has been the widespread employer adoption of consumer-driven health care plans.

These plans, whose core features are high deductibles with tax-favored accounts that employees can draw upon to pay for uncovered expenses or save to pay for future health care-related costs, give employees powerful financial incentives to be better consumers of health care services.

In other cases, employers have made health plan design changes that give employees strong financial incentives to utilize preventive services. For example, numerous employers have put in place wellness programs in which employees receive substantial reductions in the health plan premiums they pay if they take such steps as having their cholesterol levels checked or opt for mammograms and cervical cancer screenings — actions that can spot problems early before they become far more expensive to treat.

And we think the much-maligned health care reform law may be starting to play a role in controlling costs. To the extent more people have health insurance, hospitals will see reductions in uncompensated care, a cost they have shifted to others in the form of higher charges to insured patients.

To be sure, the battle to control health care costs is far from over. But employers should take comfort that the tide may be turning in their favor.

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SCHILLERSTROM



COMMENTARY

REINSURERS COULD FEEL ILL WIND FROM BENIGN STORM SEASON

Fingers crossed, 2014 seems to be shaping up to be another quiet hurricane season. Although there is still some way to go, there has been little sign of a major windstorm in North America this year. If that stays true for the next month and a half, it should yield a comfortable renewal season for insurance buyers, but it may produce discomfort for the ultimate risk bearers in the insurance purchasing chain: the reinsurers.

Now is the time of year when reinsurers and reinsurance brokers gather in rather splendid surroundings for their annual renewal meetings. For decades, company executives have met by the Mediterranean in Monte Carlo in September and then by Germany's Black Forest in Baden-Baden in October to discuss reinsurance market conditions and year-end renewals. The U.S. reinsurance market appears to be less of a creature of habit and changes its meeting place each year, but this year it is in the pleasant surroundings of Scottsdale, Arizona.

Twenty-five years ago, to a young reporter, it seemed apt that European reinsurance executives should meet adjacent to luxurious casinos, as reinsurance appeared to be the money end of the industry and luck seemed to play a fairly large role in the success or failure of individual underwriters.

That has all changed, of course, since 1992's Hurricane Andrew, with development of catastrophe models and underwriting transitioning into much more of a science than an art.

Accompanying that shift in underwriting fundamentals has been a change in capital behind the reinsurance contracts. Back in the early 1990s, insurance



GAVIN SOUTER
EDITOR

securitization was a minor interest for a few people on the Chicago Board of Trade; now alternative capital accounts for about 20% of the catastrophe market.

While risk managers largely remain detached from the reinsurance market, the changes that have taken place may have significant implications for them. On the one hand, access to the huge amount of capital-

markets capacity to support insurance risks via insurance-linked securities and hedge fund-backed reinsurers should keep a damper on insurance prices. On the other hand, they are dealing with a different breed of capital providers.

What that means remains unclear. The familiar and convivial surroundings of the reinsurance meetings tended to produce trusting relationships and a sense of what goes around comes around for reinsurers and their cedents, but that way of doing business is also rife with inefficiencies.

The new structures may produce more efficient transactions, and the indemnity triggers of the products seem clear-cut. As risk managers know, however, when large amounts of money are due to change hands, policy wordings can quickly become murky.

We won't know how the claims will play out on a large scale until another catastrophe strikes. Touch wood, it'll be at least next year before we find out.

Transatlantic partnership with E.U. must include insurance markets

It would be a big missed opportunity if the final agreement of the Transatlantic Trade and Investment Partnership excludes a sector as significant as financial services, says Steve Simchak, director of international affairs at the American Insurance Association. Doing so could leave U.S. insurers in a neutral or even worse position than they are in now. In the months ahead, financial services issues should be included.

The Transatlantic Trade and Investment Partnership, known as T-TIP, is an ambitious trade and investment agreement under negotiation between the U.S. and the European Union. By all accounts, it could be a model of cooperation when it's completed.

In the meantime, the bargaining positions would hurt rather than help the transatlantic insurance market and the investments that underpin it.

The U.S. and European Union share common economic values. Unfortunately, the most recent offer from the E.U. would exclude the financial services industry, including insurance, from the overall negotiation — a troubling omission. It's hard to even imagine a broad trade agreement between the U.S. and Europe that doesn't include provisions that deal with so large and important a sector as financial services. In addition, the close ties between the U.S. and the E.U. make it even harder to believe that the negotiations have so far led to such a discouraging position.

At the current pace, new opportunities will be left unrealized and current problems won't be addressed in the T-TIP. In fact, following negotiations on the scope of the agreement, the E.U. took the entire issue of financial services market access off the table and financial services negotiators didn't participate in the last round of talks. Beyond the absence of financial services trade negotiations, negotiations over investment protections also have stalled while the E.U. reviews its own positions.

Since Europe would like the T-TIP to replace the existing investor protections, a weak investment section of the T-TIP could leave U.S. investors vulnerable and with fewer protections than they have now. Even if it does not override existing agreements, an agreement that leads to weaker protections than the current standard raises questions about the utility of negotiating such an agreement at all. Insurers on both sides of the Atlantic agree and have voiced their concerns about the current path of negotiations.

It doesn't have to be this way. This partnership was envisioned as a model agreement that would strengthen trade and investment ties between the U.S. and the E.U. and could serve as the basis from which the U.S. and E.U. could negotiate pacts with other countries around the world. That could still



New opportunities could be left unrealized and current problems ignored in the Transatlantic Trade and Investment Partnership.

happen, of course. But the last offer from the E.U. is a major setback.

Insurers and other types of financial services providers have not been excluded from a U.S. Free Trade Agreement negotiation in almost three decades, and for good reason. Our global economy is ever more interconnected, and financial services issues need to be considered and resolved. If the talks continue down the current path, market access and regulatory cooperation opportunities will be lost, and new protections for investors could be weaker than existing protections in the U.S. and the nine E.U. member states where we have existing investment agreements in force.

Why does that particularly matter in the case of the U.S. and the E.U.? Because the U.S. and European insurance markets are the two most integrated insurance markets in the world, though

barriers to trade and investment remain. Bilateral trade and investment in the insurance sector alone exceeds \$185 billion a year, and the E.U. and U.S. together represent 74% of global premium income. In addition, more than 13 million American and E.U. jobs are supported by total transatlantic trade and investment. Furthermore, financial services, including insurance, are the “glue that binds” together trade routes for other sectors like manufactured goods and agricultural produce. It's important that we get this part of the agreement not only finished, but right.

The insurance industry has supported and continues to support completion of a high-quality T-TIP. Furthermore, industry representatives on both sides of the Atlantic representing all types of insurance have unambiguously called for full inclusion of financial services negotiations in the T-TIP. Specifically, creating a high level of market access across borders must be a priority. The agreement should address anti-competitive practices from state-owned enterprises and the ability of insurers to store and process corporate data in a server location of their choosing, an issue known as “data flows.” Perhaps most important, the final agreement must include strong investment protections, including investor-state dispute settlement that build upon the existing investment treaties that the U.S. already has with nine E.U. member states.

The U.S. Trade Representative will meet with his European counterpart this month in a “stock taking” exercise to review the negotiations. Having now gone through multiple negotiating rounds without financial services talks and without investment negotiations, the U.S. insurance industry hopes that both sides will seize this chance for a reinvigorated push to include the vital financial sector. The issue has unfortunately become politically charged and thus the attention and engagement of cabinet-level officials is needed.

It would be an enormous missed opportunity if the final agreement that was meant to represent the highest standard of trade commitments excludes a sector as significant as financial services. Doing so could leave U.S. insurers in a neutral or even worse position than they are in now. Property/casualty insurers in the U.S. have made it abundantly clear that the T-TIP is an important priority, and the industry will continue to point out the need for financial services to be addressed in the T-TIP, until insurance is back on the negotiating agenda. The stakes are too high to do otherwise.

The good news is that it is not too late for the negotiators to change course and re-embrace the ambitious goal of creating the highest standard agreement ever, which was envisioned at the launch of negotiations. As negotiations continue in the months to come, both sides need to come to the table ready to discuss financial services issues and create a framework that maximizes opportunity for all.



Steve Simchak is director of international affairs at the American Insurance Association in Washington. He can be reached at ssimchak@aiadc.org and 202-828-7133.

JLT GROUP CEO TAKING AIM AT U.S. SPECIALTY BUSINESS

Q Why did you decide now was the time to expand your U.S. specialty brokerage operations?

A We have established a business of scale and reputation and capability in the classes in which we wish to be a player, and the United States remained the outstanding question. When we announced the Towers Watson acquisition at the end of 2013, clearly JLT's brand was back in the United States in a meaningful way.

In the latter half of 2013 and the spring of 2014, we were in the position of attracting leadership talent that wanted to be part of the JLT story. And when you are afforded the opportunity to talk to leadership of that quality — Patrick Donnelly, previously chief broking officer of U.S. retail at Aon P.L.C., Jim Pierce, previously chairman of Marsh L.L.C.'s global industry practice, and Michael Rice, previously CEO of Aon's financial services group, leaders who are aligned to our client-focused, entrepreneurial spirit — then it makes sense to move quickly.

We needed to build a business that was in keeping with our culture, our analytical approach and

Q&A

entrepreneurial spirit, so the concept of acquiring something was pretty quickly dismissed because we didn't think there was someone we could buy with the right values and scale and focus on our specialty areas — namely oil and gas, energy, aviation, financial lines, and credit and political risk.

There is a situation where we are going into the back yards of some of our competitors with the intention of taking their best people and bringing them to a place where their role is celebrated.

Q How do you ensure that you retain your culture in a company that is growing?

A Be clear. Articulate. Celebrate those cultural values.

I think that it continues to get easier, not harder, because the people who are joining us want to join a culture that puts the clients first and where they as brokers can fulfill their ambitions to serve clients and not serve up a pre-cooked, commoditized solution.

I am very encouraged by what I see from the almost 50 colleagues that are joining us.

Q What will be the advantages for your clients of this increased U.S. specialty presence?

A In my visits to the United States and meetings with senior personnel at insurers and clients, there has been a resounding sense of welcome and congratulations. It provides choice, of course.

I'm not so sure that specialty figures at the heart of what some of our competitors seek to do, whereas at JLT we have put specialty at the very center.

JLT has a real reputation in this space; it just wasn't previously available to U.S. corporates. It is now.



DOMINIC BURKE

JARDINE LLOYD THOMPSON GROUP P.L.C.

Dominic Burke has been group CEO of London-based Jardine Lloyd Thompson Group P.L.C. since December 2005. He previously was chief operating officer of the brokerage he joined in 2000 when the Burke Ford Group of Cos., which he co-founded, became part of JLT. JLT's growth continued in 2013 with its purchase of the reinsurance brokerage business of Towers Watson & Co. This summer, JLT expanded its U.S. specialty brokerage business and

made several high-profile hires. In a recent conversation with *Business Insurance* Senior Editor Sarah Veysey, Mr. Burke discussed JLT's recent moves and outlook for the future. Edited excerpts follow.

Q How is the integration of JLT Re going?

A It is a work in progress. We are pleased with the talent we acquired and the new talent we are attracting.

We have work to do in building out that business. And now we have the leadership of that business positioned to take us through

the next phase. In August, JLT announced the appointment of Mike Reynolds, group finance director, as global CEO of JLT Re.

I think we have the right balance of skills to take advantage of the scale of the opportunity we saw at the time of that acquisition. I am energized by the pipeline of opportunities and the fact that JLT Re has been so well-received.

COMINGS & GOINGS

UP CLOSE: EUGENE OPPO

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CHALLENGES FACING INDUSTRY: Less emphasis on defined benefit pension plans and the rise in prominence of defined contribution plans, combined with people living longer, have raised a new series of issues and challenges for retirement consultants.

INDUSTRY OUTLOOK: The industry continues to grow with an enhanced focus on defined contribution plans and managing the risk around existing defined benefit plans.

FIRST INDUSTRY JOB: Actuarial associate at Touche Ross, now part of Deloitte and Touche.

WHAT SURPRISED ME: How interesting the work was. I had expected actuarial work to be a little boring. But I've never stopped learning new things, and it has been a



great career.

ADVICE: Work hard and hire smart people.

OUTSIDE THE INDUSTRY, A DREAM JOB: Professional athlete or a stand-up comedian.

HOBBIES: Tennis, skiing, golf and kayaking.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I play online video games. My boys got me hooked.

WHEN I RETIRE: Be healthy, see my kids and travel.

CAN'T-MISS TELEVISION SHOW: Don't watch TV shows. I grew up without a TV and never picked it up.

FAVORITE BOOK: As a kid, it was "The Count of Monte Cristo" by Alexandre Dumas.

BEST CITY: New York City, a vibrant young city with heart, music, theater and waterfront. It has everything.

ON A SATURDAY AFTERNOON: Kayaking on Long Island Sound.

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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: Dave Roknic, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. droknic@businessinsurance.com.

40 UNDER 40 BROKER PROFILES

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40 UNDER 40 BROKER AWARDS

Star performers set to lead insurance brokerage sector

BY MARK A. HOFMANN

Talent is the lifeblood of the insurance brokerage business. That's easy enough to say, but finding that talent is anything but easy. Finding and cultivating the best and brightest takes time and commitment — on the part of the brokerage and the part of the person hired.

There's no one place that provides the pool of talent the brokerage business needs to survive and thrive.

Some future stars come directly out of college—some, the product of collegiate risk management and insurance programs and others, from a variety of educational disciplines. Still others come from competitors, other parts of the insurance industry or outside businesses.

Regardless of their origin, the most outstanding of the new hires soon prove themselves as future leaders. They bring new ways of looking at ongoing and current issues alike, and in so doing help chart the future of their companies and the industry as a whole.

Truly standout performers among these

emerging leaders are being recognized by *Business Insurance's* 40 Under 40 Broker Awards program, which was launched in 2013.

Business Insurance readers nominated young brokers from four regions of the United States: the Northeast, South, Midwest, and West. The nominations underwent a thorough review by a panel of *Business Insurance* senior editors. They considered a series of criteria in evaluating the nominations, including recent professional achievements, influence in the marketplace and leadership qualities.

Out of all the nominations, 40 individuals have been selected for recognition, 10 from each region. All had to meet the age requirement of being 40 or younger as of Oct. 1. Each will be recognized during a series of regional receptions.

Just like there's no single source to find outstanding young brokers, there's no single quality that makes them the stars that they are. Like last year's inaugural honorees, the members of this year's group come from a variety of backgrounds and present a variety of personal and professional experiences.

Many have developed a considerable store of specialized knowledge over their careers, making them in-house experts within their organizations. As a practical matter, specialized knowledge translates into best practice customer service, the kind of service aimed at meeting the clients' needs in a way no one else can.

A commitment to continuing education and professional groups also characterizes many of the young brokers recognized this year. That can translate into earning professional designations such as the chartered property and casualty underwriter or becoming involved with local or national industry groups.

Such qualities, combined with a commitment to the highest ethical standards, mark the young broker destined to become an industry leader.

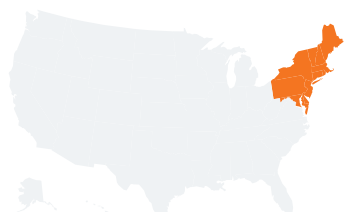
After all, the 40 young brokers recognized in the 40 Under 40 Broker Awards program today will play key roles in defining the nature of the brokerage industry for decades.

Under their leadership, the brokerage segment of the insurance industry should thrive well into future.

BROKER PROFILES BY REGION

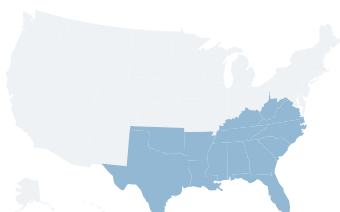
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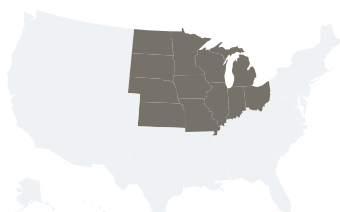
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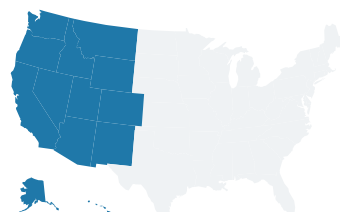
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METHODOLOGY

Business Insurance established the annual 40 Under 40 Broker Awards program in 2013 to recognize leadership attributes, client-service skills and expertise among retail insurance brokers. The nominations are divided into four regions of the United States, and 10 honorees per region have been selected. While brokerages could nominate multiple candidates under 40 years of age as of Oct. 1, only one nominee per firm is recognized in each region. All 40 of the rising star brokers were selected by a panel of *Business Insurance* senior editors. Their excellence is being honored at four regional receptions hosted by *Business Insurance* in October.


JENNIFER ACKERMAN

Vice president
The Safeguard Group Inc.

34

Jennifer Ackerman's road to her insurance industry career was serendipitous.

A summer job at an insurance agency between her junior and senior years in college led to a full-time job offer upon graduation in 2002 at the Peterman Group in Montgomeryville, Pennsylvania.

"I took the position and kind of never left" the industry, she said.

Joining The Safeguard Group Inc. in 2004 continued her good fortune as it gave her a chance to build business.

"What appealed to me was that it was a growing company and entrepreneurial in a way, and I could basically make my own way," said Ms. Ackerman of her trajectory at the Media, Pennsylvania, company.

There was building to do, and she had come at the right time.

"I think there will always be building to do," she said.

"It's a neat organization in that way, in that there's always new challenges and new things we can tackle," she said, adding that she was interested in both generating business as well as helping to build an organizational structure.

"I always knew I wanted to have some management responsibility," she said of her role in helping to build and manage Safeguard.

Safeguard does a lot of construction cover, according to Ms. Ackerman, who said the sector may make up 50% or more of her book of business.

"I think construction is one of those areas where you can't just dabble in it. You need to have an understanding of what it is and what the exposures are to be able to really handle your clients appropriately."

Her "initiative and leadership" were praised by William Donato, president and CEO of Safeguard.

By Matthew Lerner


MICHAEL BRODZINSKI

Vice president of construction professional liability
Willis North America Inc.

32

Michael Brodzinski remembers precisely when his passion for construction took root, a day in which he spent much of his time traversing the extremities of the Golden Gate Bridge.

"I thought, 'Wow, this is insurance? I'd get to do this for a living?'" Mr. Brodzinski said in recalling the 2005 bridge tour he took as a member of Zurich North America's associate program. "The idea that we're providing solutions for that kind of activity was really eye-opening. I became hooked on the construction side of the business at that point."

After two years as an underwriter at Zurich, Mr. Brodzinski refocused his talents on brokerage and

consulting, and today is the vice president of construction professional liability at Willis North America Inc. in his native Pittsburgh.

Less than 10 years into his career, Mr. Brodzinski has distinguished himself as an exceptional producer in Willis' national construction practice and as an invaluable asset to his clients.

"What I think really differentiates Mike is his strong underwriting background," said Shari Natovitz, vice president of risk management at Silverstein Properties Inc. in New York. "That helps us identify and devise responses to a given risk, as well as determine what information we

need in order to be as transparent as possible with the marketplace, so that we're able to secure the program that best addresses our needs."

After a stint at Pittsburgh-based Huntington Insurance Inc., he joined Willis in 2012. Shortly afterward, Silverstein Properties tapped Mr. Brodzinski to help manage its professional services liabilities, including those relative to its multibillion-dollar construction of three new office towers at New York's World Trade Center site.

"That's probably what I'm most proud of so far in my career," Mr. Brodzinski said.

By Matt Dunning


JOHN D. CROWLEY

Account executive
Cook Maran & Associates

38

Educating clients is a big part of any insurance broker's job, so the experience of teaching in New York's public school system made John Crowley a natural at selling insurance.

"The education aspect of it helped me tremendously with educating clients about changes going on in the industry — that aspect of it helped a lot" Mr. Crowley said.

Working with parents of children with greatly varying and sometimes challenging needs increased his level of comfort in speaking with prospective and existing clients.

"I would say the life experience

helped tremendously," said Mr. Crowley. "I think those people skills really helped me develop a skill set you would need to be in sales. That was really one of the best things I got out of teaching."

Mr. Crowley is proud that he has lost only one account, a measure of his success in six years in the brokerage business.

"I think that the metric is the retention rate," he said.

Mr. Crowley has been an account executive at Melville, New York-based Cook Maran since 2008.

"The customer is first with John," said Victor Cangro, president of Cangro Industries Inc., a

Farmingdale, New York-based power transmission equipment and bearing provider. "He jumps right on things."

"What comes forward first with John is he's looking to help people," said Mark Fitzgerald, director of sales at Cook Maran.

What Mr. Crowley likes best about the business "is the diversity of what I see on a daily basis. I am not tied down to a desk or a cubicle. ... I could be in a manufacturing facility one day, at a contractor's office the next day and at a job site for a contractor on the day after that," he said.

By Matthew Lerner


THOMAS DELARK

Chief marketing officer
Hub International Northeast

36

For Thomas Delark, the most important role for an insurance broker is clear.

"We are problem solvers. That is what we do. We work to create good outcomes for clients, to help enable them to move their businesses in the right direction," said Mr. Delark, who on Oct. 1 joined Hub International Northeast in New York as chief marketing officer.

Mr. Delark's clients say he meets that goal.

His "ability to effectively identify our risk management challenges and act in cost effectively mitigating that risk through a vari-

ety of means is the primary reason we like working with Tom," said John Long, vice president and chief financial officer at Alco Industries Inc., a Norristown, Pennsylvania-based printer and wholesaler of packaging materials.

Mr. Delark's accomplishments include leading a group of 20 Aon brokers, who handled \$150 million in premium placements to help boost the group's revenue by 20% last year.

"He is smart and knowledgeable. He is a fantastic person to work with," said Matthew Schneider, chief operating officer of the greater New York area of Aon

Risk Solutions, where Mr. Delark worked as a managing director before recently joining Hub.

Mr. Delark's entire 14-year professional career has involved working for insurance brokers, including seven years with Aon. He acknowledges working at an insurance brokerage was not the result of "premeditation or thought process," though he always wanted to be in the business world.

Mr. Delark said of his new position with Hub International:

"It was a great opportunity to continue to advance my career."

By Jerry Geisel


BRIAN DUNPHY

Senior managing director, national practice leader management professional risk group
Crystal & Company

38

"The thing about insurance is there is always something to learn," said Brian Dunphy, a senior managing director and national practice leader of the professional risk group at Crystal & Company.

