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EMERGENCY PLANNING: Disasters show shortcomings in safety management - PAGE 4

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JULY/AUGUST 2022

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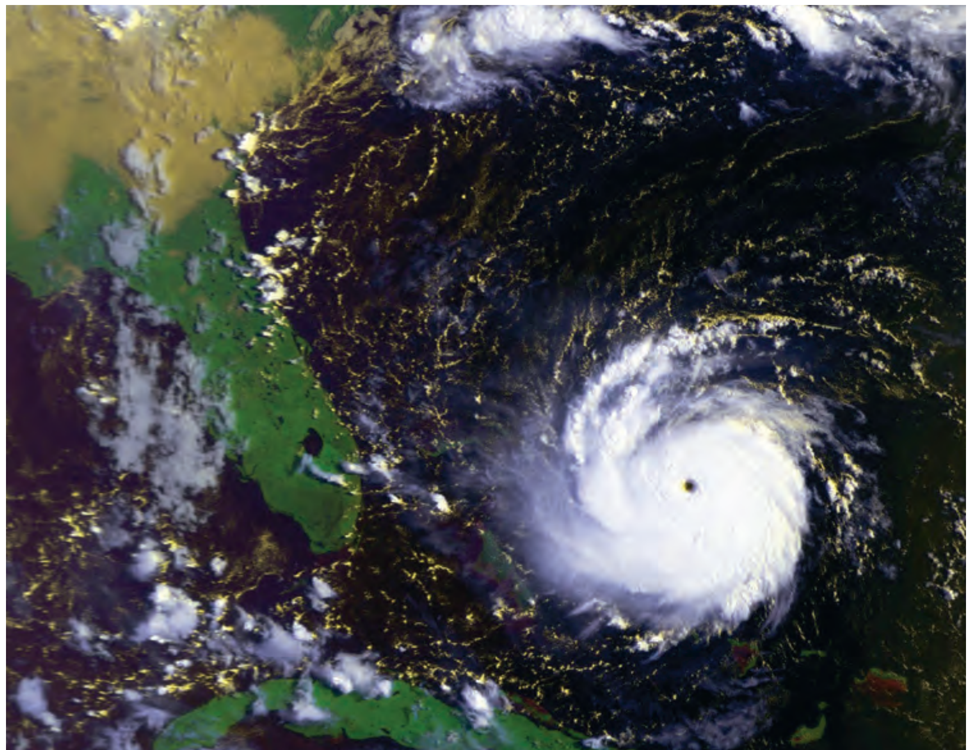

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Thirty years ago, Hurricane Andrew devastated southern Florida. It also transformed property underwriting and risk management, prompted building code changes, elevated catastrophe modeling and established Bermuda as a global reinsurance hub. **PAGE 20**

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JUAN C. ANDRADE

Juan C. Andrade joined Everest Re Group Ltd. as chief operating officer in September 2019 and became CEO of the Bermuda-based insurer and reinsurer on Jan. 1, 2020. Starting in the industry as an underwriter, he held senior positions at several commercial and personal lines insurers. Prior to joining Everest Re, he headed Chubb Ltd.'s international property/casualty business. He discusses Everest Re's strategy and the outlook for the industry. **PAGE 18**

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Tornadoes put focus on emergency plans

BY LOUISE ESOLA
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Reuters

A roof collapsed at an Amazon distribution center in Illinois as a series of tornadoes struck the U.S. in December. OSHA requires employers to create emergency action plans.

Natural disasters call for employers to have in place detailed plans to keep workers safe in an emergency, yet some organizations — either through lack of foresight or lack of training — often fall short of this federal requirement, according to risk experts.

"I don't know that they're shirking it so much as they're not thinking through all the risk factors and not doing a good risk evaluation," said Christine Sullivan, Glastonbury, Connecticut-based president of the American Society of Safety Professionals. "If you talk to C-suite professionals in companies that have very strong safety programs, one of the things that I always find interesting is what was their 'aha' moment? What was it that said, 'This can happen to us'?"

The Occupational Safety and Health Administration, under its General Duty Clause, requires employers to create an emergency action plan that provides strategies on what to do in an emergency, covering such issues as evacuation and shelter-in-place protocols. The plan must cater to a facility's unique risks and should come with ample training, experts say.