"I can always stand to better myself by having conversations with people in other departments" at the company "and by using and applying that knowledge in dealings with clients," he said. "This creates a broader level of discourse."

It is this constant learning as well as the ability to help other people that Mr. Dunphy has found stimulating in his 12-year career at New York-based Crystal.

Interaction with people in a variety of roles, with a variety of needs and to develop personal relationships are the drivers that have helped Mr. Dunphy to success in his career.

And now that he is in a management role, his colleagues say that an extension to his commitment to client service "is his belief that his employees are also his clients."

Mr. Dunphy manages a group of 15 based in New York that handles directors and officers liability, employment practices liability, errors and omissions liability, cyber liability, fiduciary liability, commercial crime insurance and special coverage placements for non-financial institution clients.

During his five years as leader of that operation, Mr. Dunphy has reshaped it into a more dynamic, operationally efficient and cohesive unit and increased its contribution to the company's bottom line.

According to Tim Crowley, a Crystal director, Mr. Dunphy's thirst for knowledge across all sectors of insurance have helped turn his division into a well-recognized area of expertise within the firm.

The underlying mission of a broker is to help people, he said, and "in leading a group, I am helping the people that work for me get better at their jobs" by motivating them to success.

By Sarah Veysey

**At the heart of your
success is a passion
for excellence.**



**Congratulations to this
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When you have passion for what you do, there's no telling how far you can go. This year, it's taken you to the top. Liberty Mutual Insurance is proud to recognize the 2014 40 Under 40 winners. Congratulations on your exceptional client service, leadership, and expertise; we look forward to seeing where they will take you next.

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GEOFFREY A. GOLDWATER

Principal

Odell Studner Group L.L.C.

39

Geoffrey A. Goldwater loves puzzles. And that's what the principal at Radnor, Pennsylvania-based Odell Studner Group L.L.C. likes most about his job — the problem-solving aspect.

"I'm a lover of puzzles, and the creation and building of a risk management program for a client is truly that," said Mr. Goldwater, whose abilities to provide solutions for his clients' risk management needs helped earn him a place on *Business Insurance's* 2014 40 Under 40 Broker Awards list.

Mr. Goldwater joined Claire Odell, Odell Studner's precursor in 2001. He heads the staffing practice at Odell Studner, which provides about one-third of the business' revenue, said CEO Steven Odell.

"Geoff has been a change agent for us," said Mr. Odell. "He became like a mini-me — he has the ability to be the CEO of this organization."

Meeting the needs of the temporary staffing industry presents numerous



challenges, Mr. Goldwater said.

"Our staffing practice has almost tripled in this past year," he said. "The temporary staffing industry is the bellwether of the economy. When recession hit, they were the first to experience pain."

As the economy expands, they're also the first to feel the rebound, he said. "That leaves companies in the position where they need to be extremely lean in their infrastructure while operating on very thin margins."

As a result, Mr. Goldwater has devised best practices for the industry.

"Geoff is a true partner for my organization — he's a true partner for us," said Jaime Donnel-

ly, vice president of finance at Integrity Staffing Solutions in Wilmington, Delaware. "He comes up with new solutions for me every quarter. It's not just the insurance piece. He really knows our business."

Aside from also overseeing a new risk management consulting operation, Mr. Goldwater is on the board of Odell Studner Foundation, which helps families in need.

By Mark A. Hofmann

ADAM GREEN

Vice president of the trade and logistics practice

Integro USA Inc.

31

That Adam Green actually sought out a career in insurance makes him something of a rarity, considering the industry's reputation for drawing most of its top talent from other fields.

A graduate of the Katie School of Insurance and Financial Services at Illinois State University and member of fraternity Gamma Iota Sigma, Mr. Green said it took just a few insurance classes to set him on a career path that recently saw him named vice president



of Integro USA Inc.'s trade and logistics practice in Boston.

The draw "was a combination of the course content and just a general interest in the inner workings of insurance," he said.

Today, Mr. Green credits his early successes to prioritizing his clients' needs. "The one thing I've learned — and I think that it really ought to be near and dear to any insurance broker — is to put the clients first. If you ded-

icate the time and the effort, and you put the client's needs ahead of everything else, you're going to succeed in this industry."

Tory Bass, vice president of Hattiesburg, Mississippi-based Eagle Transportation L.L.C. and a client since 2010, said he initially declined Mr. Green's offer to take on the freight company's broker and risk consulting needs, but reversed himself.

"Ultimately, it came down to the level of service we were getting," Mr. Bass said. "I feel like we're a better company today because of our relationship with Adam. He has such a unique understanding of our business, and that's been a real advantage for us."

Mr. Bass said the quality of the work Mr. Green performs is reflected in Eagle Transportation's 71% growth in revenue in four years to \$48 million.

"By educating us on both our risks and the insurance products we're putting in place, it enables us to go out and pursue new sources of revenue that we would be uncomfortable with under different circumstances," Mr. Bass said.

By Matt Dunning

BRIAN GROSS

President

GFI Insurance Brokerage Inc.

35

"Loyalty has to be earned, not expected." This is the chief lesson Brian Gross has taken from his tenure in the insurance brokerage sector.

Mr. Gross enjoys sales and thrives on the industry's competitive nature.

"Sales are fun. Competition is fierce, but that's what makes it exciting. If there wasn't competition, it would be boring," he said.

He started as a sales broker at GFI in 2003, became vice president in 2006 and has been its president since 2008.

Mr. Gross also takes great pride in his leadership role at GFI Insurance.

"It makes you feel really good when you are able to motivate and help other people be successful," he said. "By running a team, I think it's a lot more exciting than doing it on your own because then you have no one to share that happiness with."

He especially likes the challenge of taking on and cultivating new talent from inside and outside the industry.

"With the right back office support,



I show them how successful they can be. As long as they know the coverage and they're good at sales, there's no reason they won't get the business," Mr. Gross said.

Aaron Rosenfeld, executive vice president at GFI Insurance, said Mr. Gross "uses creative ways to get business, thinks out of the box to get a deal completed. That's how he gets things done."

"He has a very hands-on approach and makes sure all his clients are satisfied. He is very responsive to our needs," said Albert Fernandez, controller at Apple Core Hotels, which operates five hotels in New York.

Mr. Gross envisioned a career in real estate, but was

drawn to insurance by the need he saw among real estate owners to be more knowledgeable about insurance.

The "tremendous" potential to teach clients about their insurance is what prompted his entry into the brokerage business, Mr. Gross said.

"The void I saw was educating people. We spend the majority of our time educating them that they could be better consumers," he said.

By Matthew Lerner

MARIANNE HALVORSEN

Vice president and partner

Lockton Cos. L.L.C.

38

Ask Marianne Halvorsen what she most enjoys about working in the insurance business, and she sums that up in one word: interaction.

"I love the interaction with people, the interaction with clients and the interaction with colleagues," says Ms. Halvorsen, a vice president and partner at broker Lockton Cos. L.L.C. in New York.

"I love working with clients. I am passionate about finding new and creative ways to help larger companies protect their balance sheets," Ms. Halvorsen said.

At the same time, "It is inspiring for me to work with smaller, startup companies, helping them to find new ways to grow," she said.

Clients agree.

"She is so knowledgeable in her area," said Thomas Hallen, chief financial officer of restaurant chain Le Pain Quotidien in New York.

Her colleagues are in awe of Ms. Halvorsen's energy as well as her

knowledge.

"I have never met anyone more dynamic or energetic. She seems to know just about everything in the field," said Rose Puerto, vice president of the Northeast operations of Lockton in New York.

Her accomplishments are many, including building Lockton's Northeast book of business and establishing an educational forum where private equity firms can discuss insurance issues.

Her interests extend beyond the brokerage world.

For example, she developed a risk leadership development program for women attending St. John's University School of Risk Management, Insurance and Actuarial Science in New York in 2012.

Ms. Halvorsen also led a number of charity fundraising events in New York, and serves on the board of directors for Youth at Risk, which provides mentors to help children complete their education.

"Certainly, my goal for the future is finding ways to build Lockton's business, but it also is helping people in need of support," Ms. Halvorsen said.

By Jerry Geisel



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**STEPHEN M. RUISI**

Senior vice president and
casualty advisory specialist

Marsh USA Inc.,
a unit of Marsh L.L.C.

36

Early in his career, Stephen M. Ruisi encountered a very senior, slightly formidable risk manager who told him, “When you answer the phone ... as far as I’m concerned you are working for me.”

He says he worked hard to win that client’s trust and was delighted when she later described him as “her favorite Marshian.”

It is this commitment to client advocacy and a constant pursuit of further development that have made Mr. Ruisi so successful in his 14-year career at Marsh USA Inc. in New York, his colleagues say.

While he says he is always learning, Mr. Ruisi said managing expectations is a vital broker skill in dealing with clients and colleagues as is communication.

Currently responsible for managing and servicing of more than a dozen large, complex risk management accounts that generate more than \$2.5 million in casualty revenue per year, Mr. Ruisi came into the industry “blind” after an internship during college at Georgetown University.

Since then, he said he’s grown to appreciate “being able to look at both sides of the coin.”

Among his accomplishments has been putting together a manuscripted liability program with more than 50 endorsements to enable several clients to obtain depth of coverage.

He also helped develop a physician insurance program with reinsurance fronted by the client’s captive insurer rather than buying commercial coverage.

Lily Han, a Marsh managing director in New York, praised Mr. Ruisi’s ability to embrace challenges.

“He can take any difficult client and, within a short time frame, he will turn the relationship around,” she said.

By Sarah Veysey

**JASON ANGUS**

Chief marketing officer

The Hilb Group L.L.C.

39

For Jason Angus, “In the end, it is working with clients. At our best, we really are problem solvers,” he says of the appeal of working for a brokerage.

In 17 years in the industry, Mr. Angus, chief marketing officer at The Hilb Group L.L.C. in Richmond, Virginia, has tackled and solved many problems.

In 2007, for example, he founded an insurance agency, specializing in coverage such as protection for patients if complications arise after plastic surgery.

Mr. Angus joined Hilb in 2011 after it acquired his agency, Venture Specialty Insurance.

Later, after Hilb Group acquired a trucking insurance agency, Mr. Angus revamped the agency’s

management system, resulting in higher retention of business and a big jump in new business.

He also played the lead role in negotiating new national carrier contracts, adding \$450,000 in additional revenue.

Robert J. Hilb, president and CEO of the brokerage, described Mr. Angus as “one of those rare individuals who does exactly what he says with no exceptions.”

Since becoming Hilb’s chief marketing officer in 2011, Mr. Angus “has been able to add immediate value to the other agencies we’ve acquired since by helping our new partners become more focused and laserlike in their new-business goals,” Mr. Hilb said.

Clients applaud Mr. Angus’ abil-

ity to solve their coverage needs.

“He goes above and beyond to help us with our coverages. He knows how to package an insurance plan that will work,” said Wade Blackwood, executive director of the American Canoe Association in Fredericksburg, Virginia, which sponsors and provides insurance for more than 3,400 races a year and other activities.

Mr. Angus is passionate about the opportunities and challenges in the industry.

“We still have problems bringing young people into the business. The average agency owner is 62 years old. Still, there are great opportunities for growth out there,” Mr. Angus said.

By Jerry Geisel

**CHARLES F. CHUNN III**

Chief sales officer, Florida
Hub International Ltd.

36

As chief sales officer of Hub International Ltd.’s operations in Florida since October 2013, Charles F. Chunn III knows his clients need and expect him to maintain a thorough understanding of the rapid changes occurring in commercial risk management.

“The things I learned 60 days ago might not even apply any longer in today’s marketplace,” said Mr. Chunn, who is based in Clearwater, Florida. “Because it’s such a dynamic marketplace, we have to continue to educate ourselves on an ongoing basis.”

One area of risk Mr. Chunn said has kept him particularly busy has

been cyber security and liability.

“Three to five years ago, there was no sophisticated cyber liability platform to speak of, but in today’s marketplace, cyber liability is a critical piece of a true risk management platform,” he said.

Communicating with clients “about what the product is and how it might potentially fit their business and their exposures” also is essential, he said.

Having grown from a single branch opened in 2007 to a regional commercial and retail bank with nearly \$3 billion in assets and more than 500 employees, Clearwater, Florida-based USAmeriBancorp

Inc. Executive Vice President and Director of Human Resources Christina Ford said the bank has relied heavily on Mr. Chunn’s expertise, particularly on emerging risks such as cyber security.

“It goes much further than just a phone call telling us we need to buy one kind of insurance or another,” Ms. Ford said, adding that the bank recently purchased a \$1 million cyber liability policy.

“He makes sure we understand what the risks really are, and then helps us determine if a certain coverage product is something that we want,” she said.

By Matt Dunning

**CHRIS CONNELLY**

Area senior vice president
Arthur J. Gallagher & Co.

31

Chris Connelly says his toughest professional challenge has been establishing himself in an industry where youth is generally not a producer’s most valuable asset.

“People assume that because you’re young, you don’t know as much or aren’t able to deliver the same level of service as someone 20 years your senior,” said Mr. Connelly, who was promoted in January to area senior vice president of Arthur J. Gallagher & Co.’s risk management services practice in Orlando, Florida. “The only way I’m going to be able to compete is to be more knowledgeable, more agile, more active and more

persistent than a senior broker.”

Pushing himself to provide clients with the same level of service and expertise has earned Mr. Connelly a reputation for his creative ways of addressing clients’ most complex risk management and insurance needs.

“He never hesitates to tap all the resources available to him, if he believes it adds value for us,” said Lauren DeRidder, risk manager of the Lake County Public School District in Tavares, Florida. “He’s great at working directly with carriers and (third-party administrators) and even at times with competitors in order to gain access to

a particular market, all because it was our best interest to do it.”

She said Mr. Connelly’s efforts were instrumental in the school district’s transition to a self-funded casualty insurance program in 2013, with a \$3.5 million self-insured retention and \$1 million in excess aggregate coverage.

“He did such a great job presenting the strategy to our school board in a way that they’d be able to understand it and feel comfortable enough to move forward with it,” Ms. DeRidder said. “He put us in a position to take control of our insurance program.”

By Matt Dunning

**ALLEN W. HUDSON**

Vice president of commercial lines
Sahouri Insurance & Financial

31

For Allen Hudson, it’s all about responsibility.

As head of McLean, Virginia-based Sahouri Insurance & Financial’s commercial property/casualty department, Mr. Hudson said he enjoys his work because “you will never see the same thing twice. It’s a people business, the clients are different, their insurance needs are very different, and risk profiles are really different.”

“Responsibility is a big thing for me,” he said. “In the P/C world, your clients look to you for reinsurance, and there’s accountability involved.”

“He brings a ton to our organization,” said Michael Sahouri, the vice president and chief operating

officer of Sahouri to whom Mr. Hudson reports. “He was definitely born for the business.”

Mr. Sahouri said Mr. Hudson has “a keen eye for risk management” and is always putting clients and associates first — and always protecting the client.

“He’s very knowledgeable and educates us on an ever-changing landscape of insurance,” said Pat Ward, managing director of human resources at McLean Asset Management Corp. in McLean, Virginia. “Allen was immediately our person. He proved he understood the whole landscape.”

Since Mr. Hudson took over the department in 2010, the department’s revenue has quadrupled

and continues to grow. “We’re developing our market around niche industries,” he said.

Perhaps the biggest industry challenge is recruiting talent. He has to find people who, “whether they fell into the insurance business or they found it, they want to grab it by the horns and ride it.”

As part of the effort, Mr. Hudson has recruited fraternity brothers from the Kappa Alpha chapter at the University of Maryland to work as interns at Sahouri to experience what “insurance really is,” he said. “Introducing young professional people to the real insurance universe is an absolute must for the future of the industry.”

By Mark A. Hofmann

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BRIAN MACK

Vice president of commercial real estate and construction practice

Lockton Cos. L.L.C.

38

Brian Mack has never been afraid of a steep learning curve.

Prior to his career in insurance, Mr. Mack spent time in the Navy, including a stint as a nuclear power instructor in Naval Nuclear Power Training Command.

This commitment to accumulating and imparting knowledge serves Mr. Mack well in his current role as Washington-based vice president of the commercial real estate and construction

practice at Lockton Cos. L.L.C., where he spends the bulk of his time putting together programs for large construction companies.

He has held the position since starting with Lockton 2010.

"Brian has worked closely with me to increase the awareness of risk management and insurance throughout our organization," said Donnette Washington, Washington-based direc-



tor of insurance for general contractor Hitt Contracting Inc., noting the two teach a quarterly construction insurance class together and visit the company's satellite offices for "lunch-and-learn" sessions.

Likewise, Thomas W. Julian Jr., corporate counsel and risk manager at Centennial Contractors Enterprises Inc., credited Mr. Mack's knowledge

with helping him lower the company's risk profile and mitigate losses.

"Brian has proven time and time again to be knowledgeable not about just about his insurance industry, but also about the construction industry," Mr. Julian said.

Indeed, Mr. Mack said he approaches

his career as a continuous learning process.

"I work hard to keep educating myself by attending conferences and taking classes," he said. "Every time we tackle a new project, there's a wrinkle I haven't seen before, so my technical education also comes from my day-to-day work on these projects," Mr. Mack said.

By Bill Kenealy

BRIAN SEBOLD

Senior casualty broker

Aon Risk Solutions

33

It was a provocative question posed by a sign in an insurance broker's booth at a career fair that drew Brian Sebald into the world of insurance.

"It said, 'Can you handle a little risk?'" recalled Mr. Sebald, a senior casualty broker in Aon Risk Solutions' Dallas office.

Although his degree in finance from Southern Methodist University was pointing him in the direction of investment banking, the prospect of helping CEOs and chief financial officers protect their bottom lines

from losses seemed more challenging and rewarding, he said.

After graduation, he joined Marsh L.L.C. and completed a yearlong training program, graduating in the top 10% of his class. He continued to excel at Marsh, and was promoted to senior vice president by age 30.

He took a break from brokerage to learn about "the other side of the business," and spent 14 months working at American International Group Inc. as



an underwriter in late 2006 through early 2008, before returning to Marsh.

Since joining Aon in January this year, Mr. Sebald continues to exude a passion for risk management.

"He took a long time getting to understand my business," said Julie Cadenhead, director of payroll and benefits at CCS Medical, a diabetic supply distribution company based in

Dallas. At the same time, he took great care in explaining the intricacies of the insurance solutions he was proposing for CCS Medical's employee benefits programs, she said.

"Brian is one of those amazing people who is very easy to talk to and extremely articulate about his business,"

said Ms. Cadenhead, who said she worked closely with Mr. Sebald while in her previous job at Odyssey Healthcare Inc., which she left when it was acquired by Gentiva Health Services Inc. in 2010.

"Brian has an astute sense of the insurance industry and what impacts his clients," said Jerry Ferreira, resident managing director at Aon Risk Solutions in Dallas.

By Joanne Wojcik

MATT SEIDLER

Assistant vice president and sales executive

Wells Fargo Insurance Services USA Inc.

34

Matt Seidler has learned a lot in the 10 years he's worked in the insurance industry as an underwriter and a broker, but says the most valuable lesson is one he could have learned anywhere.

"Never burn a bridge and always take the higher road," said Mr. Seidler, assistant vice president and sales executive at Wells Fargo Insurance Services USA Inc. in Dallas. "Even if somebody chooses not to go with me as a broker, then I say, 'Thank you very much for the opportunity and if you ever need anything, call me.' It doesn't do anybody any good to get bent out of shape over it or get upset about it. ... Reputation is everything in this business."

Mr. Seidler's co-workers have praised him for acquiring more than 40 clients and a \$525,000 book of business in his two years at Wells Fargo.

"My underwriting experience really paved the way for me becoming the broker I am today," said Mr. Seidler, who was an underwriter and then underwriting manager at The Hart-



ford Financial Services Group Inc.

"I kind of got to see the good, bad and ugly from an insurance buyer standpoint. I really took those philosophies and those skill sets to being a broker. So I don't go out and say, 'I can save you money.' I go out and say, 'I can be your outsourced risk manager and really help you lower your cost of insurance year in and year out.'"

Mr. Seidler said knowing the best way to present information to clients is something that he learned as an underwriter.

Knowing what underwriters want, "I prepare all that from the get-go. I like to think that my team's submissions go to the top of the stack just because it has everything there," he said.

Tammy McClung, chief financial officer of Ready Cable Inc., a Fort Worth, Texas-based concrete construction supplier, said Mr. Seidler's efforts make a difference.

"Matt just takes a real personal interest in making sure that he places his customers with the right insurance carrier," Ms. McClung said. "He always is available, he goes out of his way to answer any questions and then follows up. ... It's just all around excellent customer service."

By Stephanie Goldberg

RYAN O. SMITH

Co-manager of executive sales

Wortham Insurance & Risk Management

36

In addition to his skills and hard work, Ryan O. Smith of Wortham Insurance & Risk Management can credit a fortuitous seat assignment for his successful insurance career.

In 2002, after getting his MBA from Texas Tech University, Mr. Smith took a job with the school's alumni association and found himself on a flight to Lubbock, Texas.

"I happened to be seated next to a now-retired partner for Wortham," Mr. Smith said. "I hadn't thought about a career in insurance, but our discussion

piqued my interest. We exchanged cards and eventually went to lunch."

He soon joined Wortham in a marketing role in its small-account division, which enabled him to learn the business from the ground up and accumulate expertise in areas as diverse as property/casualty, workers compensation and commercial auto, he said.

"I was in marketing for a couple of years learning the ins and outs of cov-



erages," he said. "When I was hired, the plan was for me to eventually assume an account executive role, but as a company we don't want somebody out there selling a product they don't thoroughly understand."

Since moving into production eight years ago, Mr. Smith has built up his own book of business and is now the co-manager of the executive sales department at Wortham. He also

serves on the regional sales committee as well as the Wortham Houston management committee.

Based in Houston, Mr. Smith has a strong focus on energy and real estate.

Linda Larabee, Houston-based vice president of asset management at TriStone Realty Management L.L.C.,

said she values Mr. Smith's knowledge and tenacity in negotiating a fair price when renewing the real estate investment and asset management company's master property program.

"Education in all facets of insurance is critical, and Ryan really stays on top of it," Ms. Larabee said. "Wortham has done a good job for me, and Ryan has led that team."

By Bill Kenealy

**TIM SORIANO**

Executive vice president

Brown & Brown of Georgia Inc.

34

Tim Soriano, who joined Brown & Brown Inc. after graduating from Florida State University's risk management program in 2002, has been among the top 1% of producers for 10 years.

Last year, he pulled in more than \$650,000 in revenue to finish 2013 as the No. 1 producer companywide to earn its "top gun" honor.

Mr. Soriano, the youngest recipient of the award, said the meritocratic culture at Brown & Brown has been a key driver of his success as well as a strong foundation at home.

Mr. Soriano, who was awaiting the birth of his second child, moved in May to Atlanta from Daytona, Florida, to lead that office and mentor other producers.

He oversees a team of about 40, and recruits new team members and handles existing clients.

"With great reward comes great responsibility," he said. "My goal now is to get each ... producer to my level and empower them."

In searching for solutions for clients, Mr. Soriano said, "I'd always like to be that uncommon person" who "gets up earlier, stays later, works harder."

He said his success would not have been possible without the team at Brown & Brown, and he particularly credits board members and executives J. Hyatt Brown, J. Powell Brown, Charles Lydecker and Tony Grippa with inspiring him.

"Tim's work ethic and passion for the insurance business has distinguished him as a leader among his peers," Mr. Lydecker said. "Tim works hard to provide his clients with creative solutions to meet their varying needs."

"His ability to attract good people to work with the company and build relationships with his clients has allowed him to have great success within Brown & Brown," Mr. Grippa said.

By Sarah Veysey

**GINA A. VISOR**

Nuclear client adviser

Marsh USA Inc., a unit of Marsh L.L.C.

36

As a certified nuclear chief engineer for the U.S. Navy, Gina A. Visor uses her military and engineering experience to help guide risk management and insurance placement strategies for nuclear power-related clients in Marsh USA Inc.'s power and utilities practice.

Based in Richmond, Virginia, Ms. Visor advises more than 80 clients on nuclear liability insurance through Marsh L.L.C.'s U.S. Nuclear Energy Center of Excellence and is the lead broker for four nuclear power plant clients.

She currently is acting as a risk adviser for two new nuclear reac-

tors that are scheduled to be constructed in the United States, and is developing a reputation as an expert in renewable energy.

Ms. Visor said her background as a nuclear engineer in the Navy has helped her excel at Marsh since joining the brokerage in 2007. She was drawn to the insurance industry when she interviewed with Marsh's utility practice at a military hiring conference.

"The most interesting thing about my job is that every day is different," Ms. Visor said. "The nuclear industry is in flux, and it's certainly exciting to see all of the new construction that's going on

right now, particularly in the U.S."

Rachel Rozelle, Charlotte, North Carolina-based risk manager of energy firm The Babcock & Wilcox Co., has worked with Ms. Visor for four years to place the company's nuclear property and liability insurance. She said Ms. Visor's "knowledge and her drive" make her a top broker in the field.

"She is always very flexible, professional, knowledgeable (and) able to explain insurance coverages to people who don't know a ton about insurance, trying to help them understand why they need the coverage they do," she said.

By Sheena Harrison

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ERIC J. GINSBURG

Area senior vice president
Arthur J. Gallagher & Co.

34

For Eric J. Ginsburg, a college internship showed him not only the career he wanted to pursue but where he wanted to pursue it.

The area senior vice president at Arthur J. Gallagher & Co. in Kansas City, Missouri, participated in Gallagher's summer internship program from 2000 to 2002 as a student at the University of Kansas, earning a strategic communication degree.

After graduating, he went to work for Gallagher in its Itasca, Illinois, headquarters. He moved to Kansas City in 2010.

Now he leads a team of more than 60 and is responsible for more than \$35 million in property/casualty premiums placed. He's also developed London market and alternative risk transfer expertise, and helped develop a captive insurer for an S&P 500 company.

Being a *Business Insurance* 40 Under 40 honoree "is a huge accomplishment," Mr. Ginsburg said, "but it was the support from clients and co-workers throughout this nomination process ... that was probably even a greater reward to me."

Among things he likes best about his job is its significance to clients.

"I enjoy the fact that because of what I can do for my clients they can sleep at night," he said. "What I love most is becoming a part of every one of my clients' businesses."

"He really gets into the company and understands where all the risk points

are. He's really a partner," said Lynne Berreman, chief financial officer at Safety Services Co. in Tempe, Arizona.

Mr. Ginsburg is committed to helping other young people discover opportunities in the industry. "I want to get the word out on college campuses that our business is the greatest business in the world," he said.

By Rodd Zolkos

**LINDSEY HARLAN**

Unit manager-reverse flow
Lockton Cos. L.L.C.

34

As manager of a unit that assists global placements, Lindsey Harlan relishes the challenge of connecting clients — often from high-risk businesses — with appropriate markets for their insurance.

Earlier this year, she was promoted to manage Lockton's reverse flow unit and to vice president of the Kansas City, Missouri, company.

Ms. Harlan, who graduated on a Saturday in 2003 and began work at Lockton the following Monday, said taking on the reverse flow team is one of her greatest accomplishments.

Ms. Harlan "manages a very complex speciality area working with reverse flow international business throughout the United States," said Peggy Henley, senior vice president

and unit manager at Lockton.

Ms. Harlan manages business that Lockton derives around the globe and then routes back through the U.S.

"Her clients have loved her tenacity and willingness to take their calls at all hours," said Ms. Henley. "Lindsey would definitely be my No. 1 pick every time when putting any team together, no matter the challenge."

Ms. Harlan has worked with more than 60 new Lockton associates as a trainer and mentor and considers "getting them where they want to be" as her No. 1 responsibility.

Ms. Harlan this year helped Lockton

to raise more than \$7,000 for pancreatic cancer charities, from which her father died. She also helped start a program to send care packages to U.S. soldiers and is a volunteer for the Cystic Fibrosis Foundation.

A keen soccer player and fan, she said she has found this hobby is valuable client relationship tool.

By Sarah Veysey



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L O C K T O N C O M P A N I E S

**KELLY KINZER**

Senior vice president
Marsh USA Inc.,
a unit of Marsh L.L.C.

33

Construction industry growth driven by economic recovery has made Kelly Kinzer one of the key brokers to which Marsh USA Inc. clients turn.

The senior vice president in Marsh's construction practice is one of the top professionals with the construction insurance sales team in Minneapolis.

She is responsible for placing insurance for construction projects in nearly half of the United States, including construction of the \$684 million St. Croix River Crossing project that connects Oak Park Heights, Minnesota, and St. Joseph, Wisconsin.

She also provides insurance and risk advisory services on construction projects around the world. She said clients want more risk management services, including advice on attracting talent and protecting aging workers, as construction has rebounded.

Ms. Kinzer began her post-college career as a construction underwriter for Zurich Insurance Group Ltd.'s construction program, and said that has proven helpful to her on the brokerage side of the insurance business.

"Each contractor and each project is so incredibly different, and the risks can range from simple to very complex. So each day is challenging, and the work is incredibly diverse," Ms. Kinzer said.

Mary E. Wawro, Minneapolis-based vice president and general counsel of commercial real estate firm Ryan Cos. US Inc., said Ms. Kinzer has "consistently delivered outstanding service" as a broker for the firm. "When I first interviewed Kelly, I was struck by her maturity, experience and knowledge. Now, after having worked with her, she has become one of my favorite outside vendors for the value and integrity of the service she provides," she said.

By Sheena Harrison

**RYAN KRAUS**

Senior vice president and producer
Aon Risk Solutions

36

After spending a few years working at a major advertising agency in New York, Ryan Kraus decided it was time to change course.

"I was an advertising major in college and gave it a try for a while, but quickly found out it wasn't for me," Mr. Kraus said. "I had an internship with Aon in 1999, so I revisited some of those relationships in the summer of 2001, and by 2002 I had landed a job with the financial services group, which does D&O executive liability."

In the new role, he worked to cultivate deep expertise in the directors and officers liability market.

Transferring to Chicago in 2005,

Mr. Kraus stayed in the D&O group until 2010, when he transitioned into his current role as senior vice president at Aon Risk Solutions, where he helps companies involved in mergers and acquisitions obtain representations and warranties insurance.

"I focus a lot on private equity, and specifically on transaction liability," he said, noting the market for representations and warranties insurance is evolving rapidly. "This is an area that I have dug into over the last few years, and we've seen double-digit growth over the last three years."

Jeffrey Wright, Chicago-based

associate general counsel for private equity firm GTCR L.L.C., said Mr. Kraus' ability to operate under tight competitive tight deadlines is a great fit in the rapid-fire world of private equity M&As.

"He's a true problem solver," Mr. Wright said.

"Coming to work can be mundane at times, but not when you are in the middle of executing a live deal, where this product can really help bridge a gap between the buyer and seller," Mr. Kraus said. "Getting those 'thank you' emails from clients is really what fuels us."

By Bill Kenealy



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VANESSA LONGNECKER

Senior vice president of strategic development

Hays Group Inc., dba Hays Cos.

34

Vanessa Longnecker says seeing “the ins and outs at every level” during her 15 years with Hays Cos. gives her a unique perspective on developing the talent on her team.

The Minneapolis-based senior vice president of strategic development jokes that she’s gone from sharing a table in a conference room to her own office overlooking Nicollet Mall.

“It’s simply the best journey that I could have possibly hoped for,” Ms. Longnecker said.

Having joined Hays as an intern in 1999 with the opportunity to learn from “the best of the best,” Ms. Longnecker said developing team members is extremely important.

When she accepted a full-time position with Hays in 2001, she became employee No. 42, she said, adding that the brokerage now employs about 750 people nationally.



“I strongly believe that we’re only as strong as our weakest link,” Ms. Longnecker said.

That does not mean that weaker employees should be terminated, rather those employees should be helped and developed “so we can all learn and be a team,” she said.

Julia Bertrand, a benefits consultant at Hays, said she’s known Ms. Longnecker for 10 years, “both professionally and as a friend.”

“She’s very highly respected, she’s a very forward-thinking leader at Hays Cos., and truly has a gift to make co-workers and clients, anyone around her, feel valued,” Ms. Bertrand said.

What really sets Ms. Longnecker

apart is her ability to challenge and motivate her co-workers to excel.

“Things are changing so quickly in our industry, and we all are constantly learning from each other,” Ms. Bertrand said. “Her ability to implement internal processes and drive improvement ... is truly a gift that she has and that she shares with the company.”

By Stephanie Goldberg

CHRIS NICOLETTI

Vice president

Integro USA Inc.

30

Chris Nicoletti was drawn to a career helping deliver insurance solutions for the logistics industry by college classes that left him with a fascination for the insurance and laws related to international transportation.

“I was intrigued by the history of marine insurance,” said Mr. Nicoletti, vice president of operations for the trade and logistics practice at broker Integro USA Inc. in Chicago.

He graduated from Michigan State University’s Eli Broad School of Business

with a major in general management and an emphasis on international business, with many of his classes focusing on international logistics. He also studied at Cambridge University, where he took classes in finance and insurance and business law.

With Integro’s trade and logistics practice, Mr. Nicoletti played a key role in expanding the broker’s reach into additional insurance markets to better serve clients. And, when the



company acquired a subsidiary of Navigators Group Inc. specializing in logistics in 2013, Mr. Nicoletti played a lead role in the integration of the new business into Integro’s operations.

Working in the trade and logistics area requires keeping up to speed with international laws. “We’re not at the attorney level of reading everything, but understanding the law is challenging and fun,” Mr. Nicoletti said.

He also enjoys helping clients work through claims.

“As an insurance broker you hate to mention the word ‘claims,’” he said. “But assisting our clients with their claims and damage to cargo has been very educational.”

Mr. Nicoletti said that among his goals are to continue to educate and develop his staff. He also wants to remain actively involved with the logistics industry’s various trade associations and help them in developing best practices for member companies.

“Chris always services the needs of the client,” said Laura Amico, chief financial officer at New York-based Aries Global Logistics Inc.

By Rodd Zolkos

DAVID C. NORRIS

President

Hylant Group Inc.’s Indianapolis and Bloomington offices

39

David C. Norris became the youngest president in Hylant Group Inc. history when the company bought AGIS Indianapolis, an employee benefits agency, in 2011.

Mr. Norris worked as president and partner of AGIS to grow the firm’s Indianapolis market share significantly between 2001 and 2011. He has brought that same leadership to his role as president of Hylant’s Indianapolis and Bloomington, Indiana offices, where revenue in the employee

benefits department has increased 88% in the last three years.

“We’ve had some pretty significant growth over the last few years,” Mr. Norris said.

Mr. Norris played football for Western Michigan University while earn-



ing a bachelors degree in business administration and marketing, and said he often applies skills from the field to his work at Hylant.

“Every week is a new opportunity, a new way to strategize, a different way to try to find a way to win the game,” he said.

Mr. Norris “has always proven himself to be a reliable and trustworthy sounding board for all of our needs,”

said Joe Kennedy, director of human resources for Schwarz Partners L.P., an Indianapolis-based transportation and packaging firm.

“Despite the sale of his first agency to his current company ... Dave has been able to retain the core group of people that are familiar with our account and success-

fully added additional resources, which has always allowed for a smooth transition,” Mr. Kennedy said. “For me personally, this speaks volumes about Dave and the fact that people want to be part of his team.”

By Sheena Harrison

“Every week is a new opportunity, a new way to strategize, a different way to try to find a way to win the game.”

JOSEPH D. SCHAUER

Vice president of risk management

Schauer Group Inc.

32

Although insurance is in Joseph D. Schauer’s blood, he didn’t just amble into the family business.

Rather, Mr. Schauer worked hard to earn his place in and help redefine the 95-year-old insurance agency Schauer Group Inc. founded by his great-grandfather.

Mr. Schauer said his intent to make a career of risk management crystallized while interning at the Canton, Ohio-based firm while attending John Carroll University near Cleveland.

“I was in school studying to be an attorney, but I ultimately found this part of the business more people-oriented,” he said.

Mr. Schauer began his insurance career as an employee benefits broker in 2004, but moved to be an account executive after obtaining his Chartered Property Casualty Underwriter designation. He later attended Cincinnati Insurance Underwriting School and The Hartford Insurance School of Insurance, and earned his Associate in



Risk Management designation in 2010.

Mr. Schauer, vice president and leader of the risk management division at Schauer Group, said ongoing education is essential if commercial insurance brokers are to become true risk management professionals who help clients solve problems.

“Throughout my career, I have never wanted to be viewed as just a salesman,” he said. “I have always sought a way to be a true adviser to my clients.”

Indeed, Bill Nolan, Canton, Ohio-based chief operating officer of Standard Printing Co., praised Mr. Schauer’s approach to his work.

“Joe is very detailed and organized and very responsive,” Mr. Nolan said.

Likewise, Todd LePage, Canton-based vice president of Whitacre Engineering Co., said he admires Mr. Schauer’s thoroughness and work ethic.

“We had our previous agent for 20 years and decided to give Joe a chance after (the agent in a difference agency) retired,” Mr. LePage said. “We’re very glad we did. He’s extremely diligent.”

By Bill Kenealy

**MARK VILA**

Executive vice president, chief marketing officer and chief placement officer

Willis of Illinois Inc.

39

For Mark Vila, the road to becoming a brokerage executive began on the accounting side.

Mr. Vila, who initially wanted to be a math teacher, joined Willis Group Holdings P.L.C. as an accounting coordinator in the Milwaukee office. Once he got in, “it was pretty exciting,” he said.

He moved from accounting to risk finance to sales and ultimately to management, relocating to Chicago where he manages a team of 17 placement brokers with \$500 million in premium volume.

Mr. Vila has “unique talent — he does a lot of things very, very well,” said Mike Liss, Chicago-based national partner of the Midwest region at Willis.

“His background is really more financial,” Mr. Liss said. “He already had a really good grasp of numbers, and ties that in with a really good personality and is good with people. It’s a formidable combination.”

“He really represents what Willis is all about in terms of our values — clientcentric, all about integrity and very much a team player,” Mr. Liss said.

Mr. Vila provides “outstanding customer service,” said Jeff Dato, head of regional risk and reputation (Americas) for InterContinental Hotels Group P.L.C. in Atlanta. “He’s a true business partner.”

Among other things, Mr. Vila worked with his team to devise an aviation workers compensation approach that includes a focus on loss prevention, aggressive claims management and financial analysis.

“We’ve helped 10 airlines over the past decade with that approach,” he said.

He says the most interesting part of his job is solving problems, which is “the most challenging but also the most fun” part of the job.

By Mark A. Hofmann

**SCOTT M. WICK**

Executive vice president and chief sales officer

Hub International Midwest Ltd.

37

Scott M. Wick, executive vice president and chief sales officer of Hub International Midwest Ltd., is knowledgeable about the insurance industry, but those who know him say his support of co-workers and clients is what really makes him an asset.

“You always want to work with someone who supports their team,” said Hailey Moor, senior human resources manager at economic consulting firm Compass Lexecon in Chicago. Ms. Moor said she was a client of Mr. Wick’s when she worked at Robbins Schwartz Nicholas Lifton & Taylor Ltd.

“He’s also always looking out for

his clients and his colleagues, and any opportunity he finds to plug them in or network them with people — help them out — you can always count on him to do that, which I really respect and appreciate,” Ms. Moor said.

Connecting people also is one thing Mr. Wick loves about his job.

As a broker, “we walk into a lot of different industries on a regular basis,” Mr. Wick said. “If I can help one business grow by adding a connection or maybe making an introduction somewhere, I love the opportunity to do that.”

The hope is “that I can bring more to their business than just an insurance solution,” he said.

Mr. Wick began his career as a business product specialist for Sentry Insurance Group before joining Hub in 2005, where he received its “retail rookie” award his first year.

Mr. Wick now has one of the largest books of business at Hub, and continues to grow that book by more than 20% each year, his co-workers said.

“If you’re not constantly out in front of your clients, having conversations about what’s new in the marketplace, I promise you somebody else is going to be trying to do that. There are no shortcuts in this game.”

By Stephanie Goldberg



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4040 UNDER BROKER AWARDS

BRADLEY BAUMGARTNER

Vice president of sales
The IMA Financial Group Inc.

36

After volunteering for the Peace Corps following college, it seemed only natural that Brad Baumgartner would pursue a career serving the non-profit world.

But being the son of Phil Baumgartner, who moved to Denver in 1975 to open American International Group Inc.'s first Denver office, insurance was in his blood. Moreover, Mr. Baumgartner's brother, Jason Mendrey, is one of the top casualty wholesale brokers for RT Specialty, serving as president of its San Francisco office.

"After I got back from the Peace Corps, I got into sales and advertising for the phone book. I was doing 100 calls a day. I wanted to do something more professional and business-to-business, and I talked to my dad and asked him what he thought would be a good fit for me. He thought my personality was well-suited to becoming a producer," recalled Mr. Baumgartner, now 36.

In his current role as vice president of sales at



IMA Financial Group Inc. in Denver that he's held since 2007, Mr. Baumgartner has helped grow the broker's not-for-profit practice.

"Interestingly, one of the first deals I did at IMA was with my brother," Mr. Baumgartner recalled.

In addition to his "day job," Mr. Baumgartner volunteers on various committees and boards in Denver including the Rocky Mountain Human Services Board and the Denver Hospice Board.

Mike Pritchard, chief financial officer of Goodwill Industries in Denver, who served with Mr. Baumgartner in Leadership Denver, a Chamber of Commerce leadership development program, in 2012, describes him as "a relationship builder" and "community-minded."

"As our health benefits broker for the past two or three years, Brad has been a tremendous value in helping us reduce costs. I have referred him to other non-profits," Mr. Pritchard said.

Mr. Baumgartner "has an incredible ability to assess situations and people," observed Sarah Flinn, a fellow producer in IMA's Denver office.

By Joanne Wojcik



ANDREW P. BOLGER

Vice president and sales executive

Wells Fargo Insurance Services
USA Inc.

29

Being one of a family of nine kids helped prepare Andrew P. Bolger, who is known as Drew, for his career as a broker.

"I grew up, obviously, in a chaotic environment," said Mr. Bolger, San Francisco-based vice president and sales executive in Wells Fargo Insurance Services USA Inc.'s life sciences business. "It really taught me I can get anything done if I just sit down and do it."

But being a hard worker also has certainly helped account for his success. In one particular instance, during the rollout of a client's clinical trial in 20 countries, he set his alarm for 1 a.m. every morning to check to see if the necessary documents had made their way to the appropriate contact in each country.

"Working with anything international, there's always a time lag," and a delay

can cost money, said Mr. Bolger.

Mr. Bolger, who has been with Wells Fargo since 2010, also believes in the personal touch and enjoys developing relationships with his clients. "We can do a much better job if we know the people we are working with ... than we would looking at them on a spreadsheet," he said.

Lora Figgat, risk manager at Sunnyvale, California-based NetApp Inc., gives Mr. Bolger high marks.

"I like working with him because he's very down-to-earth" and can explain complex concepts in a way the layman understands, Ms. Figgat said. "It makes it easy for me" to educate others "as to what we're doing and why."

"He's really fun," she added. "He has a great sense of humor, and he's driven and motivated, but not to the point where he loses sight of the individual. We can still maintain a good friendship as well as a good working relationship," she said.

By Judy Greenwald



RIK GOYTON

Senior vice president

Jardine Lloyd Thompson Group
P.L.C.

38

Rik Goyton had no idea his master's degree in political communication and rhetoric was preparing him for a career in insurance brokerage until recently, when he saw an article about businesses seeking more liberal arts candidates because of their critical thinking skills and interdisciplinary approach to problem solving.

"I read that and said, 'Hey, that's me!'" said Mr. Goyton, 38, a senior vice president and team leader since 2010 in Aon's Financial Services Group until last month when he joined Jardine Lloyd Thompson Group P.L.C. as a senior vice president in Denver.

Mr. Goyton joined Aon P.L.C. in 2001 after completing his master's at the University of Texas in Austin, thinking it would be a temporary job; he was planning to go back to school to get a doctorate so that he could teach at the college level.

"I wanted to find something interesting to pass the time for a year or two," he said. But after joining Aon's Los Angeles office, he discovered "it wasn't what I imagined insurance to be. It's fresh and different every day. I have the ability to touch a lot of different businesses and make an impact."

Mr. Goyton also has found the communication skills he honed in college to be integral to his job. "Communication is key," he said. "You always need to be talking to clients."