"An employer's emergency action plan is often "'Oh, we'll deal with that situation when it happens,'" said Jay Gnadt, a Dallas-based senior vice president for risk control consulting at Lockton Cos. LLC. "Well, in a real disaster-imminent situation, there's not time to formulate a plan when the tornado is approaching, or a flood or whatever it may be."

When a string of tornadoes hit the central United States in December 2021, at least two organizations were forced to face possible lapses in their emergency action plans.

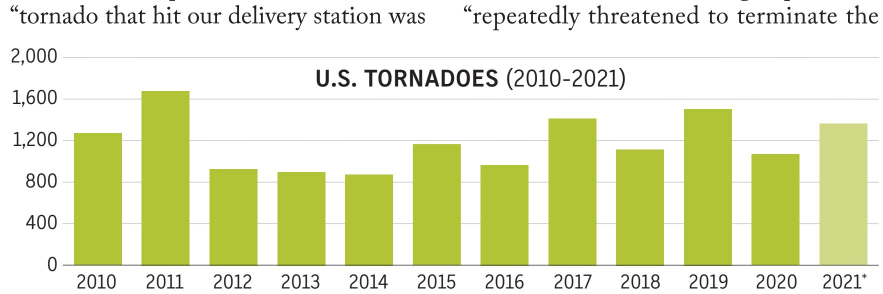
Amazon.com Inc. was investigated by OSHA following an EF3 tornado on Dec. 10 that leveled part of a warehouse in Edwardsville, Illinois, and killed six workers. On April 26 of this year, OSHA said it would not cite Amazon, finding no cause for violation of a specific OSHA standard.

However, it identified three issues with the company's emergency action plan: a megaphone that was part of the facility's plan to notify workers of a hazard "was locked in a cage and not accessible"; some workers "could not recall the location of the … designated severe weather shelter-in-place" area; and the plan was "not customized with specific instructions associated with the anticipated hazards expected for this facility and it contained elements that would not be encountered in Edwardsville, IL, such as a hurricane," and because of that "(t)he plan did not specifically identify the location of the designated shelter area for the facility."

In response to a request for comment, an Amazon spokeswoman said the "tornado that hit our delivery station was extreme and very sudden, with winds that were much like the force of a category 4 hurricane, and we believe our team did the right thing."

"OSHA's investigation did not find any violations or causes for citations, but we're constantly looking to innovate and improve our safety measures and have already begun conducting additional safety and emergency preparedness drills at our sites and will carefully consider any OSHA recommendation that we have not already," the spokeswoman said.

Also on Dec. 10, a Mayfield Consumer Products LLC candle manufacturing facility in Mayfield, Kentucky, was hit by an EF4 tornado, killing nine workers. Kentucky's Occupational Safety and Health Program division is investigating the event, and several workers filed a class-action lawsuit in March claiming supervisors "repeatedly threatened to terminate the employment of any employee who left (the facility) because of the expected tornado" of which they had a three-hour notice.



Source: Storm Prediction Center
*Preliminary

Troy Propes, CEO of Mayfield Consumer Products, said in a Dec. 14 statement the company was "immediately retaining an independent expert team to review the actions of our management team and employees on the evening when a tornado struck our facility." The company had heard accounts from a few employees that its procedures were not followed, despite having an emergency plan in place, Mr. Propes said.

Safety experts declined to discuss the December incidents. However, they say shortcomings in plans are common.

"I have seen a lack of emergency action plans in the workplace. And I'm working with several clients right now who are in the middle of rewriting or buffing up their plans just to help make them stronger," said Marc Hindman, Alpharetta, Georgia-based risk control and claims advocacy practice leader for Willis Towers Watson PLC.

Andrea Ball, Orlando, Florida-based assistant vice president and senior casualty specialist for Sompo International Risk Control Services, said complacency is seen "in every aspect of safety," but natural disasters are one area that warrants more attention.

"The 'it's not going to happen to me' is absolutely a mindset that people get into" when it comes to weather-related issues, she said, adding that lack of ample training is a common pitfall.

"We need to have these plans in action. Because when this does occur, and it will eventually occur, people need to be ready," Ms. Ball said. If nothing occurs, companies can count that as a drill and say, "OK, we had a live drill. We went through all the steps. How did we do?" she said.

From there, a company can use that data to make its next round even better, because "the next round that EF2 tornado could be an EF4, and it could be catastrophic," she said.

CLIMATE CHANGE-DRIVEN DISASTERS HEIGHTEN NEED FOR EMERGENCY PROTOCOLS

Changing weather patterns are prompting more companies to focus on emergency protocols.

Jason Mumbach, Norwalk, Connecticut-based senior vice president for property risk control and emergency management at Marsh LLC, said, "There are instances where employers don't have these procedures in place, and they're starting to focus on them because they get hit with a natural disaster that is not common to their area."

Mr. Mumbach cited the example of Hurricane Sandy, which caused destruction in the Northeast in late October 2012. "You're used to seeing hurricane damage in Florida and all of the Gulf Coast, not typically that far north that late in the season," he said.

"You're starting to see natural disasters happening in areas of the country that maybe they weren't happening in the past, because of things like climate change," said Christine Sullivan, Glastonbury, Connecticut-based president of the American Society of Safety Professionals.

The pandemic may also have helped raise awareness of unforeseen risks, experts say.

"There is an increased interest among clients to strengthen their emergency action plans, said Jay Gnadt, a Dallas-based senior vice president for risk control consulting at Lockton Cos. LLC. "We're having a lot of conversations and discussions and meetings about risk identification, threat and risk assessments on a site-specific basis. We're doing that now much more frequently than we were five years ago."

"If you look at what just happened with COVID, a lot of companies were not prepared for what was happening," Ms. Sullivan said. "I know that was not a natural disaster, but it has in many ways caused (companies) to rethink how they work."

Louise Esola

Greenwashing comes under fire

BY CLAIRE WILKINSON
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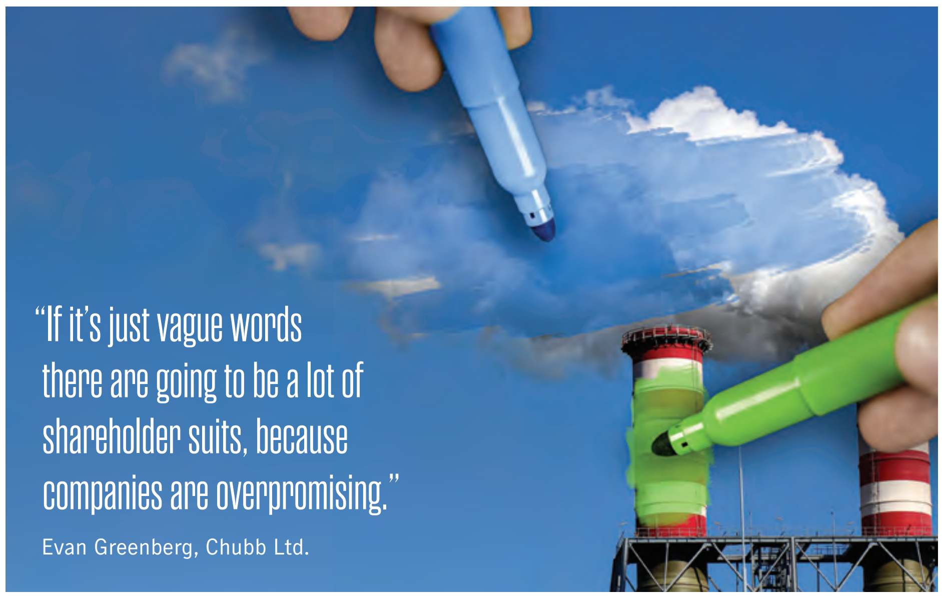


"If it's just vague words there are going to be a lot of shareholder suits, because companies are overpromising."
Evan Greenberg, Chubb Ltd.

Businesses in financial services and other sectors could find themselves in the crosshairs of so-called greenwashing allegations as the regulatory focus on environmental, social and governance-related disclosures intensifies.

Heightened enforcement activity includes recent charges brought by the U.S. Securities and Exchange Commission against the investment management arm of BNY Mellon for alleged misstatements and omissions concerning its ESG funds. BNY Mellon Investment Advisor Inc. agreed in late May to pay a $1.5 million penalty to settle the SEC charges.

Companies making climate-related claims and promises about the sustainability of their operations or investment recommendations based on ESG factors could be the target of litigation exposing insurers to potential directors and officers liability claims, experts say.

So far, there have been just a handful of claims, but the complexity of rules and emerging guidance coming from the SEC, the United Nations 17 sustainable development goals and United Kingdom net zero transition plans create "areas for companies to trip up," said James Rizzo, New York-based underwriter for U.S. executive risk at Beazley PLC.