Jeff Purdy, corporate risk director at Falls Church, Virginia-based Computer Sciences Corp., appreciated Mr. Goyton's problem-solving skills when they worked together on the company's international directors and officers liability insurance program.

"Every year, we would revisit it at the time of our renewal, and we could never quite get our heads around what the exposure really was. We're a company that operates in 90 different countries, so we're truly a global enterprise. And as a publicly traded enterprise, we've got directors and officers at subsidiaries around the world," he said. "Rik was very diligent and persistent and focused on helping us through that process which culminated last year in us finally placing an international directors and officers liability insurance program" that required local coverage placements in 15 different countries.

By Joanne Wojcik

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**BRYAN GREEN**

Director
Crystal & Company

38

What initially started out as a temporary one-week position in the insurance industry has turned out to be a successful career for Bryan Green, a Portland, Oregon-based director in Crystal & Company's hospitality practice.

Mr. Green, who was recruited to join New York-based Crystal to open its Portland office in 2005, says his entry into insurance business in 1998 was a "complete accident, but what I learned very quickly was the breadth of opportunity" in the business, in areas including sales, analytics, claims and technical service.

There is also breadth in the hotels with which he works, which can range from 40-room establishments to Las Vegas casinos and Caribbean resorts, said Mr. Green, who also works with real estate owners.

Mr. Green, who earned his Chartered Property Casualty Underwriter and Associate in Risk Management certifications within the first three years of entering the industry, said he has "worked hard to understand the dynamics of the insurance business and find ways to be valuable even as a young professional."

It has had its rewards, he says. Mr. Green said he particularly enjoys "just the exposure to a variety of people and a variety of experiences, being able to work with small business owners in their business ventures, up to large public companies, and being able to talk to people around the country, around the world, and just being exposed to a variety of walks of life."

Mr. Green is "an extremely talented young man," says Robert Thimjon, chief financial officer of Sioux Falls, South Dakota-based hotel management firm The Ramkota Cos. Inc. "He understands us and what our needs are, and communicates that out to the market," he said.

By Judy Greenwald

**JARED HANNER**

Account executive
Arthur J. Gallagher & Co.

34

As an account executive on Arthur J. Gallagher & Co.'s Los Angeles Real Estate and Hospitality team, Jared Hanner is best known for his outstanding customer service, a skill he has honed since he began his career in insurance at the age of 16.

But Mr. Hanner reluctantly began his career in insurance only after his father asked him to help out at his insurance agency, Robert Hanner & Carl Davidson Insurance Services.

"Being young and wanting to rebel and just not do what your parents do, I did not want to work insurance. Unfortunately, my dad

approached me and said, 'You're 16, you should probably get a part-time job, and we need some help at the office.' I did that and it ended up being something that I liked," Mr. Hanner said.

Following his informal "internship," Mr. Hanner attended California State University in Northridge, studying business administration with an emphasis in financial services/risk management. But before his June 2003 graduation, he was already gainfully employed, having landed a position in April of that year at Arthur J. Gallagher & Co. in Los Angeles.

Mr. Hanner started out in middle market, eventually moving over to real estate and hospitality. This year he was named Gallagher's Western Region property practice leader.

Lindsay Monge, senior vice president and chief administration officer at Sunstone Hotel Investors Inc. in Aliso Viejo, California, endorsed Mr. Hanner's people skills.

"He always makes you feel like your question is important to him. He's always quick to respond. And he's always thinking outside the box," he said.

By Joanne Wojcik



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**MICHAEL L. JAHNER**

Vice president and
co-program manager

Alliant Insurance Services Inc.

37

One thing that can safely be said about Michael L. Jahner, Phoenix-based vice president and co-program manager for Alliant Insurance Services Inc.'s life science and medical product solutions group, is that he inspires loyalty.

John Ginzler, who recently joined Philadelphia-based biotech firm Soleo Health Inc. as vice president of finance, said he is looking forward to working once again with Mr. Jahner.

It will be the third company at which Mr. Ginzler has used Mr. Jahner's services, Mr. Ginzler said.

"He's the type of guy who just rolls his sleeves up, dives into what you have, identifies very well what the risks are" and provides good risk mitigation strategies, Mr. Ginzler said.

Mr. Jahner, who joined Alliant in 2005 as an associate broker after a year-long recruitment effort by Alliant's management, said one of the things he likes about his job is that he deals with developing technology "that can really be significant game changers for a lot of people" and save lives.

Mr. Jahner also said he likes the freedom to run his own business within the framework of a larger company.

"One of the great things about insurance is you are rewarded for how hard you work. You're rewarded for how well you produce and retain your business," he said.

Mr. Jahner, who had previously worked in sales for FedEx Services, a unit of Memphis, Tennessee-based FedEx Corp., says, "I learned early on, when I was in sales, that I liked working with people and liked helping people."

Certainly, Mr. Ginzler would agree that Mr. Jahner has admirably succeeded in being helpful.

"Mike is my vp of risk mitigation," he said.

By Judy Greenwald

**JEFF KLUGE**

Vice president, principal and consultant

GBS Benefits Inc.

38

When Jeff Kluge considered the sort of career he'd like to pursue after college, he focused on something recession-proof that allowed him to work with people and gave him a chance to work both in and out of the office.

Two other factors also shaped his view. "I love the problem solving part of consulting," Mr. Kluge said. And, "I really like negotiating and the strategy behind it."

As vice president, principal and consultant at broker GBS Benefits Inc. in Salt Lake City, he believes he's found a role that fits all those criteria.

Today Mr. Kluge, who has an MBA from Webster University as well as an undergraduate degree

in management and finance, is experienced in all areas of employee benefits plans and their funding. He's known for his ability to identify customer needs and present appropriate products and services to meet those needs.

"I have a lot of the marquee clients in our geography," Mr. Kluge said. "When I got into the business, you always heard that January is the busy season. What's surprised me is there is no busy season anymore — when you grow to a certain level you're always busy. Everything is always going 110 miles per hour."

"The biggest thing for me is customer service from any of my vendors or providers," said Brent Shi-

mada, senior vice president of human resources at EnergySolutions Inc. in Salt Lake City. "Jeff is absolutely top-notch — responsive, creative. He really tries to solve the problem without creating obstacles."

"He probably enjoys the challenge of looking at a problem or issue and seeing if he can come up with a solution to it," Mr. Shimada said. "And he really instills that in his whole team."

In addition to his individual success and that of his company, Mr. Kluge said that what he's enjoyed most about his job are "the people, my business partners, the friendships I've developed."

By Rodd Zolkos

**AMY S. MATTLE**

Executive vice president and chief
operating officer for Northern California

Willis of California Inc.,
a unit of Willis North America Inc.

38

While retailers strive to provide positive experiences for consumers, Amy S. Mattle has worked to do the same for retail clients of Willis of California Inc. in Northern California.

Ms. Mattle is executive vice president and chief operating officer for Northern California in the brokerage's San Francisco office, where she leads Willis' Retail Industry Practice Client Service team in Northern California and works as a "client advocate" for five large retail clients.

Her work allows her to advise clients on complex risks that they face around the globe, including cyber risk and supply chain risks

presented by political unrest or terrorism in various countries. Such situations have made working for Willis a rewarding experience, she said.

"Whether it's (Superstorm) Sandy or the political unrest in Vietnam and China ... I'm always at the forefront of those types of situations, and I find that really interesting," Ms. Mattle said.

Darcy Manning, San Francisco-based chief operating officer and general counsel for DHC USA Inc., said the skin care company began working with Ms. Mattle after looking for an insurance broker that would understand the company's retail business.

"We were concerned about switching to a big company like Willis since we are not a huge company ourselves," Ms. Manning said. "With Amy, we never feel like a small fish in a big pond. Amy and her team are responsive and helpful."

Ms. Mattle said she can see herself continuing to build upon her retail and insurance brokerage experience as her career evolves.

"To me, the possibilities in the (insurance) industry as a whole and at Willis are endless, so I think I could do almost anything that I would put my mind to," Ms. Mattle said.

By Sheena Harrison

**SAMANTHA RUNYON**

Vice president and Pacific south
environmental hub leader

Marsh USA Inc., a unit of Marsh L.L.C.

31

Samantha Runyon's co-workers say the Los Angeles-based vice president and Pacific south environmental hub leader at Marsh USA Inc. isn't one to break a sweat.

"She's kind of unflappable, really," said Chris Smy, managing director and global environmental practice leader at Marsh in Atlanta.

"She's very intuitive about the business, very good with clients, can handle a very heavy workload and doesn't seem to get overly stressed about it," he said.

According to co-workers and Mr. Smy, Ms. Runyon's "calming influ-

ence" also is appreciated by her clients, who trust her to quickly identify issues and provide and implement solutions.

"It's easy to get flustered in your day-to-day workload, getting things done, so it's nice to hear that it doesn't always come through on the other end," Ms. Runyon said. "It's a compliment."

She said her first job in the industry, as an underwriter for American International Group Inc., helps her serve her brokerage clients.

"It's really beneficial to start out on the carrier side. It's important to understand what the insurance

carriers are looking for and what they need to see, and then understanding what ultimately is most important to our clients," Ms. Runyon said.

Having been with Marsh for about seven years, Ms. Runyon said "there's always room to grow in your current position."

Her goals include better understanding current clients' needs and adding new ones to grow the book of business.

"She sets a great example for other people about how to operate," Mr. Smy said. "We like to grow people like that."

By Stephanie Goldberg

**BENJAMIN STERN**

Managing senior vice president
Heffernan Insurance Brokers

39

Professional. Aggressive. That's what F. Michael Heffernan III, president and CEO of Walnut Creek, California-based Heffernan Insurance Brokers, thinks of Benjamin Stern, senior vice president and branch manager of the Orange County office in Santa Ana, California.

"I think the fact that he was able to become successful in Southern California when we really didn't have much of a presence and he pretty much did it on his own is impressive. He had to create a presence down there and create a reputation for us and for himself and did a fantastic job in doing that," said Mr. Heffernan

Clients are equally impressed.

"We truly value our relationship with Ben, and he has become an integral part of our team. He is constantly watching out for our best interests including providing us with new product ideas and helping us to minimize costs without sacrificing the level of protection," said Vern LoForti, vice president and chief financial officer of InfoSonics Corp. in San Diego, a mobile phone provider.

"Ben solves problems and out-hustles everyone else," said Joseph P. Derhake, president of Partner Engineering & Science Inc. in Torrance, California.

Upon graduating business school

in 2003 at the University of Southern California, Mr. Stern decided on insurance after a 1995 internship at a Pittsburgh brokerage.

He and a friend "went into insurance because we thought we could make an impact coming out of school in an industry that wasn't being served" by his fellow business graduates, he said.

Mr. Stern, who has been with Heffernan since 2005, enjoys the challenge of providing an insurance solution.

"An insurance program is like a giant puzzle. It's fun and interesting to put the program together," said Mr. Stern.

By Matthew Lerner



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Thursday, Oct 23

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- Andrew Bolger, *Wells Fargo Insurance Services USA Inc.*
- Rik Goyton, *Jardine Lloyd Thompson Group P.L.C.*
- Bryan Green, *Crystal & Company*
- Jared Hanner, *Arthur J. Gallagher & Co.*
- Michael L. Jahner, *Alliant Insurance Services Inc.*
- Jeff Kluge, *GBS Benefits Inc.*
- Amy S. Mattle, *Willis of California Inc., a unit of Willis North America Inc.*
- Samantha Runyon, *Marsh USA Inc., a unit of Marsh L.L.C.*
- Benjamin Stern, *Heffernan Insurance Brokers*

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A thorough review by a panel of senior editors at *Business Insurance* considered various criteria related to nominees' client service skills, leadership skills and expertise. 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 were selected from nominations submitted by readers of *Business Insurance*.

BUSINESS INSURANCE

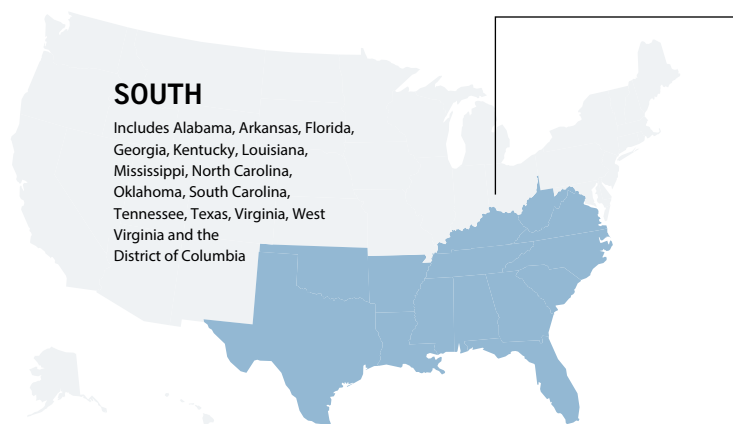
LARGEST AGENTS AND BROKERS HEADQUARTERED IN THE U.S., BY REGION

Based on 2013 brokerage revenue from U.S.-based clients, according to a *Business Insurance* survey.

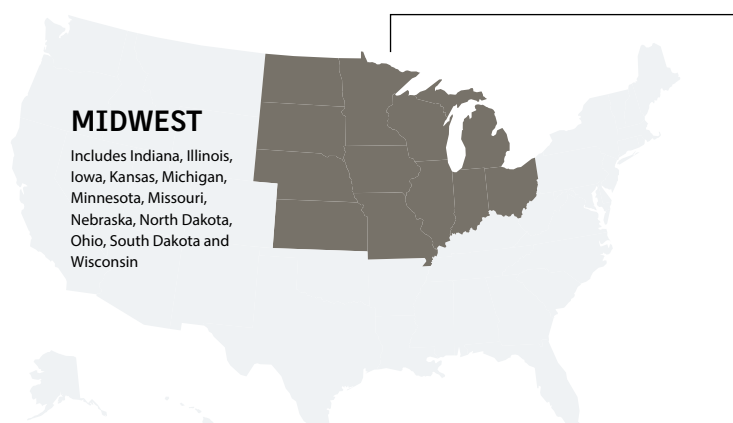


Rank	Company	Headquarters	Revenue	% increase (decrease)
1	Marsh & McLennan Cos. Inc.	New York	\$5,521,500,000	5.2%
2	USI Holdings Corp.	Valhalla, New York	\$782,207,827	9.8%
3	National Financial Partners Corp.	New York	\$741,974,806	(0.3%)
4	Crystal & Company	New York	\$144,800,000	5.4%
5	Paychex Insurance Agency Inc. ¹	Rochester, New York	\$123,700,000	13.1%
6	Integro USA Inc.	New York	\$112,085,600	16.7%
7	Cross Financial Corp., dba Cross Insurance	Bangor, Maine	\$78,929,000	17.6%
8	Capacity Group of Cos.	Mahwah, New Jersey	\$76,404,462	9.3%
9	Frenkel & Co.	New York	\$68,898,500	12.1%
10	First Niagara Risk Management Inc.	Buffalo, New York	\$66,821,605	(1.2%)

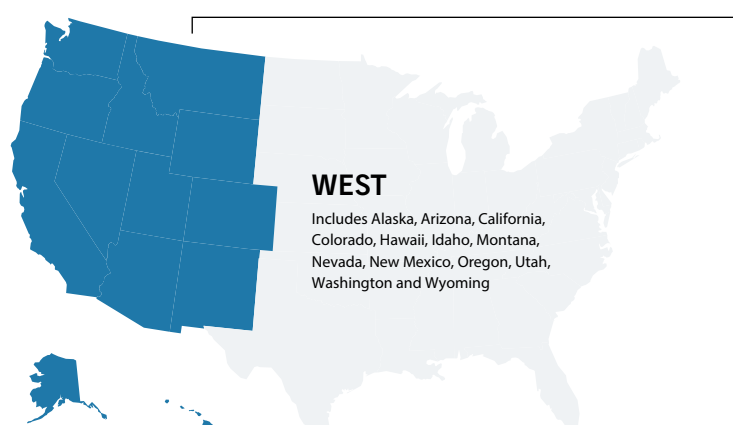
¹ Fiscal year ending May 31



Rank	Company name	Headquarters	Revenue	% increase (decrease)
1	BB&T Insurance Holdings Inc.	Raleigh, North Carolina	\$1,582,443,400	6.9%
2	Brown & Brown Inc.	Daytona Beach, Florida	\$1,355,502,535	14.0%
3	AssuredPartners Inc.	Lake Mary, Florida	\$345,794,848	46.8%
4	Wortham Insurance & Risk Management	Houston	\$124,311,320	9.9%
5	J. Smith Lanier & Co.	West Point, Georgia	\$120,328,459	7.4%
6	Insurance Office of America Inc.	Longwood, Florida	\$111,051,737	9.1%
7	Regions Insurance Group Inc.	Memphis, Tennessee	\$109,232,658	5.1%
8	Higginbotham	Fort Worth, Texas	\$108,012,000	17.3%
9	BancorpSouth Insurance Services Inc.	Tupelo, Mississippi	\$97,378,459	7.4%
10	Insurica Insurance Management Network	Oklahoma City	\$69,898,967	(3.9%)



Rank	Company name	Headquarters	Revenue	% increase (decrease)
1	Arthur J. Gallagher & Co.	Itasca, Illinois	\$2,111,340,000	10.7%
2	Wells Fargo Insurance Services USA Inc.	Chicago	\$1,350,022,000	(14.3%)
3	Lockton Cos. L.L.C.	Kansas City, Missouri	\$826,622,920	12.4%
4	Hub International Ltd.	Chicago	\$768,865,200	21.5%
5	CBIZ Benefits & Insurance Services Inc.	Leawood, Kansas	\$192,500,000	11.0%
6	Hays Group Inc., dba Hays Cos.	Minneapolis	\$154,600,000	10.0%
7	BroadStreet Partners Inc.	Columbus, Ohio	\$151,100,000	31.4%
8	Meadowbrook Insurance Group Inc.	Southfield, Michigan	\$150,615,466	2.7%
9	Holmes Murphy & Associates Inc.	West Des Moines, Iowa	\$111,582,242	7.1%
10	The IMA Financial Group Inc.	Wichita, Kansas	\$110,216,705	11.3%



Rank	Company	Headquarters	Revenue	% increase (decrease)
1	Alliant Insurance Services Inc.	Newport Beach, California	\$546,944,009	8.6%
2	Leavitt Group	Cedar City, Utah	\$202,642,000	13.0%
3	Keenan & Associates	Torrance, California	\$157,127,000	5.2%
4	Barney & Barney L.L.C.	San Diego	\$102,729,330	14.2%
5	PayneWest Insurance	Missoula, Montana	\$94,023,234	4.9%
6	Heffernan Group	Walnut Creek, California	\$91,969,491	10.5%
7	Woodruff-Sawyer & Co.	San Francisco	\$84,131,000	12.4%
8	Edgewood Partners Insurance Center, dba EPIC	San Francisco	\$72,797,530	14.3%
9	Propel Insurance	Tacoma, Washington	\$46,233,000	2.1%
10	InterWest Insurance Services Inc.	Sacramento, California	\$45,824,448	7.2%



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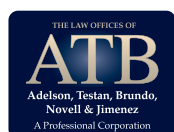
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USDA gives farmers risk management tools

The U.S. Department of Agriculture has released two new Web-based risk management tools to help farmers better manage risk.

The tools are designed to help farmers choose between two commodity farm safety net programs — Agricultural Risk Coverage and Price Loss Coverage — established in the 2014 Farm Bill, the agency said in a statement.

To use the tools, farmers enter information about their operation such as base acres and recent planting history, and receive projections about what each program will mean for them under possible future scenarios.

The tools were developed in collaboration with the Food and Agricultural Policy Research Institute at the University of Missouri and the Agricultural and Food Policy Center at Texas A&M, along with the University of Illinois.

Xuber software tailored for Bermuda reinsurers

Xuber, the insurance software business of Xchanging P.L.C., will begin to serve Bermuda's assumed reinsurance market.

Xuber for Reinsurers will offer software tailored to the reinsurance market, Xuber said in a statement.

The program offers four functional components — Xuber Contract, Xuber Claims, Xuber Billing and Xuber Retro Ceding — providing users with a common data model and standard integration framework. They can be deployed as stand-alone products or as part of a complete, end-to-end software suite, the statement said.

The software platform allows users to work across different time zones, currencies and languages with standard pre-configured templates equipped with automated reinsurance calculations and a user interface built around reinsurance terminology.

Hartford expands voluntary benefits options

The Hartford Financial Services Group Inc. has expanded its voluntary product suite with critical illness and accident insurance.

Hartford's Employee Choice Benefits' critical illness insurance provides a lump-sum benefit for the diagnosis of certain illnesses and medical conditions covered by the plan, while its accident insurance pays benefits for injuries, medical treatment and services due to accidents covered by the plan.

The voluntary benefits suite also includes flexible plan options for life, short- and long-term disability, and accidental death and dismemberment insurance.

Deloitte launches global crisis management center

Deloitte Touche Tohmatsu Ltd. has launched the Deloitte Center for Crisis Management. The New York-based com-



Cover unveiled for several franchisor risks

* Specialty broker FranchisePerils, a division of ExecutivePerils Inc., has introduced a product dedicated to franchisors.

FranchisorSuite helps secure appropriate coverage for franchisors and their directors and officers, Los Angeles-based FranchisePerils said in a statement.

FranchisorSuite combines D&O, franchisors' errors and omissions, employment practices liability, fiduciary liability and vicarious liability under a single policy with one insurer, premium and liability limit, according to the statement.

Additionally, FranchisorSuite has no franchise exclusion and includes full franchise disclosure document or franchise agreement coverage.

The policy is available in all 50 states and is underwritten by an A-rated insurer, according to the statement.

pany said the crisis management service center will operate globally and integrate existing Deloitte capabilities in areas such as forensics, financial crime, cyber crime, and resilience services.

"Clients are operating in an increasingly challenging global environment where a single mega-event or a combination of events can significantly disrupt an organization's strategic objectives, reputation, and/or existence," Deloitte global crisis management leader Jeremy Smith said in a statement.

Transamerica tech tools target benefits enrollment

Transamerica Employee Benefits is offering an interactive suite of education and decision support for eligible employer groups to encourage employee engagement in the benefits enrollment process, the Little Rock, Arkansas, company said in a statement.

This suite will be available through Jan. 1, 2015. Working with San Francisco-based Navera Inc., a provider of cloud-based software for self-service enrollments, Transamerica will provide education and decision-support tools driven by an animated personal benefits guide, the statement said.