Greenwashing describes when a company or organization markets its operations, products or initiatives as more environmentally friendly than they actually are.

A greenwashing claim could come down to an overpromise, an error or omission in the execution of a service, or a failure to achieve a certain goal, Mr. Rizzo said. "All these things lead to a disappointment, which can ultimately lead to a negative reaction in a company's stock, shareholder litigation, derivative matters and regulatory litigation," he said.

In terms of insurance coverage, the obvious target would be D&O policies, said Dennis Arteste, shareholder at Anderson Kill in New York.

"We expect to see certain hurdles but in many of these greenwashing cases it will be covered and at a minimum will be defended," Mr. Arteste said.

Other insurance coverages such as reputational risk, errors and omissions, product liability, environmental and commercial general liability could also come into play, sources said.

Under any type of professional liability policy, the coverage trigger is an act, error or omission in that service that could give rise to a claim, said Stephanie Snyder Frenier, Chicago-based senior vice president, business development leader of professional and cyber solutions, at CAC Specialty.

"If an investment adviser, for example, recommends things that have greater ESG initiatives and they in fact don't and it is an error or omission, there is a potential for coverage under the policy," depending on terms and conditions and the allegations made, Ms. Frenier said.

Chubb Ltd. CEO Evan Greenberg warned insurers to expect shareholder lawsuits alleging greenwashing against their D&O policyholders and that net zero disclosures pose a particular challenge to the industry.

The net zero commitment "sounds great in the beginning, but you're going to have to disclose very quickly what's your progress. … If it's just vague words there are going to be a lot of shareholder suits because companies are overpromising," Mr. Greenberg said during S&P Global Ratings Inc.'s 38th annual insurance conference last month.

A shareholder lawsuit filed in 2021 against bed and mattress manufacturer Sleep Number Corp. following winter storms in Texas and Louisiana illustrates how a company's statements on their resilience in extreme weather could lead to D&O claims, said Kevin LaCroix, executive vice president in Beachwood, Ohio, for RT ProExec, a division of R-T Specialty LLC.

The suit, filed in U.S. District Court in Minneapolis, alleged that Sleep Number Corp., its CEO and chief financial officer made false and misleading statements and failed to disclose that the company had suffered a severe disruption in its supply chain for mattress foam as a result of winter storm Uri.

The company had touted its integrated supply chain while attempting to assuage investor concerns about its ability to meet surging customer demand during the COVID-19 pandemic, according to the complaint filed last December.

That example of a company being knocked offline by an extreme weather event raises the question: "Are there going to be those kinds of claims?" Mr. LaCroix said.

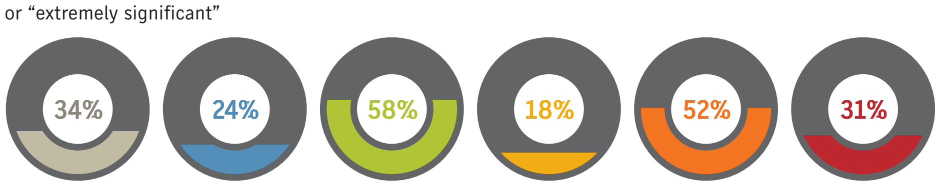
With the significant increase in greenwashing allegations, it's "reasonable to assume litigation will increase and insurers will be much more cautious of writing policies," said Michael Miguel, Los Angeles-based principal at McKool Smith.

Policyholders should be taking a much harder look at their insurance coverage and how it would respond, Mr. Miguel said.

In a 2014 case, *Meyer v. Jinkosolar*, 2nd U.S. Circuit Court of Appeals in New York held that shareholders could proceed with their greenwashing lawsuit against solar panel manufacturer Jinkosolar Holdings Co. Ltd., its officers and directors, and underwriters. Shareholders alleged the company made materially misleading statements in its public offering prospectus about its compliance with environmental regulations at a production facility in China. The case was subsequently settled for more than $5 million.

CLIMATE CHANGE RISK RANKING — BY REGION

Just 18% of directors and officers in North America rated climate change risk as "very significant" or "extremely significant"



Source: Willis Towers Watson PLC/Clyde & Co.

ESG TREND RAISES COVER QUESTIONS

Businesses should ensure they can back up their climate-related promises and review their insurance coverage for specific ESG references, experts say.

When it comes to being green, there is a lot of gray, said Stephanie Snyder Frenier, Chicago-based senior vice president, business development leader of professional and cyber solutions, at CAC Specialty.

"Organizations need to be mindful and cautious around what they are doing and representing to avoid potential liability," Ms. Frenier said.

Companies should check to see if their insurance policies address ESG and greenwashing directly, said Brian S. Scarbrough, a partner with Jenner & Block LLP in Washington.

They should "see if insurers are trying to reduce their liability for these types of claims and, conversely, if insurers are putting in affirmative coverage grants for these types of claims," Mr. Scarbrough said.

More insurers are asking about a company's ESG disclosures in the underwriting process, but because there is no universal standard or regulatory framework there's no way to verify if a company is meeting its promises, said Sojee Kim, head of claims at Founder Shield, a New York-based brokerage.

"Once there is more of a regulatory framework it will be easier and much more of a requirement when carriers are underwriting risk," Ms. Kim said.

Companies should provide concrete examples of their ESG commitments that stand behind what they are saying, said Eric Jesse, a partner at Lowenstein Sandler LLP in Roseland, New Jersey.

This can help insurers get more comfortable that they are a good risk, Mr. Jesse said.

Claire Wilkinson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Food recall market attracts insurers

BY JUDY GREENWALD
jgreenwald@businessinsurance.com

Food-related contamination insurance coverage is an outlier in the hard commercial property/casualty market, with policyholders continuing to obtain rate decreases.

But there is concern over the recent recalls of contaminated peanut butter and baby formula, which along with other cyclical market forces, could lead to a hardening market within the next year or so, experts say.

They point out also that a return to a more normal pace of federal plant inspections, which slowed during the pandemic, is expected to lead to an increase in claims.

Experts say food recall coverage, which is generally written under policies labeled contaminated products or similar nomenclature, is written by around 30 different markets split about equally between the United States and London. It is generally written in the excess and surplus lines market.

A significant portion of the business is written by managing general agencies, which are often funded by noninsurance sources, although many traditional insurers are active in the segment as well.

Food contamination issues are generally overseen by the U.S. Food and Drug Administration and, to a lesser extent, the Department of Agriculture.

Experts say a major factor in the market has been the FDA Food Safety Modernization Act. The measure, which was signed into law by President Barack Obama in January 2011, shifted the focus from responding to contamination to preventing it.

Experts say the most common claims relate to allergens — including nuts, eggs, gluten and sesame seeds — that purportedly are not listed as product ingredients.

Other claims are related to pathogens, such as E. coli and listeria, with foreign materials making up the third category.

Observers say insurance claims related to recalls are infrequently litigated.

Capacity influx

Dru Wilson, Tampa, Florida-based national manufacturing and distribution vertical leader for USI Insurance Services Inc., said the food recall insurance market is in a slightly better state than it has been for many years.

Michael Capleton, London-based underwriter, product recall, specialty lines, at CFC Underwriting Ltd., described the market as "quite soft."

"We have probably as much capacity now in the marketplace as ever before," said Steve Kluting, Grand Rapids, Michigan-based national director, product recall, food, beverage & agribusiness practice group, at Arthur J. Gallagher & Co.

Reuters

The J.M. Smucker Co. in May voluntarily recalled certain Jif brand peanut butter products due to possible salmonella contamination. The insurance market for recall coverage is relatively soft.

"We've got more insurers, more capacity, broader forms," said Geoffrey Mills, Tampa-based product recall practice leader for Marsh LLC.

Observers say there is $300 million to $600 million in capacity available and that rate reductions are running at about 5% to 10%.

"People are not putting up $25 million in limits right and left," said Sommer Chanady, Newport Beach, California-based senior vice president at Hub International Ltd. It depends on the risk, its place in the supply chain, and what is involved, she said.

Rob Balogh, Chicago-based executive vice president of product recall for Amwins, attributed the market's competitiveness to the large increase in new capacity funded by MGAs and outside capital.

As in other areas of insurance, "these underwriters want to build something from the ground up and then sell it," he said. MGAs "have the ability to do things standard markets cannot, and because of that it's caused severe competitiveness in the marketplace," Mr. Balogh said.

The pandemic may also be affecting the market, observers say.