The platform will include educational modules for voluntary products under-

written by Transamerica Life Insurance Co. — critical illness and accident insurance — along with medical, term life, hospital indemnity, dental and vision insurance modules, allowing producers and employers to provide a personalized experience to engage employees in the benefits enrollment process.

VRC Insurance Systems updates online portal

Virtual Research Corp. Inc. has updated its version of VRC Insurance Systems' cloud-based self-service customer portal.

The portal allows for sharing with agents, brokers, policyholders and insurers through a secure connection, the Westlake Village, California-based insurance technology research company said in a statement.

The cloud offers two sharing options, the statement said: Information can be shared by granting access to designated recipients, or information can be shared automatically with groups or divisions that regularly need access.

The cloud-based self-service portal reduces the possibility of data being entered incorrectly into the cloud.

USI, Ash team to offer retirement annuities

Benefits consultant USI Consulting Group is offering retirement plan sponsors guaranteed lifetime retirement income products for their employees through Fort Wayne, Indiana-based Ash Brokerage, a national wholesaler of financial products and services.

The service is available to all participants in its Direct Solutions program for defined contribution plan service, USI said in a statement.

The addition of the USI Annuity program provides an employer's plan participants a rollover solution for those who aren't sure how to choose income annuity options or determine their retirement income needs on their own, Glastonbury, Connecticut-based USI said in a statement. The program is intended to provide advanced planning, personalized support, customized solutions and access to leading financial products to address the lifetime income needs of retiring participants.

NAS Insurance Services upgrades cyber coverage

NAS Insurance Services Inc., an underwriting manager of specialty insurance, has enhanced its cyber liability insurance suite for businesses.

NetGuard Plus cyber liability policyholders now have the option to buy breach response coverage based on the number of customer records they wish to insure, Encino, California-based NAS said in a statement.

The policy can be endorsed to include dependent business interruption insurance that covers a business' loss of income should its essential technology vendors go down and affect policyholder operations.

DEALS & MOVES

Risk Strategies completes broker merger, acquisition

Risk Strategies Co. has completed both a merger and a broker acquisition deals this month.

The Boston-based broker and risk management consultant merged with privately held New York-based broker and risk adviser DeWitt Stern Group Inc., the companies announced in a joint statement.

Jolyon Stern will continue as chairman of DeWitt Stern and be appointed vice chairman of the board of Risk Strategies joining Michael Christian and Chairman Roger Egan, the statement said.

Risk Strategies will retain the DeWitt Stern name, and the existing management teams of both firms will remain in place. Further terms of the deal were not disclosed.

Separately, Risk Strategies announced it had acquired Crow Friedman Group, a professional liability brokerage headquartered in Memphis, Tennessee.

Terms of that acquisition were not disclosed.

John Crow and Don Friedman, the founders of Crow Friedman and their respective teams, will remain with the firm and do business as Crow Friedman Group, a Risk Strategies Company, according to a statement released by Risk Strategies.

HCC Insurance to buy crop insurer Producers Ag for \$110 million

Houston-based specialty insurer HCC Insurance Holdings Inc. has reached a definitive agreement to acquire Producers Ag Insurance Group Inc. from CUNA Mutual Group for approximately \$110 million in cash.

Amarillo, Texas-based ProAg writes multiperil crop, crop hail, named peril and livestock insurance in 41 states.

The deal, which is subject to regulatory approvals, is expected to close in the first quarter of 2015.

Acentria, Gateway complete merger

Acentria Inc. and Gateway Insurance Agency L.C. have consolidated into a joint venture and rebranded as Gateway-Acentria in the South Florida marketplace.

Independent agent Gateway has served Dade and Broward counties and West Palm Beach, Florida, since 1952.

Acentria, with 10 Florida locations, is expanding into the southeast corridor of Florida with the merger.

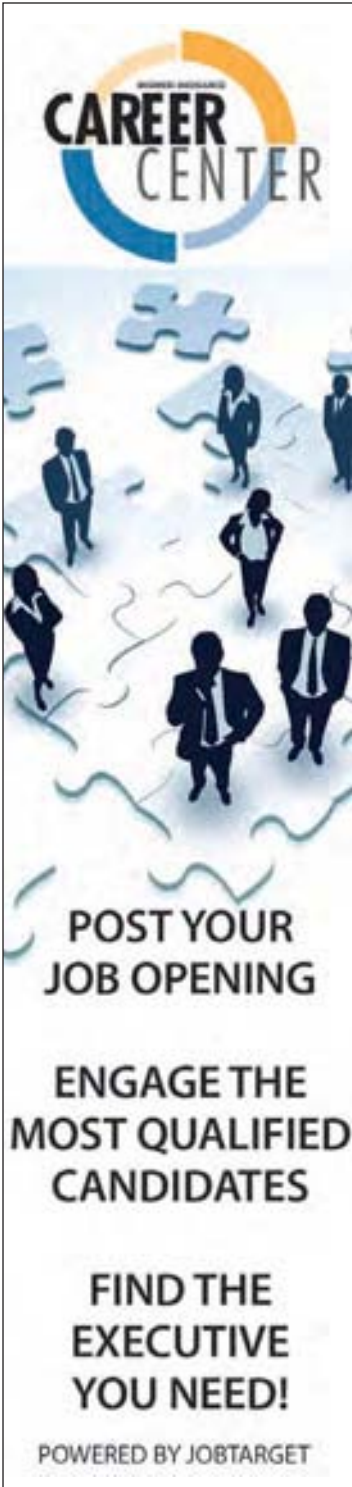
The company will maintain locations in Fort Lauderdale, Florida, and West Palm Beach, according to a statement.

Validus completes \$690 million Western World acquisition

Validus Holdings Ltd. has completed its acquisition of Franklin Lakes, New Jersey-based specialty lines insurer Western World Insurance Group Inc.

The \$690 million all-cash purchase gives Pembroke, Bermuda-based parent Validus a strong foothold in the U.S., Validus CEO Ed Noonan said in a statement. Western World will continue to operate as a stand-alone business led by current management, according to the statement.

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LEGAL NOTICE

**IN THE MATTER OF THE LIQUIDATION OF
 NEW YORK MERCHANT BAKERS
 INSURANCE COMPANY
 Supreme Court County of New York
 Index No.: 403106/97**

NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York ("Court"), entered on January 26, 1998, the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of New York Merchant Bakers Insurance Company ("NYMB") and, as such, has been directed to take possession of NYMB's property and liquidate its business and affairs pursuant to Article 74 of the New York Insurance Law ("Insurance Law"). The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of NYMB. The Liquidator has, pursuant to Insurance Law Article 74, appointed Scott D. Fischer, Acting Special Deputy Superintendent ("Acting Special Deputy"), as his agent to liquidate the business of NYMB. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038. The Liquidator has submitted to the Court a verified petition ("Verified Petition") seeking an order: (i) approving the Liquidator's report ("Closing Report") on the status of and request to close the NYMB liquidation proceeding ("Liquidation Proceeding") and the financial transactions delineated in such Closing Report; (ii) authorizing the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding; (iii) terminating and closing the Liquidation Proceeding; (iv) authorizing the Liquidator, without further application to the Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of NYMB with allowed claims who are eligible to share in a pro-rata distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets; (v) releasing and discharging the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding; (vi) authorizing and directing the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of NYMB without further order of the Court; and (vii) providing for such other and further relief as the Court deems appropriate and just.

A hearing is scheduled on the Verified Petition on the 1st day of December, 2014, at 9:30 a.m., before the Court at the Courthouse, IAS Motion Submission Part, 60 Centre Street, Room 130, New York, New York. If you wish to object to the Verified Petition, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator at least seven days before the hearing and upon the Clerk of the Court on the date of the hearing, along with an affidavit of service on the Liquidator.

Service on the Liquidator shall be made by first class mail at the following address: Superintendent of Financial Services of the State of New York as Liquidator of New York Merchant Bakers Insurance Company 110 William Street, New York, New York 10038, Attention: John Pearson Kelly, Esq., General Counsel.

The Verified Petition and Closing Report on the status of and request to close the Liquidation Proceeding are available for inspection at the above address. In the event of any discrepancy between this notice and the documents submitted to Court, the documents control.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6241.

Dated: September 18, 2014, Benjamin M. Lasky, Superintendent of Financial Services of the State of New York as Liquidator of New York Merchant Bakers Insurance Company.

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PART TIME

Continued from page 3

that it will stop providing group health benefits for part-time employees who work less than 30 hours a week effective next year. The retailer, on its blog, attributed the decision affecting about 30,000 employees to rising health care costs.

Wal-Mart's moves, which include higher premiums next year for employees who do qualify for insurance, bring it in line with other major retailers such as Target Corp., The Home Depot Inc., Walgreen Co. and Trader Joe's, according to the company's blog.

Wal-Mart did not respond to requests for comment.

Dave Hintz, technical manager of WorkSafe Services, a unit of Accident Fund Insurance Co. of America, said the Lansing, Michigan-based workers comp insurer is seeing more employers use a larger part-time workforce to reduce group health premiums.

"We've been exposed to some of it before, but we really are just starting to see some employers kind of looking into that," Mr. Hintz said.

Pam Ferrandino, executive vice president and casualty practice leader at Willis North America Inc. in New York, said she's concerned the trend will lead to an increase in workers comp claim frequency nationwide since California's system is a bellwether for other states.

She pointed to an August report from the Workers' Compensation Insurance Rating Bureau of California, which found workers comp indemnity claims increased 19% in Los Angeles County and 14% in the Los Angeles Basin in the past three years, despite declines elsewhere in the state.

Bill Mudge, president and CEO of San Francisco-based WCIRB, said in late 2013 that rising frequency may be partly due to increased part-time employee hiring as a result of the Patient Protection and Affordable Care Act.

Ms. Ferrandino agreed that part-time hiring could be a factor in rising frequency of comp claims in the Los Angeles area, with many in the hospitality, agriculture, retail and manufacturing sectors.

"The good news may be that there's job growth again, and often new employees tend to have a higher accident or a higher frequency of workplace injuries," she said. "But the other reason that could be driving it is the greater utilization in those industries of part-time workers."

Safety experts say part-time employees may receive less safety and job training than full-time workers and often are less experienced and skilled at staying safe.

Ms. Ferrandino also said that

PART-TIME EMPLOYEES

Some employers are shifting to part-time labor to reduce their group health insurance costs.

Company size	Shift made	Planned in next year
Fewer than 50	11.3%	2.8%
More than 50	8.3%	8.1%
All employers	8.7%	7.5%

Source: International Foundation of Employee Benefit Plans' June survey

using a higher number of part-time workers to cover a company's labor needs would mean more employees who could potentially be injured and file comp claims. A higher number of claims could generate higher workers comp prices for employers, cutting into cost savings on group health plans, she said.

"Increased frequency can increase your (experience modifi-



TUPUNGATO/SHUTTERSTOCK.COM

Wal-Mart Inc.'s decision to end health care benefits for many part-time workers could lead to an increase in workers comp costs, experts say.

cation factor), which can ultimately make your workers compensation costs go up," she said.

George Boué, vice president of human resources at real estate development firm Stiles Corp. in Fort Lauderdale, Florida, said most part-time workers are motivated to make a good impression and become full-time employees at their companies. However, workers who are held back from becoming full-time to reduce health care costs may feel "bitterness" that would prompt them to work unsafely or file a fraudulent workers comp claim.

"That does not create a high level of trust with the employee and the company, and as such ... I think that there can be a greater propensity for either safety issues or workers comp claims," Mr. Boué said.

Accident Fund's Mr. Hintz said part-time workers have some advantages over full-time workers, such as being exposed to safety hazards for fewer hours a day.

However, Mr. Hintz said some employers are unsure whether to provide the same level of job and safety training to part-time and

full-time workers. He said companies should make sure all employees are engaged in a "daily safety focus" teaching them how to prevent injuries regardless of the number of hours worked.

"Safety is no less important just because they're working in a diminished capacity from an hourly standpoint," Mr. Hintz said of part-time workers.

Selectemp's Mr. Grange agreed that companies that do not offer group health coverage to part-time workers should pay for proper safety training for such employees or risk higher workers comp costs.

Employers also should consider offering information to help part-time workers get health insurance so they don't turn to the comp system for primary health care, Mr. Boué said.

For instance, Wal-Mart said last week that it will work with Orange, California-based Health-Compare Insurance Services Inc. to "guide our associates through the process of finding the right, affordable health care."

"Employers should not lose sight of how important health insurance is to employees," Mr. Boué said.

The special mission exception is particularly common, Mr. Lois said, adding that, as an attorney, even trips from his home to court could be compensable if he were injured.

Going and coming cases have become more frequent because once "you have one case that settles, it's kind of a domino effect," said Rich Bleser, senior vice president and fleet safety specialty practice leader at Marsh Risk Consulting, a unit of Marsh L.L.C., in Milwaukee.

In some cases, an employer's good intentions "come back to haunt them," Mr. Bleser said.

Mr. Bleser recalled a case in which an employee who was injured while driving his vehicle pulling a company-owned trailer was awarded workers comp benefits. Rather than dropping the trailer off the night before, the employer allowed the worker to go straight home and return the trailer the next morning.

"It comes down to a judgment

call. You have to weigh the risks and understand that it may be deemed work time as they're driving in the next morning," Mr. Bleser said. "We tell (employers) they need to actually have their employees start out and end their day at the normal work facility as much as possible."

Employers can defend themselves against exceptions to the going-and-coming rule by conducting vehicle inspections, making sure workers have valid driver's licenses, and devising written guidelines and policies, Mr. Barry said.

"By restricting the parameters of what is acceptable use of the vehicles and restricting who is an acceptable driver of the vehicles, companies are starting to put these rules in place to help protect themselves and, ultimately, I think protect their employees," he said.

Some employers have put a formal process in place for workers who are dispatched for service calls from their homes, Mr. Barry

said. Having workers call and check in when they leave and arrive, noting the current time and mileage, can be helpful to employers should a case arise, he said.

"What you have to be careful of is if on the way if they stop somewhere and do a personal errand," Mr. Barry said. "It could definitely muddy the waters."

This is common at retailers that ask employees to save close parking spots for customers. "Once we tell the employees where they have to park their cars, then that extra walk they have to do isn't their regular commute anymore because we controlled it," Mr. Lois said.

"Some of these errors or the simple negligence of your employees cannot be planned away," he said. "The typical goings and comings that I see — the slip in the icy parking lot or the car accident on the way to the location — simply can't be avoided. It's about accident prevention and safety ... not really about preparing a legal defense."

SIIA

Continued from page 4

While SIIA works to preserve self-insured employers' pre-emption from state benefit mandates under the Employee Retirement Income Security Act, the Patient Protection and Affordable Care Act and other federal legislation and regulations continue to erode this protection, Mr. Ferguson said.

"The threats to ERISA pre-emption take many different forms, from taxes and assessments to regulatory schemes," he said.

SIIA also is keeping a close eye on the debate over whether to reauthorize the federal terrorism backstop, which reinsures some captives that self-insure terrorism risk, he said.

"If that law expires, the option to use captive insurance for terrorism exposures goes away," Mr. Ferguson said. "In the waning days of this congressional session, we expect this to go down to the wire, and we're engaged on that."

Though SIIA has a federal lobbyist, that alone "just doesn't cut it these days," he said. "In order to be an effective advocacy organization, we have to have what I call an 'advocacy toolbox,' which includes multiple tools that you use in different ways in order to get where you want to go," he said. To this end, "SIIA has been building its toolbox to make it larger and more effective over time."

In addition to its federal lobbyist in Washington, SIIA has added an in-house state lobbyist and put another on retainer in New York, Mr. Ferguson said. SIIA also urges its members — especially employers — to join the fight as part of a grass-roots lobbying campaign.

In many cases, "when you put a constituent in front of a member of Congress and have them talk eyeball-to-eyeball about the issues that are affecting them," it can have a greater effect than professional lobbying efforts, Mr. Ferguson said. "Employers need to get more involved by meeting with their elected officials to explain the role of self-insurance and why it's so important." SIIA also has joined forces with nine other insurance industry and employer groups to form the Self-Insurance Defense Coalition, he said.

In addition to SIIA, the other members of this coalition are the U.S. Chamber of Commerce, the National Association of Manufacturers, the Council of Insurance Agents and Brokers, the National Association of Wholesalers-Distributors, the National Retail Federation, the National Association of Health Underwriters, the National Franchise Association, the National Electrical Contractors Association and Heating, Air-Conditioning & Refrigeration Distributors International. The group will coordinate lobbying, litigation and media relations of the national trade associations on self-insurance issues at the federal and state levels, Mr. Ferguson said.



VEHICLES

Continued from page 4

York with reputations of being plaintiff-friendly.

Greg Lois, a partner at law firm Weber Gallagher Simpson Stapleton Fires & Newby L.L.P. in New York, said he can recall a number of going and coming cases in New York in which employees have been entitled to workers comp benefits because of such exceptions.

Unproven startups carry extra D&O risks

The directors and officers liability market for coverage related to initial public offerings is stable and coverage is adequate, but insurers may take a closer look at IPOs brought under the Jumpstart Our Business Startups Act.

There is a “healthy appetite” among D&O insurers to write IPO coverage, said Steve Boughal, New York-based vice president and chief underwriting officer of Hartford Financial Products, a unit of The Hartford Financial Services Group Inc. “We look at it as new business

opportunity.”

However, “the market is cautious on the transition of private to public, and (insurance coverage) typically comes at a higher price than for a company that’s been public for a while,” Mr. Boughal said.

Emerging growth companies that file under the JOBS Act “may have a more volatile risk profile” or be perceived as such by underwriters, said Brenda Shelly, New York-based managing director at Marsh L.L.C.’s FINPRO unit.

There might be a more limit-

ed appetite for such companies, which do not have a proven revenue stream and whose business model is “a little unclear,” said Kenneth W. Ross, New York-based executive vice president of Willis North America Inc.’s FINEX North America.

In addition, biotechnology companies, which also account for many of the JOBS Act IPOs, may have more difficulty in obtaining coverage because they historically attract more litigation, observers say.

By Judy Greenwald

IPO

Continued from page 3

permitted to submit draft registration statements confidentially to the U.S. Securities and Exchange Commission and are exempt from the requirement of an auditor attesting to the effectiveness of a company’s internal controls over financial reporting, among other provisions.

While experts say there are steps companies can take to win an early dismissal of IPO-related litigation or settle a case for a relatively small amount, the market for directors and officers liability insurance remains competitive although underwriters are somewhat wary of D&O coverage for JOBS Act-related IPOs.

Litigation typically is filed within three years of an IPO, usually in response to lower stock prices sparked by a company announcement.

“IPOs have always attracted a lot of attention from the plaintiffs bar because ... historically, Wall Street’s enthusiasm for the IPO is very high, which sets very high

expectations, and there’s great demand for these new offerings,” said Peter Taffae, managing director of Los Angeles-based Executive Perils Insurance Services. But “quite often those expectations aren’t met” by companies that may have little history and an unproven track record, he said.

IPOs are governed by Section 11 of the Securities Act of 1933, under which plaintiffs do not have to prove there was intent or knowledge of wrongdoing on the part of the issuers. This is not the case once a company has gone public and issues more stock, which falls under the Securities and Exchange Act of 1934.

In addition, the JOBS Act rolled back some provisions of the Sarbanes-Oxley Act of 2002 that were considered onerous and blamed for reducing the number of U.S. IPOs, prompting some companies to instead list their stock on foreign exchanges, said Trevor Howard, New York-based senior vice president of management liability at Liberty International Underwriters.

Jacqueline Urban, Chicago-based senior managing director and practice leader in Aon Risk Solu-

tions financial services group, said the extent to which companies that launch an IPO under the JOBS Act do not follow the required procedures may leave them susceptible to improper or inadequate disclosure and other charges in litigation.

The theory of liability is the same, though — either information omitted from the registration statement, or misinformation included within it, caused someone to purchase the stock, she said.

Priya Cherian Huskins, partner and senior vice president at broker Woodruff-Sawyer & Co. in San Francisco, said a case typically is filed after a company makes an announcement, presumably with bad news, and the stock price drops.

Plaintiff attorneys are likely to take the position that the company’s management and board of directors “knew that there was bad news coming around the corner but didn’t tell the public so they could sell the stock at the higher price” at which it was sold before the announcement, she said.

“The No. 1 thing” to avoid successful litigation is to have good

their ability or inability to work” to employees who are not pregnant.

According to court documents, UPS did not allow Ms. Young to work during her pregnancy after her doctor and midwife recommended she lift no more than 20 pounds. Ms. Young alleged UPS’ lack of accommodation violated the Pregnancy Discrimination Act of 1978, but a three-judge panel of the 4th U.S. Circuit Court of Appeals sided with UPS in ruling it had a “pregnancy-blind” policy.

Beyond employment, the court will examine whether the 72-year-old Wartime Suspension of Limitations Act applies to claims of civil fraud in *Kellogg Brown & Root Services Inc. et al v. United States*.

The law includes criminal charges for “any offense” involving fraud against the government while the country is at war. The U.S. Department of Justice said some courts have held that it also

applies to civil fraud claims brought by private parties and is triggered without a formal declaration of war.

“This is a huge case,” said Ms. Conrad. “This is the sleeper case of the term. This country is in a

“This is a huge case. This is the sleeper case of the term. This country is in a perpetual state of war.”

Robin Conrad,
McKenna Long & Aldridge L.L.P.

perpetual state of war.”

An analysis by the Washington-based National Association of Manufacturers concludes that “the expansive reading of the statute paired with the argument that the



LEV RADIN/SHUTTERSTOCK.COM

Recent initial public offerings have often featured companies in the technology, financial and energy sectors that have filed to go public under the Jumpstart Our Business Startups Act of 2012.

advisers so “the company can make sure that the timing is right for its initial public offering,” said Nathaniel D. McKitterick, a partner at DLA Piper L.L.P. in East Palo Alto, California.

“You need to be careful with your public pronouncements,” IPO materials and what is presented to investors, said Joseph Monteleone, a partner at Rivkin Radler L.L.P. in Hackensack, New Jersey.

It is also important for companies to consider the type and quantity of directors and officers liability insurance they obtain “so if they do get sued, they’re well positioned to defend themselves,” said

Kevin LaCroix, an attorney and executive vice president at RT ProExec, a division of R-T Specialty L.L.C., in Beachwood, Ohio.