According to the Denver-based United States Public Interest Research Group Education Fund, the USDA Food Safety and Inspection Service and the FDA reported 270 food and beverage recalls in 2021, the lowest number since 2017, when they totaled 239. The public interest organization said the decline could be attributable, in part, to agency staffing shortages during the pandemic.

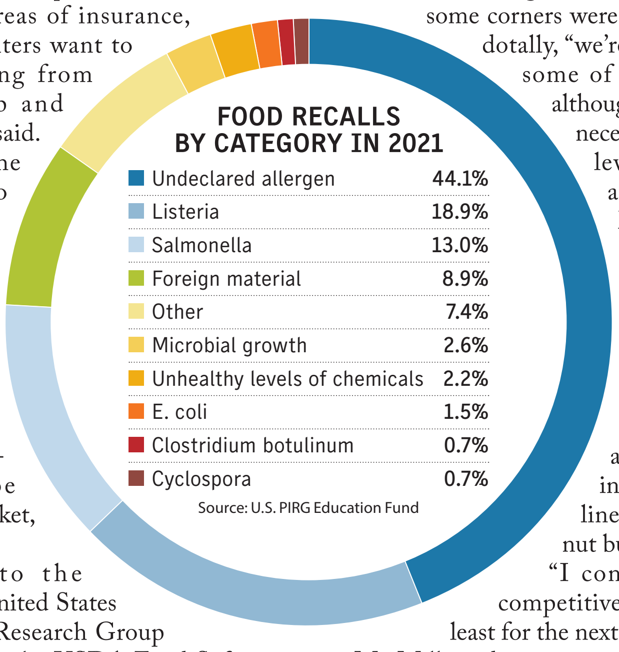
Shawn McCleary, Chicago-based recall team associate director for Willis Towers Watson PLC, said he expects a post-pandemic increase in food contamination claims, as postponed plant inspections resume.

"Now that things are slightly back to normal, we're going to see more FDA site visits, and, usually when that happens, we see more tests for biological contaminants," he said. "We predict that will be more losses in the industry for the next 12 months."

"Some folks recognized in hindsight that some corners were cut," and, anecdotally, "we're starting to see some of that play out," although these may not necessarily rise to the level of an insurance recall claim, Mr. Kluting said.

Many observers say the soft market is likely for at least another year or two, assuming there is not another major incident along the lines of the Jif peanut butter recall.

"I continue to see a competitive marketplace at least for the next couple of years," Mr. Mills said.



TAINTED PRODUCTS HIGHLIGHT RISKS

Peanut butter and baby formula are two recent widely publicized recalls by the U.S. Food and Drug Administration.

The FDA announced in May that along with the Centers for Disease Control and Prevention and state and local partners, it was investigating a multistate outbreak of salmonella infections linked to certain Jif peanut butter products produced at a J.M. Smucker Co. facility in Lexington, Kentucky, and that Smucker had voluntarily recalled the products.

The recall has spread to dozens of other products that use peanut butter as an ingredient.

"It's not just them, it's every one of their clients that their product is going to," said Dru Wilson, national manufacturing and distribution vertical leader for USI Insurance Services Inc. in Tampa, Florida.

In February, the FDA warned consumers not to use powdered infant formula products from Abbott Nutrition's Sturgis, Michigan, plant, and parent company Abbott Laboratories voluntarily stopped production and began a product recall.

In May, the FDA issued guidance outlining "increased flexibilities" regarding importing infant formula products to increase their availability.

"The peanut butter and infant formula recalls are going to be an awakening to the recall market," said Natasha McLean, Kansas City, Missouri-based vice president, national risk practice consulting leader for product recall and contamination, for Lockton Cos. LLC.

Judy Greenwald

Tech tools enhance risk management efforts

BY MATTHEW LERNER
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Technology — from employee engagement to auto fleet management and machine learning — is a growing staple of the insurance industry toolbox, experts said during sessions at the Public Risk Management Association's annual meeting in San Antonio in June.

"How do you keep staff engaged," given both the challenges of the pandemic lockdowns and then reemerging, said Rick Brush, chief member services officer for Public Risk Innovation, Solutions, and Management, a member-directed insurance risk sharing pool known as PRISM based in Folsom, California. "We think technology is a big part of that," Mr. Brush said.

> The multifactor authentication issue is "front and center" because in some cases it can be a precondition for cyber coverage.
>
> Tom Pelster, PRISM

PRISM was established in 2020 as a successor to the state's excess insurance authority and has more than 2,000 members, including 95% of counties and 70% of cities, as well as educational organizations, special districts, housing authorities and fire districts in California.

Virtual connectivity was a huge asset during the lockdown but carried with it cybersecurity challenges, especially with large online groups such as school districts, which could have tens of thousands of students.

Implementing multifactor authentication across such a group can be extremely difficult, according to Tom Pelster, chief information officer in Folsom for PRISM.

The multifactor authentication issue is "front and center" because in some cases it can be a precondition for cyber coverage, Mr. Pelster said. "That is a huge challenge, and I think people are behind on that. I hear all the time people aren't sure what to do with MFA," he said.

Mr. Brush noted that the organization has moved to an online new member orientation post-pandemic and draws a larger audience. "New people coming in want to receive information in a different way," he said, adding that new member online briefings now draw some 175-200 viewers compared with 40 to 45 at in-person meetings previously.

"There are so many efficiencies that can be gained by this. It's the balance of being efficient but still building relationships and having the interaction," Mr. Brush said.

Online outreach can allow an organization to reach an expanded audience for training purposes, according to Maria Williams, senior member services specialist for PRISM. Training programs presented online can often be recorded, stored and offered on demand, allowing users to engage at any time or anywhere.

Technology is seeing generally broader penetration in the insurance sector, said Brian Billings, Ballwin, Missouri-based vice president of predictive analytics for Midwest Employers Casualty Co., part of W.R. Berkley Corp.

Tools such as natural language processing, which can be used to help digest lengthy documentation and extract needed information or drive interaction with an automated representative, or chatbot, are becoming more widely used, Mr. Billings said. While such technology can still be pricey, declining costs associated with wider penetration should put many technologies within financial reach of far more organizations, he said.

The continued adoption of technology drives the generation and collection of vastly more data than ever before, which in turn helps inform the further evolution of existing and future technologies, sustaining the march toward digitization. "We're going to see more and more of this," Mr. Billings said.

Municipal fleet management programs are benefiting from the use of telematic programs such as sensors and other equipment that can record driver behavior and variables including speed and braking, according to Tiffany Allen, territory manager for public sector services in Monroe, North Carolina, for Travelers Cos. Inc.

The information collected by the telematics programs, which often includes video recording of drivers, can help with driver training to improve safety; it can be used to help establish or defend liability in the case of a claim; and it can be used for monitoring and maintenance purposes to improve fuel efficiency, for example, and track scheduled tuneups.

Comprehensive training is key to a successful telematics program, according to Sarah Sylvis, risk/benefits manager for the city of Franklin, Tennessee. The goals and parameters of the program should be made clear, such as what data is to be collected and how it is to be used.

Drivers and other employees must also be engaged, to ensure both that they understand how the technology works and that it can be used as a constructive tool to help them improve performance and potentially even in defending liability in the case of a claim, Ms. Sylvis said.

> Municipal fleet management programs are benefiting from the use of telematic programs such as sensors and other equipment that can record driver behavior and variables including speed and braking.
>
> Tiffany Allen, Travelers Cos. Inc.

Telematics are increasingly being used to manage and control losses from vehicle accidents, which are the leading cause of workplace fatalities and are also the costliest work-related claims, Ms. Allen said, citing data from the National Safety Council.

ONLINE RESOURCES ADD EXTRA DIMENSION TO MEETINGS

Video conferencing and online connectivity may lack the direct human interaction of onsite meetings but offer users an array of tools designed to enhance communications, sources say.

"You can make meetings more visually oriented and incorporate data and graphics," said Rick Brush, chief member services officer for Public Risk Innovation, Solutions, and Management, a member-directed insurance risk sharing pool known as PRISM, based in Folsom, California.

"We can use the online meetings software to do so much more from a graphical standpoint," Mr. Brush said.

Other online meetings also benefit from participants being able to attend education sessions in breakout rooms as part of the activity, Mr. Brush said.

Tom Pelster, chief information officer for PRISM, said systems such as Zoom, Microsoft Teams and Cisco's Webex are "working very hard to try to improve engagement." Zoom, for example, recently introduced a whiteboard feature, he said. "Those are collaborative things that should improve engagement," he said.

Most such web software tools have a free version. "Don't be afraid to explore the features in those software programs," Mr. Pelster said.