When companies do settle IPO-related litigation, experts say factors that affect the size of the settlement include the amount the stock decreased in price, the amount of stock owned by the public, the strength of plaintiff allegations, whether allegations include insider trading or accounting irregularities, the success of procedural challenges, the size of the plaintiff class, and the availability of insurance and other funds to finance the settlement.

SCOTUS

Continued from page 3

whether the EEOC met the conciliation requirement.

In recent years, “federal judge after judge” has sanctioned the EEOC for bringing suits it shouldn’t have, Mr. Maatman said. “The case has huge practical significance because if the EEOC is subject to judicial review, it acts very differently. If it knows a judge can’t review what it does, it tends to act in an extremely aggressive manner.”

A third employment case deals with workplace accommodations for pregnant employees. At issue in *Peggy Young v. United Parcel Service Inc.* is whether, and in what circumstances, an employer must accommodate pregnant employees who are “similar in

valid claim under applicable state law.

In *BP Exploration & Production Inc. et al. v. Lake Eugenie Land & Development Inc. et al.*, a three-judge panel of the 5th U.S. Circuit Court of Appeals held that a class can be certified even if it includes members who suffered no damage from the defendants.

“It’s a fundamental issue of whether the courts will enforce agreements that involve parties that are not actually injured by the spill, or by any act that causes damage somewhere,” said Quentin Riegel, vice president and deputy general counsel with the National Association of Manufacturers, which has urged the Supreme Court to review the case.

“If there’s any situation where a company is sued, you can see where there would be parties that might take advantage of the situation,” Mr. Riegel said.

U.S. has been at war since Sept. 11, 2001, leads to a tremendous expansion of potential liability for never-ending claims about which evidence may be long gone.”

The case is an opportunity for the high court “to prevent an unwarranted judicial expansion” of the wartime law “beyond the plain text of the statute and contrary to congressional intent,” the association said in its analysis.

“The courts have said these guys have forever to file these claims,” Ms. Conrad said. “It has the potential to apply across the board to any type of false claim that is filed.”

Observers also are waiting to see if the Supreme Court takes up a case stemming from the 2010 Deepwater Horizon oil spill in the Gulf of Mexico concerning whether a class can be certified in a civil damages case if a large portion of the class did not have a

Evolving health care sector offers risks and rewards

Affordable Care Act, expanded nursing duties and electronic health records affect risk-retention groups

BY STEPHANIE GOLDBERG

CHICAGO — The Patient Protection and Affordable Care Act and the subsequent health care market changes present new threats for many risk retention groups.

Like insurers that cover health care professionals, risk-retention groups — the vast majority of which are in the health care industry — should re-evaluate their exposures as new ACA regulations are implemented and the market continues to change, said Patricia Marzella-Graubart, vice president and senior treaty underwriter at Swiss Reinsurance America Corp. in Armonk, New York.

“We’re not telling people to raise rates or do anything,” Ms. Marzella-Graubart said. “We’re just saying, ‘Are you looking at the exposure?’”

Ways in which ACA may affect risk retention groups was a featured topic during the National Risk Retention Association’s conference earlier this month in Chicago.

Salvatore Samá, senior vice president and head of U.S. professional underwriting at Swiss Re in Armonk, New York, said the responsibilities of health care professionals, such as nurse practitioners and physician assistants, are expanding.

Liability insurance “rates could have been put together with the thought that a nurse practitioner does X, a physician assistant does Y,” Mr. Samá said.

“Now if they’re doing more than that, have you revised rates or pursued an actuarial study to revise your rates to make sure that you’re charging an adequate premium for the exposure you’re taking on?”

Health reform and the already shifting health care market, such as physicians becoming employees of hospitals, could provide “opportunities and challenges” for risk retention groups, Ms. Marzella-Graubart said of issues such as electronic health records, the delay in implementing the employer mandate, opportunities to cross-sell coverage and new technology.

One example of new technology is MedFax, which provides “real time risk management” to insurers, said CEO Gemma Cunningham. She founded Glendale, California-based TruthMD L.L.C. three years ago and it provides the MedFax database to clients with information on physicians, hospitals medications and medical devices.

One of the biggest underwriting challenges is that physician information often is self-reported, Ms. Cunningham said.

“If the physician chooses not to reveal certain information, maybe a license (issue) in another state or

a malpractice settlement ... the underwriter may never know,” she said. “By not knowing, it could greatly affect the level of risk.”

In a study of 485 physicians with malpractice coverage through an unnamed New York insurer, MedFax found that 32% failed to report at least one past claim, lawsuit or other matter of public interest.

Ms. Cunningham said 40 physi-

cians cost the insurer at least \$2.6 million in settlements.

Ms. Marzella-Graubart and Mr. Samá said there are several ways risk-retention groups can prepare for the unknown effects of ACA.

Risk retention groups can revise their applications for coverage to make sure they’re getting the information they need, Ms. Marzella-Graubart said.

“Are your questions appropriate on your application, are you looking at the business and the way it’s evolving, and keeping up with evolving exposures, accelerating technology and all of the changes that are going on at light speed?” she said.

Meanwhile, mandates associated with electronic health records have made it necessary for risk

retention groups to consider cyber exposures, Mr. Samá said, adding that medical records are worth far more than credit card numbers on the black market.

“Once any of us call American Express or Visa and cancel the card, that number is essentially useless,” he said.

“Our health information doesn’t really change.”

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(1) Outside County Paid/Requested Mail Subscriptions Stated on PS Form 3541 (Include direct written request from recipient, telemarketing and Internet requests for recipient, paid subscriptions including nominal rate subscriptions, advertiser's proof copies, and exchange copies)	33,853	34,414
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18. I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).		
Frank Quigley, Publisher 9-29-14		



ORIENTALY/SHUTTERSTOCK.COM

Data-driven analysis and recommendations supplement farmers' knowledge to help them better manage risks.

AGRICULTURE

Continued from page 1

farm production to improve their profitability.

“Whether it is raising livestock or grain production, there’s just an immense amount of risk,” Mr. Hill said, speaking by phone last week at his farm during a break from the harvest. “You can throw millions of dollars out in the field on the hope and a prayer that there will be something there later on in the year.”

The 2014 Farm Bill has eliminated direct payments to producers, which previously were paid regardless of whether farmers had a loss, and now links subsidized crop insurance more tightly with federal safety net programs.

As part of that legislation, the U.S. Department of Agriculture in late September released Web-based tools to help farmers decide between a yield-based or price-based safety net program.

Doug Yoder, senior director of affiliate and risk management at the Illinois Farm Bureau in Champaign, Illinois, said the new farm bill puts a premium on risk management. While the direct payments of the previous farm bill were unrelated to private crop insurance, the new safety net programs “are very much like crop insurance,” he said.

“This farm bill is like none other before because it requires you to integrate your safety net choices with your crop insurance,” Mr. Yoder said. “There’s no way to use the safety net tools without also incorporating your crop insurance

selection.”

Keith Coble, Tuscaloosa, Alabama-based Giles distinguished professor of agricultural economics at Mississippi State University, said agricultural risk managers have become more comfortable using upgraded weather and soil data to aid decision-making in their farm operations.

“Producers have to become sophisticated risk managers and understand risk at a fundamental level,” Mr. Coble said. “As I continue to interact with the producers, the sophistication of the managers is just skyrocketing.”

Rick Shanks, Kansas City, Missouri-based national managing director of Aon Risk Solutions’ food system, agribusiness and beverage practice, said larger farms

can afford better technology.

“There has been such a consolidation in the farm industry, so the people that have large operations tend to be the most sophisticated risk managers,” Mr. Shanks said.

Mr. Hill said farmers can tap higher-resolution images from satellites, airplanes and even drones, enabling more precise remediation, such as using more fertilizer only on certain sections of a field.

“You can now identify shortcomings whether from improper drainage or problems due to drought,” he said. “Imagery goes a long way to identifying stressors to the crop and to more precisely deliver whatever intervention is necessary.”

Crop insurers also are using higher-quality imagery to fine-tune their models, said Andreas Rohm, Chicago-based senior underwriter of agricultural risks with Munich Re America. “Granular satellite data is becoming increasingly important for yield modeling purposes, since the models can be better calibrated,” he said.

Crop insurer The Climate Corp., formed in 2006 by two former Google Inc. employees and acquired earlier this year by agribusiness giant Monsanto Co., crunches terabytes of weather, soil and crop data daily to help the agriculture industry — which generated gross U.S. farm output of more than \$374 billion in 2011 — mitigate risk. The farm output data is the latest available from the U.S. agriculture department.

“Over the last 10 years, the amount of data that farmers have been getting off their fields has

grown exponentially, but the problem has been drawing insight from it,” said Cameron Norgate, San Francisco-based director of product management at Climate Corp. “Our intent is not to tell a farmer how to do his job, but to supplement the knowledge that they have with data-driven analysis and recommendations.”

Sophisticated tracking devices installed on farm equipment also have increased the precision of data collected, Mr. Norgate said.

“We’re pretty much down to the square meter when it comes to tracking what’s going on in the field,” he said.

Michael Langemeier, Lafayette, Indiana-based associate director of the Center for Commercial Agriculture at Purdue University, said new technology also will make farmers better able to manage environmental damage due to field runoff.

“The new precision technology is really going to help farmers with environmental risk,” Mr. Langemeier said. “We can now do a much better job of utilizing fertilizer in the field and managing parts of fields that are close to water.”

This precision agriculture is a long way from the techniques his grandfather use to work the family farm.

“My grandfather knew every square foot of his farm because he went over it with a horse or a 30-horsepower tractor,” Mr. Hill said. “We can do that now with technology, whether it’s a soil survey or a fertility map. So what we once knew intuitively is now well documented, and you are using data to make decisions.”



“This farm bill is like none other before because it requires you to integrate your safety net choices with your crop insurance.”

Doug Yoder,
Illinois Farm Bureau

Access Business Insurance’s interactive digital edition to hear Doug Yoder discuss the 2014 Farm Bill with Associate Editor Bill Kenealy.

PRIVATE

Continued from page 1

midterm elections.

Should Congress not act by the deadline, sources said the private market likely would see disruption as buyers rush to secure affordable private-market terrorism coverage following expiration of the federal backstop.

Despite the uncertainty, new capacity has entered the stand-alone market this year. That has created competition and softer pricing outside of peak peril zones, where capacity continues to be tight in so-called tier 1 cities such as New York, Chicago and San Francisco.

In addition, some companies in the Atlanta and Washington areas also are considered high risks.

Ironshore Inc. is offering \$300 million in limits, said James Dover, who joined the insurer in February as senior vice president of the terrorism and sabotage insurance practice in New York.

“We came into the market with \$300 million in single-risk capacity and we’ve used that,” Mr. Dover

said. “There’s definitely competition for business, and that has definitely led to pricing reductions” in lower-risk areas, where pricing has gotten “very aggressive” and resulted in reductions of 10% to 20% in some cases, he said.

Pricing competition also has led to new buyer interest, said David Eliot, who specializes in the stand-alone terrorism market at London-based broker Miller Insurance Services L.L.C.

“We have seen more activity,” Mr. Eliot said.

Interest is coming from buyers who previously bought terrorism coverage backed by the U.S. backstop, as well as clients buying private coverage for the first time, both lured by more competitive rates, he said.

“It’s become even a more competitive marketplace,” said Mary Pat Thurston, a partner at managing general agent Global Excess Partners L.L.C. in New York.

“The stand-alone product is now even a better option for people because it’s gotten more competitive. The prices have gone down significantly,” Ms. Thurston said.

Global Excess is preparing to offer terrorism quotes to every

client at renewal as a standard practice.

Jennifer Rubin, New York-based vice president and underwriting leader of war, terrorism and political violence coverage at Hiscox USA, said the insurer raised its stand-alone terrorism insurance limits to \$200 million in June. It is binding more business at lower rates due to the increased competition, leaving overall premiums flat, she said.

“In terms of demand, there are more buyers interested in buying a stand-alone option, but the market this year has been extremely competitive because a lot of new capacity has come in, particularly in the U.S.,” she said.

Rates declined as much as 40% in nonmetropolitan areas of the country, while premiums in large cities remain flat, said Ms. Rubin.

The difference in the markets is exemplified by the capacity that is available.

“There’s anywhere from a little over \$2 billion on a normal maximum line to a little over \$3.2 billion on an absolute maximum line for any one insured or reinsured on a large, complex deal including North American placements,” said

Aaron Davis, New York-based managing director at Aon P.L.C.’s property broking unit.

“Now that can drop off rather dramatically in significant problem zones, where there’s limited aggregate capacity available,” Mr. Davis said. “It can be as little as \$250 million and maybe as much as \$750 million for many of our clients.”

Others also said the differences in geography counts a lot in terrorism underwriting.

“The limiting factor in stand-alone terrorism insurance has always been the tier 1 (high-risk) cities,” said Tarique Nageer, New York-based senior vice president and head of terrorism placement and advisory at Marsh L.L.C. “For any clients with exposures in those zones, capacity continues to be limited, and what’s available can be expensive.”

“There’s still, obviously, the highly aggregated zones in the U.S. where there is still a capacity constraint,” said Wendy Peters, Radnor, Pennsylvania-based senior vice president of the terrorism practice group at Willis North America Inc.

Ms. Peters estimated the overall

market has about \$3.7 billion in capacity, but the maximum a risk in any tier 1 city could get is about \$1 billion.

“In our existing portfolio across the 12 industry subsectors that we track, quarter on quarter we’ve seen 20% increases in the takeup for stand-alone terrorism coverage,” said Aon’s Mr. Davis.

Marsh’s Mr. Nageer estimated the broker is seeing a 50% increase in inquiries and binding new business.

The added commerce comes from those looking for additional limits on existing terrorism coverage, as well as first-time buyers, he said.

Should Congress fail to renew the Terrorism Risk Insurance Program Reauthorization Act, on Jan. 1, 2015, the private market could see disruption as available capacity is drained.

“There will not be enough stand-alone capacity to replace embedded TRIA capacity,” Mr. Davis said. “Aon views TRIA as critical to a functioning market.”

“If TRIA expires, clients are going to need to have a solution very quickly,” Hiscox’s Ms. Rubin said.

WELLNESS

Continued from page 1

laws and federal rules enacted earlier this year under the health care reform law encouraging employers to use results-based incentives to drive better health management among their employees.

Without a clearer view of the EEOC’s position, Ms. Roer said employers face “a difficult environment, and one where I think we are going to see more lawsuits and more friction between an employer’s reasonable efforts to provide wellness benefits to their employees and a rising potential arena of disability discrimination claims.”

Specifically, experts say many of the same chronic diseases and adverse health conditions employers often target in their wellness programs — including diabetes, obesity, hypertension and anxiety — generally qualify as disabilities under the ADA.

Consequently, experts say wellness programs that reward employees’ completion of physical fitness, diet or stress management activities — or achievement of specific health measurements — may have limited efficacy in driving healthier outcomes among employees whose conditions qualify them as disabled, entitling them to a reasonable accommodation to get the reward without meeting the original incentive standard.

“We’ve got this tension between the ADA and the (Patient Protection and Affordable Care Act), and it’s a tremendous point of uncertainty for employers,” said Sarah Bassler Millar, a partner at Drinker Biddle & Reath L.L.P. in Chicago.

The EEOC indicated in its most recent semiannual regulatory agenda that it intends to formalize a set of nondiscrimination rules for employers

that provide incentivized workplace wellness programs, but it has not provided a timetable for completion.

Earlier this month, the EEOC sued Flambeau Inc. in a Madison, Wisconsin, federal court for allegedly terminating employees’ group health insurance and forcing them to pay full price for coverage under COBRA if they failed to complete a health risk assessment and biometric screening under the Baraboo, Wisconsin-based plastics manufacturer’s wellness program.

The complaint was the second-ever federal enforcement action against a private employer over penalties for not participating in wellness-related health screenings, following an August suit against Manitowoc, Wisconsin-based Orion Energy Systems Inc., a lighting and energy retrofitting company.

“For the employer to be able to ask the employees these kinds of health questions, the testing has to be voluntary,” said Chris Kuczynski, the EEOC’s acting assistant legal counsel in Washington. “I think the commission is pointing out that you can’t terminate someone from all health care coverage because they refused to participate in the tests, nor can you shift the entire cost of a health insurance plan onto an employee because they don’t participate, because those things render the program nonvoluntary.”

In addition to conflicts with wellness provisions of the Affordable Care Act, experts say the EEOC’s lawsuits against Flambeau and Orion Energy contradict a 2012 11th U.S. Circuit Court of Appeals ruling, in which the court said Broward County, Florida, officials did not violate the ADA by penalizing employees who did not complete a health risk assessment.

“Based on that ruling, one way to get an additional layer of protection could be to make your wellness program a part of your overall health insurance

plan in order to take advantage of that safe harbor defense,” said Frank C. Morris Jr., a Washington-based employee benefits attorney at Epstein Becker & Green P.C.

Experts say the structure and severity of the penalties challenged by the EEOC are atypical of most employers’ approaches to wellness program incentives.

Only 8% of employers in New York-based Buck Consultants at Xerox’s 2014 Global Wellness Survey said they require wellness participation as a condition of eligibility for health coverage, while 33% add surcharges to employees’ premiums for not participating in the company’s wellness program.

“We take a much softer approach,” said Steve Ewing, benefits manager at Nottingham, Pennsylvania-based Herr Foods Inc. Under the snack food maker’s wellness program, Mr. Ewing said employees that cannot meet health metrics necessary to get a discounted health insurance premium still can qualify through consultation with their physicians.

“If their doctor feels as though the employee has the risky condition under control or is at least working toward improving, we would count that as compliance for whichever metric was at issue,” Mr. Ewing said.

“Herr’s alternative standards form is made to be as flexible as it can possibly be, because the ultimate goal of their program is to ensure that the employee is getting the care that they need,” said Scott Labreque, vice president of client services at Stoudt Advisors Inc., a Lancaster, Pennsylvania-based benefits consultant that works with Herr Foods.

“The thing I like about Herr Foods and their program is that the goal of the program is really to get people healthy, not find ways to keep them out of the program,” Mr. Labreque said.



WELLNESS INCENTIVES

Employers that offer wellness programs usually reward their employees for completing a health risk appraisal or biometric screening. The most frequent penalty employers impose on workers for not participating in wellness programs is higher insurance premiums.

Rewards offered for	% offering
Completing health risk appraisal	76%
Completing biometric health screening	70%
Participating in workplace health challenges	60%
Abstaining from tobacco use	47%
Getting regular preventive care exams	45%
Tracking healthy living activities	44%
Contacting a health coach or adviser	42%
Completing educational courses	41%
Achieving measurable health improvements	33%
Adhering to disease management program	30%
Adhering to therapeutic regimen	14%

Penalties used	% using
Increased health insurance premiums	33%
Health insurance offered only with participation	8%
Benefits reduced	7%
Increased copayments	7%
Smokers not hired	4%
Salary reduced	3%

Source: Buck Consultants at Xerox, 2014 survey



FEATUREFLASH/SHUTTERSTOCK.COM

Rob Schneider ad pulled from campaign.

State farm ad spot takes a shot

Bagging a celebrity for an advertising campaign carries with it potential reward but also the risk of reputational damage, as State Farm Mutual Automobile Insurance Co. recently learned.

The insurer this month dropped a TV campaign featuring “Saturday Night Live” veteran Rob Schneider after receiving criticism about the comedian’s anti-vaccination stance.

State Farm had signed up Mr. Schneider to star in a TV ad campaign reprising his Richmeister character from Saturday Night Live. But online critics questioned how a company that provides health coverage — and promotes immunization as a way to prevent the spread of diseases — could employ a celebrity who has spoken out against mandatory vaccinations for children.

State Farm said the advertisement had “unintentionally been used as a platform for discussion unrelated to the products and services we provide,” and that the ad is being pulled from the company’s rotation.

Aussie travel tales bring odd claims

What does a cheeseburger have in common with a rhino? Both can result in insurance claims. These and other tales of insurance woe come courtesy of Allianz Global Assistance, which shared some of its more unusual claims filed by Australians traveling abroad.

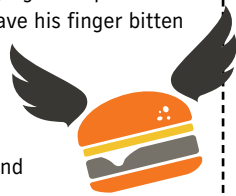
Take the volunteer at a zoo trying to help out caring for the animals only to have his finger bitten off by an obviously ungrateful rhino.

Then there’s the man who tried to throw a cheeseburger across a balcony to a friend — and ended up falling over the edge.

Being in the water is no safer than on land. Just ask the man who spearfished his own foot, thinking it was marine prey.

Burning Man? How about burning beard, which is just what one attendee of the desert festival got when he tried to help a fellow reveler who happened to be breathing fire at the moment.

And finally, if you are going to cheat on your spouse, better avoid motorcycle accidents, unlike the woman traveling with her secret boyfriend while her husband was at home in Australia.



HACKED CELEBS LASH OUT AGAINST GOOGLE



JAGUAR PS/SHUTTERSTOCK.COM

Jennifer Lawrence is among the movie stars and celebrities fighting for their reputations after being hacked.

When it comes to photos of naked celebrities, American companies are finding there is plenty of risk to go around. Apple Inc. came under fire when a number of celebrities apparently had their iCloud accounts hacked over Labor Day weekend, and now — with the threat of a \$100 million lawsuit — Google Inc. is taking heat for its handling of the leak. In a letter to Google CEO and co-founder Larry Page, among others, Los Angeles attorney Martin Singer said his firm, Lavelly & Singer P.C., is representing more than a dozen female celebrities whose private images were recently leaked online. Oscar-winner Jennifer Lawrence and model Kate Upton are among the stars fighting for their reputations.

“Like the NFL, which turned a blind eye while its players assaulted and victimized women and children, Google has turned a blind eye while its sites repeatedly exploit and victimize these women,” Mr. Singer wrote.

Unlike other Internet service providers, such as Twitter, that expeditiously removed the stolen images in accordance with the Digital Millennium Copyright Act, Google has failed to do so, Mr. Singer alleges.

“We’ve removed tens of thousands of pictures — within hours of the requests being made — and we have closed hundreds of accounts,” Google responded.

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.

Brit gardener taken to the Potting Shed

While risk managers, employers and insurers grapple with the implications of the legalization of marijuana in Colorado, a keen gardener from the other side of the pond unwittingly brought the issue to the attention of the BBC and local law enforcement.

Patricia Hewitson of Exmouth, England, called her local BBC radio station, BBC Devon, for help in identifying a five-foot “weed” that had sprung up in her garden.

Ms. Hewitson, 65, emailed the station’s aptly named gardening show “The Potting Shed” a photograph of the plant and explained that it had a “sickly sweet pong.”

Once the plant was identified, the Devon and Cornwall Police Force was informed.

An officer from the force said that while Ms. Hewitson had committed an offense in growing the plant, there were “mitigating circumstances” and she would escape punishment provided she destroyed the plant.

Ms. Hewitson said she thought the plant had grown from a hemp seed contained in a bag of bird feed.

She has since disposed of the plant.



DFREE/SHUTTERSTOCK.COM

Mr. Sorrentino is accused of dodging taxes.

Taxing situation for Jersey Shore celeb

Mike “The Situation” Sorrentino, star of MTV’s hit TV show “Jersey Shore,” has found himself in a precarious situation after being accused of failing to pay taxes on \$8.9 million in earnings.

Mr. Sorrentino and his brother, Marc Sorrentino, have been charged with conspiracy to defraud the United States and filing false tax returns from 2010 to 2012, according to a statement from the U.S. Attorney’s Office in Newark, New Jersey.

Messrs. Sorrentino “filed false tax returns that incorrectly reported millions made from promotions and appearances,” U.S. Attorney Paul J. Fishman said in the statement. “The brothers allegedly also claimed costly clothes and cars as business expenses and funneled company money into personal accounts.” They were expected to be arraigned in New Jersey federal court, the attorney’s office said.

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KEYNOTE SPEAKER

Victor Peignet
Chief Executive Officer of
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Standing out from the pack

Increased productivity alone might not be the holy grail sought by insurance brokerages, but it's close.

In this special annual supplement to *Business Insurance*, we look at how the most productive insurance brokers enhance their revenue per employee to set themselves apart from their competitors in the United States and abroad.

While no two strategies are exactly alike, the goal is always the same — to grow market share and profit regardless of overall market conditions.

Also in this supplement, experts take a look at a key issue for the brokerage marketplace — the issue of succession and perpetuation. As baby boomer owners get ready to retire, experts discuss steps agencies and brokerages should take to keep the businesses they've built and led, often for decades, in operation.

In addition, this supplement contains a market overview that combines data gathered by *Business Insurance* with analysis by observers about the forces that are shaping the current brokerage landscape.

As in any industry, the insurance brokerage business has its winners and losers, and the losers that don't simply fold may find themselves targeted by winners wanting to expand their market share.

After all, there's a single goal — profitable growth — that all brokerages share.

Although marketplace winners may follow different paths to reach that goal, the final result is the same, and may inspire other producers to follow their example.

Mark A. Hofmann
Senior Editor

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AirSure flies high as most productive broker

International expansion supports revenue despite soft aviation market



“We pay for performance and try to support our producers with resources, loss control, claims advocacy, service personnel, technology capabilities and motivation.”

Bill Behan, AirSure Ltd. L.L.C.

Despite a shrinking customer base and a soft U.S. aviation insurance market, AirSure Ltd. L.L.C., a niche broker serving the aviation industry, emerged as the most productive of all agents and brokers in *Business Insurance’s* annual survey based on 2013 revenue per employee of \$369,666, a 12.2% increase over 2012.

CEO Bill Behan attributes the Golden, Colorado-based brokerage operation’s success to its knowledgeable staff, a pay-for-performance culture and the availability of good support resources.

“All of our producers are pilots, so they’ve got that bug, that aviation passion,” said Mr. Behan, who also is a pilot. “Maybe that is parcel to driving our productivity. We are a very focused team. We pay for performance and try to support our producers with resources, loss control, claims advocacy, service personnel, technology capabilities and motivation.”

Lisa Kammerer, vice president of finance at AirSure, said the brokerage is always “looking for efficiencies,” and encouraging its employees “to work smarter, not harder, and always challenge yourself.”

Greg Arnold, CEO of Dallas-based TAC Air, a chain of fixed-based operators, said AirSure’s “level of expertise and tenacity with the markets is unparalleled.” A unit of the Truman Arnold Cos., TAC Air’s services include de-icing and refueling planes, hangar rental and providing waiting areas for pilots.

While Federal Aviation Administration records indicate there were as many as 305,108 U.S.-registered aircraft eight years ago, that number has dropped slightly each year and fell below 300,000 last year and 299,505, Mr. Behan said. As such, “there are fewer insurable units in the U.S. to insure, making the job we have to find new business that much more difficult,” he said.

At the same time, the aviation insurance market has remained soft

since the 2008 economic downturn, Mr. Behan said.

“There is far more capacity than what is needed,” he said. Meanwhile, losses are down since airplanes and helicopters are safer, pilots have better training, and both the craft and pilots are recording fewer hours in flight.

The No. 1 cause of loss is “ground handling. More damage happens to aircraft while they’re on the ground than anywhere else,” Mr. Behan said. “Our biggest exposure would be an enormous tornado.”

Because of the soft aviation market, coverage is relatively inexpensive, costing just \$8,000 to \$10,000 annually for \$10 million in airplane hull coverage and another \$7,000 or \$8,000 for \$100 million in liability coverage, he said.

Despite these adverse market conditions, AirSure also has been able to grow by looking outside of the United States for new business opportunities, especially in Asia and Australasia, South America, Africa and in the energy producing countries of the Middle East, Mr. Behan said. He said 15% of AirSure’s premium volume is now generated internationally, with the rest coming from domestic sources.

“Our bread and butter is corporate jets,” Mr. Behan said, while 15% to 20% of AirSure’s business is derived from placing insurance on behalf of the owners of personal aircraft. In addition to providing property coverage, AirSure also arranges for liability, workers compensation, employee benefits, commercial auto, pollution and war risks coverage. AirSure also provides loss control and claims adjudication services.

Since its February acquisition by Lake Mary, Florida-based AssuredPartners Inc., AirSure is seeking additional expansion opportunities through acquisition.

“They made us a ‘platform’ agency,” Ms. Kammerer said. “They will be acquiring other aviation brokers and consolidating them with AirSure.”

“We felt that partnering would be a great combination to be able to grow the business,” said Jim Henderson, chairman and CEO of AssuredPartners. “It’s a very good, productive business. The margins and the productivity reflect the professionalism of the leadership and the staff.”

By Joanne Wojcik

AIRSURE LTD. L.L.C.
 Golden, Colorado
 2013 Brokerage revenue
\$12,938,306
 Employees
35
 Revenue per employee
\$369,666

MOST PRODUCTIVE: ALL AGENTS AND BROKERS

Intermediaries* ranked by 2013 brokerage revenue per employee

Rank	Company	Revenue/employee			Brokerage revenue			Employees		
		2013	2012	% change	2013	2012	% change	2013	2012	% change
1	AirSure Ltd. L.L.C.	\$369,666	\$329,473	12.2%	\$12,938,306	\$11,861,031 ¹	9.1%	35	36	(2.8%)
2	Mid American Group Inc.	\$356,517	\$432,308	(17.5%)	\$12,121,563	\$11,240,000 ¹	7.8%	34	26	30.8%
3	Jardine Lloyd Thompson Group P.L.C.	\$338,132	\$322,183	5.0%	\$1,746,454,140 ²	\$1,414,704,830 ^{1,2}	23.5%	5,165	4,391 ¹	17.6%
4	Benefit Controls Cos.	\$336,364	\$236,842	42.0%	\$18,500,000	\$22,500,000	(17.8%)	55	95	(42.1%)
5	Crystal & Company	\$332,874	\$323,247	3.0%	\$144,800,000	\$137,380,000	5.4%	435	425	2.4%
6	Alliant Insurance Services Inc.	\$325,307	\$334,440	(2.7%)	\$547,491,500	\$504,335,500	8.6%	1,683	1,508	11.6%
7	Bazzi & Partners S.p.A.	\$323,390	\$297,870	8.6%	\$7,437,960 ³	\$6,851,000 ³	8.6%	23	23	0.0%
8	Capacity Group of Cos.	\$291,620	\$305,249	(4.5%)	\$76,404,462	\$69,901,960	9.3%	262	229	14.4%
9	The Graham Co.	\$275,918	\$271,265	1.7%	\$41,663,624	\$38,248,383	8.9%	151	141 ¹	7.1%
10	National Financial Partners Corp.	\$271,271	\$266,366	1.8%	\$757,117,149	\$751,684,201	0.7%	2,791	2,822	(1.1%)
11	Mesirow Insurance Services Inc.	\$269,729	\$276,456	(2.4%)	\$91,438,107 ⁴	\$87,083,582 ⁴	5.0%	339	315	7.6%
12	Frenkel & Co.	\$268,088	\$263,738	1.7%	\$68,898,500	\$61,450,874	12.1%	257	233	10.3%
13	Woodruff-Sawyer & Co.	\$265,397	\$250,418	6.0%	\$84,131,000	\$74,875,000	12.4%	317	299	6.0%
14	R.K. Harrison Group Ltd.	\$262,738	\$272,700	(3.7%)	\$183,916,256 ^{5,6}	\$144,531,023 ^{5,6}	27.3%	700	530	32.1%
15	BB&T Insurance Holdings Inc.	\$247,025	\$231,221	6.8%	\$1,582,443,400	\$1,480,274,900	6.9%	6,406	6,402	0.1%
16	M&T Insurance Agency Inc.	\$241,916	\$243,988	(0.9%)	\$40,400,000	\$40,746,000	(0.9%)	167	167	0.0%
17	Wortham Insurance & Risk Management	\$240,262	\$222,078	8.2%	\$124,936,000	\$113,704,000	9.9%	520	512	1.6%
18	Wells Fargo Insurance Services USA Inc.	\$237,304	\$223,753	6.1%	\$1,350,022,000	\$1,575,444,000	(14.3%)	5,689	7,041	(19.2%)
19	Risk Strategies Co.	\$237,244	\$232,734	1.9%	\$58,362,000	\$44,917,576	29.9%	246	193	27.5%
20	The Plexus Groupe L.L.C.	\$236,354	\$210,252	12.4%	\$18,435,637	\$15,558,678	18.5%	78	74	5.4%

*Companies that derive more than 49% of their gross revenue from personal lines business are not ranked. 1 2012 restated. 2 British pound 2013=\$1.6529 2012=\$1.6181. 3 Euro 2013=\$1.3744 2012=\$1.3175. 4 Fiscal year ending June 30. 5 British 2013=\$1.6244 2012=\$1.5705. 6 Fiscal year ending March 31.

Source: BI survey

Key markets, networking boost Crystal & Company

Investments in technology support brokerage's core strategy

At first glance, it would be easy to conclude that Crystal & Company owes much of its high productivity rate to the efficiencies of a relatively limited head count and geographic footprint.

Jonathan H.F. Crystal, the New York-based broker and consultant's executive vice president and chief financial officer, sees things differently.

"I think people sometimes confuse productivity with efficiency," Mr. Crystal said. "I'd like to think we're that efficient, but we certainly have a ways to go in that area. I think our level of productivity is more reflective of our business strategy and approach."

Crystal & Company generated \$332,874 in U.S. brokerage revenue per employee in 2013, making it the most productive among the top 100 brokers of U.S.-based business, according to *Business Insurance's* annual survey of insurance agents and brokers.

While operational efficiency is important, Mr. Crystal said there are several other components of Crystal & Company's business strategy that contribute more directly to its overall productivity. One such element, he said, is its strategic concentration on reliably dynamic metropolitan markets, including New York, Miami, Houston, Los Angeles and San Francisco.

"On the one hand, those cities are some of the highest-cost places in which you can do business," Mr. Crystal said. "But they also represent concentrations of larger and more complex businesses, and I think our company today reflects that need for a higher-value, consultative and service-oriented insurance brokerage."

Another aspect of Crystal & Company's business strategy that Mr.

Crystal said contributes to the firm's productivity is the extent to which it engages the capabilities and expertise of other risk management service providers — including competitors, when necessary — to better serve its clients.

"Our clients rely on us to bring the best in class to them, and we have the humility to admit that the best-in-class solution may not always exist within the walls of our company," Mr. Crystal said. "So we'll go out and bring those solutions to the table for our clients, which allows us to be more selective in terms of what services and lines of business we provide to our clients."

As a founding member firm of Brokerslink, a global network of independent insurance brokers and agents, Mr. Crystal said his company's strategic partnerships with risk and insurance service providers overseas meet the needs of the company's international clients without having to dedicate substantial financial and operational resources to building out its own infrastructure outside the U.S.

Instead, Mr. Crystal said, those resources have been invested in upgrades to its nationwide infor-

mation technology infrastructure that "give us the ability to provide better, more consistent services to our clients."

"Our core infrastructure today is incredibly flexible, and it allows us to really function as one company across all of our operations," Mr. Crystal said. "We have a completely virtualized desktop environment, voice-over IP, document imaging, which means our colleagues who are working in Houston are looking at exactly the same thing as our colleagues in Miami and New York."

Crystal & Company also has invested heavily in the development of data analytics capabilities for some of the company's most active business segments, including its employee benefits, workers compensation, and directors and officers liability practices.

"When you're working with C-suite executives, they want to know everything they can about the circumstances that are driving their risks and how those risks are affecting their bottom line," Mr. Crystal said. Providing clients with "a better understanding of what's driving losses on the risk side and expenses on the employee benefits side is critical in terms of getting a seat at the table with our clients' key decision-makers."

Externally, Mr. Crystal said major drivers of Crystal & Company's productivity are the continued expansion of the private equity market and, particularly, the high volume of mergers and acquisitions.

"Our focus on that segment has been very important, as it's generated a significant amount of new business for our company, which gives us an opportunity to bring our specialty capabilities to the fore," Mr. Crystal said.

By Matt Dunning



"I think our level of productivity is more reflective of our business strategy and approach."

Jonathan H.F. Crystal, Crystal & Company

CRYSTAL & COMPANY

New York

2013 Brokerage revenue

\$137,380,000

Employees

435

Revenue per employee

\$332,874

MOST PRODUCTIVE: PRODUCERS OF U.S. BUSINESS

Intermediaries* among the top 100 brokers of U.S. business ranked by 2013 brokerage revenue per employee from U.S.-based clients**

Rank	Company	Revenue/employee			Brokerage revenue			Employees		
		2013	2012	% change	2013	2012	% change	2013	2012	% change
1	Crystal & Company	\$332,874	\$323,247	3.0%	\$137,380,000	\$131,740,000	4.3%	435	425	2.4%
2	Alliant Insurance Services Inc.	\$325,368	\$334,549	(2.7%)	\$503,831,165	\$460,193,546	9.5%	1,681	1,506	11.6%
3	Capacity Group of Cos.	\$291,620	\$305,249	(4.5%)	\$69,901,960	\$65,594,355	6.6%	262	229	14.4%
4	Willis Group Holdings P.L.C.	\$290,640	\$266,436	9.1%	\$1,625,260,000	\$1,604,580,000	1.3%	6,000	6,100	(1.6%)
5	The Graham Co.	\$275,918	\$271,265	1.7%	\$38,248,383	\$35,864,291	6.7%	151	141	7.1%
6	National Financial Partners Corp.	\$270,794	\$267,110	1.4%	\$744,167,359	\$692,986,755	7.4%	2,740	2,786	(1.7%)
7	Mesirow Insurance Services Inc.	\$269,729	\$276,456	(2.4%)	\$87,083,582 ¹	\$83,420,739 ¹	4.4%	339	315	7.6%
8	Frenkel & Co.	\$268,088	\$263,738	1.7%	\$61,450,874	\$58,461,915	5.1%	257	233	10.3%
9	Woodruff-Sawyer & Co.	\$265,397	\$250,418	6.0%	\$74,875,000	\$69,498,000	7.7%	317	299	6.0%
10	BB&T Insurance Holdings Inc.	\$247,025	\$231,221	6.8%	\$1,480,274,900	\$1,104,126,900	34.1%	6,406	6,402	0.1%

*Companies that derive more than 49% of their gross revenue from personal lines business are not ranked. **Companies that do not provide U.S. employee count are not ranked. 1 Fiscal year ending March 31.

Source: BI survey

MOST PRODUCTIVE: WORLD'S 10 LARGEST BROKERS

Intermediaries* ranked by 2013 brokerage revenue per employee

Rank	Company	Revenue/employee			Brokerage revenue			Employees		
		2013	2012	% change	2013	2012	% change	2013	2012	% change
1	Jardine Lloyd Thompson Group P.L.C.	\$338,132	\$322,183	5.0%	\$1,746,454,140 ¹	\$1,414,704,830 ^{2,3}	23.5%	5,165	4,391 ³	17.6%
2	BB&T Insurance Holdings Inc.	\$247,025	\$231,221	6.8%	\$1,582,443,400	\$1,480,274,900	6.9%	6,406	6,402	0.1%
3	Wells Fargo Insurance Services USA Inc.	\$237,304	\$223,753	6.1%	\$1,350,022,000	\$1,575,444,000	(14.3%)	5,689	7,041	(19.2%)
4	Marsh & McLennan Cos. Inc.	\$223,091	\$220,815	1.0%	\$12,270,000,000	\$11,924,000,000	2.9%	55,000	54,000	1.9%
5	Lockton Cos. L.L.C.	\$210,721	\$203,465	3.6%	\$1,116,822,000 ⁴	\$1,007,150,000 ⁴	10.9%	5,300	4,950	7.1%
6	Willis Group Holdings P.L.C.	\$201,833	\$197,600	2.1%	\$3,633,000,000	\$3,458,000,000	5.1%	18,000	17,500	2.9%
7	Brown & Brown Inc.	\$193,865	\$181,595	6.8%	\$1,355,502,535	\$1,189,081,388 ³	14.0%	6,992	6,548 ³	6.8%
8	Hub International Ltd.	\$179,615	\$160,319	12.0%	\$1,147,560,000	\$988,687,335	16.1%	6,389	6,167	3.6%
9	Aon P.L.C.	\$178,591	\$173,879	2.7%	\$11,787,000,000	\$11,476,000,000	2.7%	66,000	66,000	0.0%
10	Arthur J. Gallagher & Co.	\$167,850	\$173,999	(3.5%)	\$2,742,000,000	\$2,385,000,000 ³	15.0%	16,336	13,707 ³	19.2%

*Companies that derive more than 49% of their gross revenue from personal lines business are not ranked. 1 British pound 2013=\$1.6529. 2 British pound 2012=\$1.6181. 3 2012 restated. 4 Fiscal year ending April 30.

Source: BI survey

Focus on specialty helps JLT's productivity

Entrepreneurial culture supported by acquisitions, organic growth

Jardine Lloyd Thompson Group P.L.C. ranks as the most productive commercial insurance broker among the world's 10 largest brokers even as it digests a major acquisition and launches an ambitious program to build out its U.S. specialty business.

Group Chief Operating Officer Balamurugan Viswanathan attributes JLT's success to it being a specialty focused organization that is client-led and places "an enormous level of trust in its people," allowing them the flexibility and freedom to provide proper client solutions.

"It's a combination of three factors – a specialty-led business, which is very focused in terms of what it wants to do as opposed to being all things to all people; an organization that places the client's interests at the center of everything it does; and a culture that supports and enables people to productively and efficiently grow the business to support the needs of the client," Mr. Viswanathan said.

The approach appears to be working, as JLT's 2013 revenue per employee improved 5% over 2012 to \$338,132 even as its head count rose 17.6% to 5,165, in large part due to its 2013 purchase of Towers Watson & Co.'s reinsurance brokerage business.

"Our focus on clients has delivered market-leading levels of organic growth for us over the past five years," said James Twining, JLT's group commercial director.

"Our culture is entrepreneurial, profoundly focused on clients, committed to delivering commercial results for them with deep expertise and with rigorous execution. One of the happy consequences of living by these core priorities is a very productive working environment," he said.

Aside from its November 2013 purchase of the Towers Watson reinsurance brokerage business for \$250 million, JLT moved to substantially expand its U.S. specialty business in August this year.

It plans to spend about \$70 million to build out its U.S. specialty business, the bulk of that in 2015 and 2016, with the expectation that it will contribute to profits in 2018, Mr. Twining said.

"Both signal our absolute commit-

ment to the U.S. market, the value we place on specialization and our financial resolve to invest in our business for future growth," he said.

ment to the U.S. market, the value we place on specialization and our financial resolve to invest in our business for future growth," he said. JLT's core competencies include energy, construction, financial lines, credit, political and security risk, and aerospace, which are areas the broker sees as "key opportunities in the U.S.," Mr. Viswanathan said.

While the broker has a large office in Philadelphia and intends to maintain a presence in major markets such as New York, Chicago, Los Angeles and San Francisco, "the community that we're looking to hire in the U.S. is one that is going to be highly mobile in nature ... so that we are there where the clients are," Mr. Viswanathan said.

Also through the Towers Watson



"The community that we're looking to hire in the U.S. is one that is going to be highly mobile in nature ... so that we are there where the clients are."

Balamurugan Viswanathan, Jardine Lloyd Thompson Group P.L.C.



"Our culture is entrepreneurial, profoundly focused on clients, committed to delivering commercial results for them with deep expertise and with rigorous execution."

James Twining, Jardine Lloyd Thompson Group P.L.C.

ment to the U.S. market, the value we place on specialization and our financial resolve to invest in our business for future growth," he said.

JLT's core competencies include energy, construction, financial lines, credit, political and security risk, and aerospace, which are areas the

deal, JLT roughly doubled its analytics team to 75 people in six countries.

Advanced analytics and technology "allow us to develop new offerings of value for our clients, often in underserved areas, and we can use our data and information to help clients improve their performance," Mr. Twining said.

While JLT was tops in productivity in 2013 among the world 10 largest brokers, challenges this year include softer insurance rates at renewals.

"We are more cautious over the outlook for the remainder of the year given the marked decline in the insurance and reinsurance environment during the second quarter," said Mr. Twining.

Foreign exchange rates also have affected the London-based brokerage's bottom line this year, Mr. Viswanathan said.

By Matthew Lerner

JARDINE LLOYD THOMPSON GROUP P.L.C.

London

2013 Brokerage revenue

\$1,746,464,140

Employees

5,165

Revenue per employee

\$338,132

Needle found. Haystack avoided.



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Consolidation, private equity funding shape the brokerage market

Health care reform law, softer pricing pose challenges

BY MARK A. HOFMANN

Change has marked the brokerage industry and shows no signs of letup. Revenue is up pretty much across the board even though the pace of property/casualty rate increases has slowed from a year ago.

A slowly strengthening economy is increasing the exposure base on which new business can be generated.

New capital is flowing into the industry as private equity firms look for investment opportunities, helping fuel a hot merger and acquisition market.

“Overall, I think the marketplace is in a pretty healthy place,” said Bobby Reagan, CEO of Reagan Consulting Inc. in Atlanta. He noted that in the second quarter this year, “we saw profit margins trend upward from the same time last year.”

All but one broker on *Business Insurance's* 2014 ranking of the world's 10 largest brokerages reported an increase in 2013 brokerage revenue. That broker — Wells Fargo Insurance Services USA Inc. — has divested some of its insurance business to focus more on expanding its middle-market brokerage portfolio in selected U.S. markets

A decline in brokerage revenue was the exception rather than the rule among brokerages that made *Business Insurance's* 2014 ranking of the 100 largest brokers of U.S. business. In fact, only nine top 100 U.S. brokers reported 2013 brokerage revenue below that of 2012.

Among the 10 largest brokers of U.S. business, Hub International Ltd. posted the largest percentage jump at 21.5% followed by Lockton Cos. L.L.C. with a 12.4% rise and Brown & Brown Inc. with a gain of 14%.

Further down the top 100 U.S. broker ranking at No. 14, London-based Jardine Lloyd Thompson Group Ltd. P.L.C., reported a 97.6% jump in U.S. brokerage revenue, in large part because of its 2013 acquisition of Towers Watson & Co.'s reinsurance brokerage business.

No. 13 AssuredPartners Inc.'s revenue jumped 46.8% and No. 42 Acrisure L.L.C.'s revenue surged 161.1%, the largest increase among the top 100 U.S. brokers. The respective Caledonia, Michigan-based and Lake Mary, Florida-based brokers did so largely due to acquisitions.

No. 19 Columbus, Ohio-based BroadStreet Partners Inc. grew substantially through 18 acquisitions, finishing 2013 with a 31.4% rise in brokerage revenue. That enabled the Columbus, Ohio-based broker to land inside the top 20 U.S. brokers at No. 19.

Both Brown & Brown and Gallagher continued their aggressive growth-by-acquisition strategies into this year. In addition, Gallagher also shifted into high gear on the international front.

It acquired Toronto-based Noraxis Capital in May for about \$388 million.

A month earlier, it made its largest deal to date with the \$938 million acquisition of Australia's Wesfarmers Ltd. That came on top of Gallagher's \$350.2 million acquisition of London-based Oval Group of Cos. the same month. In September 2013, Gallagher acquired another London-based operation — Giles Group of Cos. — for \$291.7 million.

Major consolidation anticipated

Marsh L.L.C. also has been active on the acquisition front, although with a decidedly domestic focus. Since launching its Marsh & McLennan Agency operation in 2009, the world's largest broker has made about 40 acquisitions through the agency, focusing on the small to mid-market brokerage marketplace.

There's no reason to believe that consolidation in the commercial insurance brokerage sector will slow anytime soon.

“Consolidation will always be a factor in this industry and will continue to shape the landscape for years to come,” driven in large part by private equity funding, Louis Caltavuturo, a partner at New York-based financial advisory firm Dowling & Hales

L.L.C., said during the MarketScout Entrepreneurial Insurance Symposium in Dallas in September.

Private equity funding has had a profound effect on the reshaping of the broker landscape. In 2000, just 12% of broker revenue was controlled by private equity-backed companies, he said. That figure doubled in just 13 years to 25%, he said of 2013 data.

“I think that's revolutionary. That is really quite drastic,” Mr. Caltavuturo said.

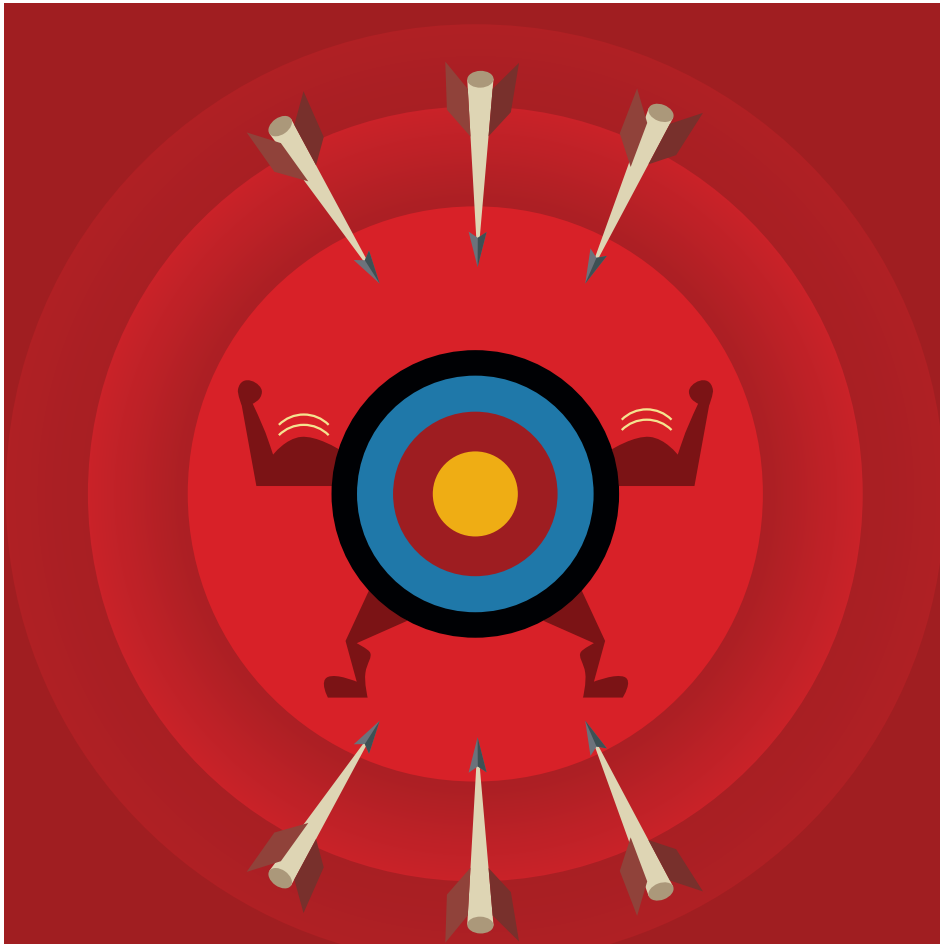
While there are 38,000 to 39,000 commercial brokers in the United States, those with annual revenue of more than \$10 million constitute the top 1% and generate 55% of industry revenue, said Mr. Caltavuturo. It is this group of brokers that most interests private equity firms because the larger brokerages offer a better chance of greater financial returns.

“The stage is set for the massive trading of broker revenue in the next four to five years,” said Mr. Caltavuturo. “There will be a massive sell-off and massive trading of billions of dollars of brokerage revenue.” Whether the deals are mergers or outright acquisitions, “whatever the ultimate scenario will be, we're talking about billions of broker revenue and I think it will be a very interesting time to see who winds up being the dominant player here.”

“Once private equity lays its stake in an industry, there is momentum to do more of it,” said John L. Ward, a principal at Cincinnati Partners L.L.C. in Loveland, Ohio. “So in many ways, it was the entrée into the industry that has triggered the domino effect.”

“Industries that are hugely fragmented like the broker industry are appealing to private equity because you can consolidate through acquisition and do so profitably,” he said.

“I'm particularly interested in the ramp-up in M&A activity,” said Mr. Ward. “It's been a trend that really started about five years ago. The game changer is the magnitude of private equity capital coming into the segment.”



“The marketplace for acquisitions continues to be very much a seller’s market,” said Phil Trem, vice president at Willoughby, Ohio-based Marsh, Berry & Co. Inc. “The demand is continuing to be incredibly strong.”

Through August, there were 186 announced U.S.-based transactions, which is the second-highest eight-month total since 2005, he said of Marsh Berry’s data. But many buyers are independent brokers that are not publicly traded, not bank-owned and not backed by private equity, he said.

“Because of the continued high pricing, you would think that the independent (acquiring broker) would be at a significant disadvantage,” he said. These acquirers can be attractive to some sellers because they present an alternative to national, regional and private-equity backed would-be buyers, he said.

“There’s so much demand right now, there’s going to be a fit for everyone,” Mr. Trem said. “Any firm that wants to sell is going to find a partner that makes sense for them,” he said in noting that 93 buyers completed the 186 deals, with 65 of the total making just one transaction.

There’s also “a lot more in the way of specialization,” said Mark Dwelle, director of insurance equity research at RBC Capital Markets, a unit of RBC Dominion Securities Inc. in Richmond, Virginia. He said brokers are establishing specialty practice units to differentiate themselves and lock in their customer base. That gives them a bigger voice in buying decisions since they are familiar with the players and know the preferred insurers within particular classes of business.

A factor that could eventually affect broker performance is slowing rate increases for property/casualty insurance.

Thus far, the deceleration hasn’t had a significant impact, said Mr. Trem. In fact, in some areas of the country, such as portions of the Northeast where the fallout from 2012’s Superstorm Sandy still is being felt, rates are still going up for some accounts, he said.

Organic growth slowing

Organic growth appears to be slowing as well, said Mr. Reagan.

“The rate of increase in organic growth is declining, but it’s not dramatic,” he said of a

“There’s so much demand right now, there’s going to be a fit for everyone. Any firm that wants to sell is going to find a partner that makes sense for them.”

Phil Trem,
Marsh, Berry & Co. Inc.

second-quarter 2014 growth rate of 5.8% vs. 6.9% in the second quarter of 2013. “Look back over the last five years, 5.8% doesn’t look that bad,” he said.

Employee benefit business presents both challenges and opportunities for brokers navigating the new world created by the Patient Protection and Affordable Care Act.

With the implementation of the health care reform law, “the term broker is becoming obsolete and the word consultant is becoming more important,” said Mr. Trem. Businesses want assistance from their brokers to deal with the new reality, he said.

He cautioned, though, that being able to provide value in employee benefits requires commitment. In general, he said, a brokerage needs about \$3 million in benefit revenue to meet that challenge.

Mr. Reagan said there’s some concern that some employers will stop offering health coverage and send their employees to insurance exchanges. But he also said employers with a skilled white collar workforce probably would be inclined to keep offering benefits as a means to attract and retain talent.

“We still haven’t seen the full effect of health care reform,” said Mr. Reagan.

Mr. Reagan said one concern for the brokerage sector is a general failure to bring in talented people as baby boomers retire. He said his firm found that the weighted average shareholder age of agencies it studied has grown 2.2 years in the past five years. Firms that haven’t developed their producers and next generation of owners could be forced to sell, he said.

Broker succession plans require long-term outlook, commitment

BY DOUGLAS McLEOD

Most owners of privately held insurance agencies would like to keep their companies private, but aren't good at managing the transition to the next generation of owners.

Viable succession plans require willing sellers, capable buyers and financially healthy agencies. Many owners either can't meet these requirements or are unaware of the hurdles they face, experts agree.

"The reality is a lot of firms that desire (to remain private) are not positioned to do it and don't realize it," said Bobby Reagan, a principal at Reagan Consulting Inc. in Atlanta.

While some owners plan to sell to larger brokers eventually, many third-party sales result from failed internal succession plans, said Timothy J. Cunningham, a principal at Optis Partners L.L.C. in Chicago.

Many owners do a "terrible job" of perpetuation planning, he said.

"That's why Gallagher and Brown & Brown are successful" as acquirers, said John Wicher, a principal at John Wicher & Associates in San Francisco, in referring to brokers Arthur J. Gallagher & Co. and Brown & Brown Inc.

Owners first must be willing to take a lower price for their firm's shares than they would get in a third-party sale, experts say. An internal buyer group can typically afford to pay five to seven times a firm's earnings before income taxes, depreciation and amortization, according to Reagan Consulting.

A rival broker, though — looking to add volume or fill a niche, and with the resources to bid aggressively — may offer 15% more than insiders typically would pay, Mr. Cunningham said.

The slack economy and soft property/casualty market also have depressed agent and broker revenue, hurting firm valuations and making it even tougher for owners who may be seeking higher historical valuations.

In a 2010 Reagan Consulting survey of 146 U.S. agencies expressing a strong commitment to internal perpetuation, less than half said selling shareholders were willing to take a discount of the price a third party might offer.

Those going ahead with internal sales, meanwhile, have to start early, allowing five to 10 years to cultivate the next generation of shareholders and arrange a gradual transfer of ownership.

Too often, Mr. Cunningham said, agency principals ask for advice about succession a year or two before they plan to retire.

"They don't understand that it's a process, not an event," he said.

Principals also should be ready to personally provide financing for a sale or help arrange financing through the agency or a third-party lender. Less than one-third of the participants in the Reagan survey reported getting 100% cash for their shares at closing; most owners were bought out over time, with a median down payment of 12.5% and a median financing period of seven years.

This means that selling shareholders also have to be willing to bear the agency's ongoing business risks during the transition period.

Successful perpetuation plans need able buyers, and this has proven to be a problem for many firms. In a larger 2010 Reagan Consulting survey of nearly 900 agencies, 64.8% said their biggest challenge in selling to internal buyers was their lack of financial resources. Perpetuation plans are commonly structured so all of the buyers' principal and interest payments are covered by the buyers' shareholder distributions and bonuses from the agency, Reagan found.

This means that the financial health of the agency is crucial to a plan's success: A firm should have expanding revenue and a reasonable profit margin to support financing the sale, Mr. Reagan said.

Ideally, a firm's organic growth rate plus half its EBITDA profit margin should equal or exceed 20%, according to Reagan Consulting.

"If it's not profitable, it's not going to work,"

Mr. Reagan said.

Other obstacles to internal succession include a lack of leadership candidates among agency employees and candidates unwilling to make the financial commitment to pay for ownership over several years, the Reagan survey found.

"You need people who have a long view," Mr. Wicher said. "Frankly, a lot of producers do not. They're interested in their quarterly bonus and a new BMW. That's the nature of many producers."

Owners also need to make honest assessments of potential buyers' abilities, Mr. Wicher said, pointing out that family members may be favored successors, but may not have the personality and drive to build a business.

Succession issues can create a "push/pull" dynamic between owners and potential buyers, in which an owner may wrongly conclude that a younger executive isn't ready to take over. Problems can ensue when "a senior shareholder is unwilling to recognize that it's time to give up control," Mr. Wicher said.

Nevertheless, many firms are intent on staying private and are facing the hurdles.

Hutchinson, Kansas-based Fee Insurance Group Inc., which traces its roots to 1883, is owned by brothers Bob and Allen Fee, who bought out their father's interest in the agency over seven years, said Bob Fee, president and chief operating officer.

Mr. Fee, who is 50, said he and his brother are working on plans to sell their shares over time starting eight to 12 years from now to a buyer group that is likely to include five people. They have already decided they are willing to accept a discount of the price a third party might offer to keep the agency private, he said.

"It's been a locally owned business for over 125 years," Mr. Fee said. "We just felt it was the right thing to do, to keep it locally owned."



"You need people who have a long view. Frankly, a lot of producers do not. They're interested in their quarterly bonus and a new BMW."

John Wicher,
John Wicher &
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Incoming council chairman champions leadership effort

Brokerage group's membership growing strong in 2014

BY MARK A. HOFMANN

The Council of Insurance Agents & Brokers is “stronger than ever,” says the Washington-based producer group’s incoming chairman.

In fact, the group has added 21 new member companies, which must generate at least \$10 million in annual revenue to qualify, since the beginning of the year, said Steve Brockmeyer, who also is president and CEO of Pasadena, California-based Bolton & Co.

That already equals members that joined the council in all of 2013, bringing total membership up to the 200 range.

The challenge for the council is to continue to provide value and a high return on investment for member firms. That’s being provided through initiatives such as the council’s series of working groups, which include groups such as those for chief financial officers and legal counsel, he said.

Mr. Brockmeyer, who takes the council’s helm Oct. 15, said he wants to spend time building out its leadership and management resources program that is being overseen by Senior Vice President Elizabeth McDaid.

That’s “a huge initiative,” Mr. Brockmeyer said.

Brokers have to be prepared to deal with an increasing pace of change, he said.

“Brokers have to be on their game in creating new solutions,” he said, citing as an example the Patient Protection and Affordable Care Act. Firms that have “capitalized on ACA jumped in with both feet” and created new opportunities for themselves and their clients, he said.

But the industry faces a “kind of a leadership void” when it comes to



Mr. Brockmeyer

developing talent and the next generation of leaders,” he said.

“It takes a commitment of the existing leaders to develop it, a conscious effort,” said Mr. Brockmeyer. He said brokers are focused on the daily business of gaining and retaining clients, but also should develop their people, whether they’re recruiting from within or without. That means cross-training them in brokerage functions and “training them in true leadership.”

“It’s kind of like the best baseball organization: You can’t do it all with your farm system, but you can’t do it all through free agency. You’ve got to combine them,” he said.

Legislative issues

The council must also deal with a demanding legislative agenda.

Mr. Brockmeyer said having lawmakers finally approve the creation of the National Association of Registered Agents & Brokers, which would streamline interstate licensing, is a key goal.

He pointed out that the NARAB

legislation has been included in both the House and Senate measures that would extend the federal terrorism insurance backstop past its slated Dec. 31 sunset. Reauthorizing the program, which was created by the Terrorism Risk Insurance Act of 2002, also is a council legislative goal.

Lawmakers are expected to deal with the issue during a lame duck session that begins next month.

Mr. Brockmeyer said the council also is trying to alleviate burdens placed on agents and brokers by the Foreign Account Tax Compliance Act. The law can require that insurance premiums paid to foreign entities that are not registered with the Internal Revenue Service be subject to a 30% withholding regimen. The council launched an online portal earlier this year to provide members with forms required under FATCA.

Mr. Brockmeyer said the council also is dedicated to preserving the tax exemption for employer-provided benefits and watching the development of insurance exchanges created by ACA.

“How this actually plays out and works in the next five to 10 years is going to go in a million different directions,” he said. “We need to help guide it and shape it so it’s going in the right direction.”

He said the council also is “constantly monitoring what’s going on at the state level, especially when it comes to things like health care issues and implementation of ACA.”

He praised the council’s staff, calling them a “dynamic, forward-looking team.”

“I think the council is becoming even more and more relevant in our members’ day-to-day operations and helping them to become better,” he said.

“It’s kind of like the best baseball organization: You can’t do it all with your farm system, but you can’t do it all through free agency. You’ve got to combine them.”

Steve Brockmeyer,
Council of
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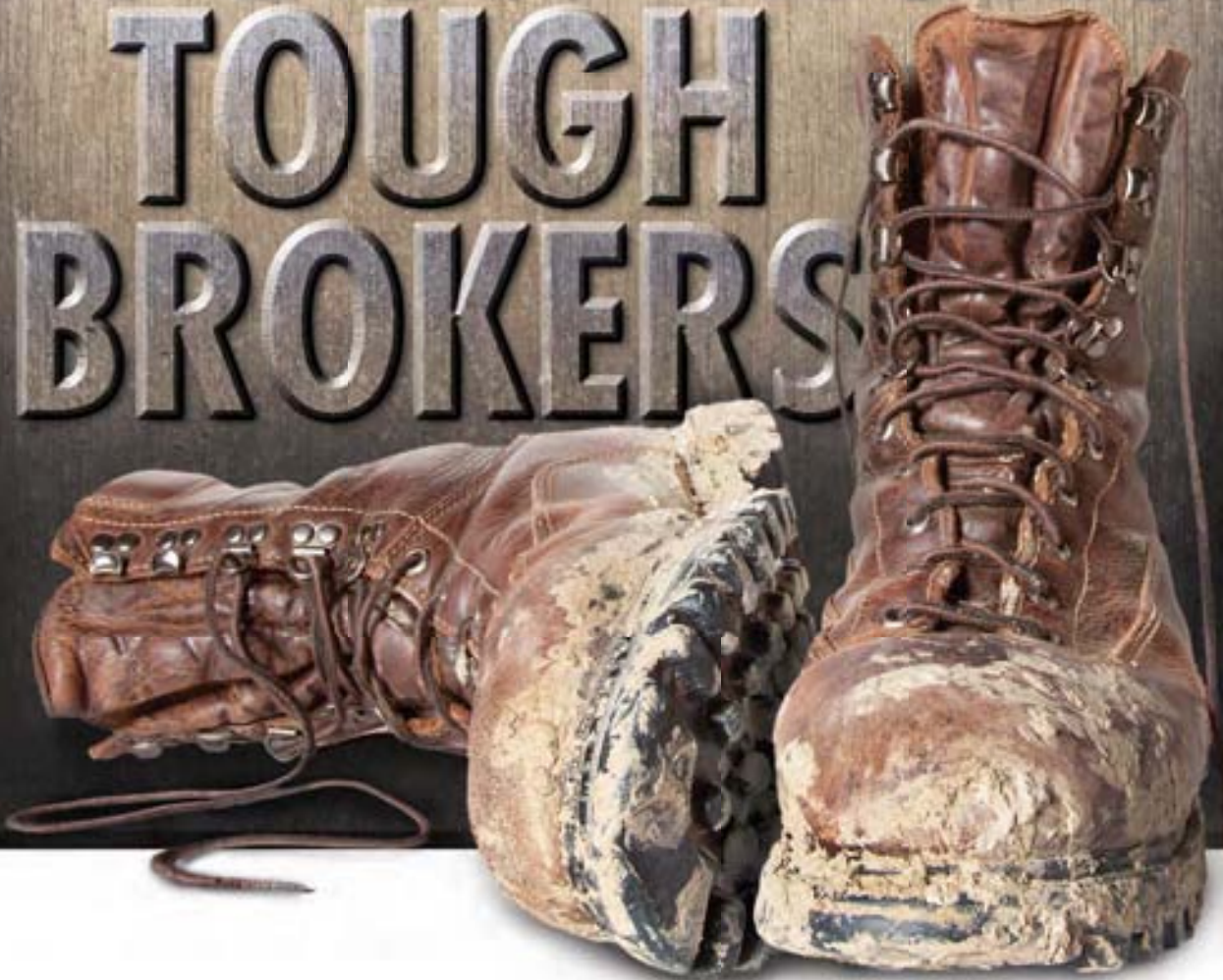


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