Matthew Lerner

NEWS ANALYSIS

Some COVID rulings favor policyholders

BY JUDY GREENWALD
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A Louisiana appeals court's refusal to dismiss policyholder litigation in a COVID-19-related business interruption case is significant and expected to be influential, policyholder attorneys say.

But with another intermediate appeals court in New Jersey issuing pro-insurer rulings in eight cases, the overall direction of state appeals court rulings remains unclear.

Many policyholder attorneys have held out hope that state appeals court rulings would follow a different path than the uniformly pro-insurer rulings that have been issued to date by federal appeals courts.

In a divided opinion, the Louisiana Court of Appeal for the 4th Circuit overturned a lower court in June and held that a New Orleans restaurant is entitled to business interruption coverage for pandemic-related losses because of ambiguous policy language, according to the ruling in *Cajun Conti LLC et al. v. Certain Underwriters at Lloyd's, London et al.*

In February 2021, following a bench trial that was the first trial to be held on the issue, a Louisiana state judge had ruled in favor of Lloyd's of London underwriters in the case filed by the owner and operator of the Oceana Grill in New Orleans' French Quarter. The policyholder appealed the ruling.

The Louisiana appeals court ruling on June 15 came a day after a New York appeals court also ruled in a policyholder's favor.

The New York State Supreme Court Appellate Division, First Judicial Department, upheld a lower court decision and ruled that the New York Botanical Garden was entitled to COVID-19-related business interruption coverage from an Allied World Assurance Co. Holdings Ltd. unit. That ruling was somewhat unusual in being based on a "pollution legal liability policy."

Courts in numerous other COVID-19-related cases have ruled that businesses that closed operations during government-mandated shutdowns in 2020 did not suffer physical damage and therefore business interruption coverage was not triggered.

> "It's a tremendous victory for policyholders and is likely to result in additional appellate decisions in favor of policyholders."
>
> Scott D. Greenspan,
> Pillsbury Winthrop Shaw Pittman LLP

Although many federal appeals courts have upheld the rulings, relatively few state appeals courts have so far issued decisions.

Attorneys in the Louisiana case did not respond to requests for comment.

Policyholder attorneys who are not involved in the case said the ruling is significant.

Scott D. Greenspan, senior counsel with Pillsbury Winthrop Shaw Pittman LLP in New York, said this is the first policyholder victory from any state appellate court that focuses on the physical loss or damage issue, "so it's a tremendous victory for policyholders and is likely to result in additional appellate decisions in favor of policyholders," he said.

Bradley Dlatt, an associate with Perkins Coie LLP in Chicago, said, "State courts are ultimately the arbiters of state law and, for a while now, courts have been hesitant to rule in policyholders' favor because many federal courts, without benefit of discovery and fully developed case records, started making rulings on whether or not a novel virus could cause loss" or physical damage to property.

The Louisiana case "is a particularly significant one because it came with a fully developed factual record," Mr. Dlatt said.

Peter A. Halprin, a partner with Pasich LLP in New York, said in a statement that the Louisiana appeals court "applied a bedrock principle of insurance policy interpretation, holding that the phrase 'direct physical loss of or damage to' was ambiguous and should thus be construed against the drafter and in favor of coverage."

The ruling will influence other appellate courts, he said.

Marshall Gilinsky, an insurance recovery attorney and shareholder at Anderson Kill P.C. in New York, said in a statement that "while federal courts of appeals have ruled that the virus does not constitute physical loss or damage, case law from many state courts suggests otherwise, and state courts have been more receptive to businesses' COVID-19 claims."

Craig Stanfield, a partner with King & Spalding LLP in Houston, said that while the decision was a "bit mixed" because it was not unanimous, it is nevertheless significant, giving policyholders "something to hang their hats on."

Meanwhile, the Superior Court of New Jersey appellate division in Jersey City, which is one level below the state supreme court, has issued three separate rulings, covering eight cases, in insurers' favor.

It first ruled in six COVID-19-related business interruption cases in *Mac Property Group LLC & The Cake Boutique LLC v. Selective Fire and Casualty Insurance Co. et. al.*

This was followed by another such ruling against a country club in *Rockleigh Country Club, LLC v. Hartford Insurance Group*. Both decisions affirmed lower court rulings.

In the third ruling, the appeals court overturned a lower court and ruled against Atlantic City-based Ocean Casino Resort, and in favor of units of Zurich Insurance Group Ltd., American International Group Inc. and Allianz SE in COVID-19-related business interruption coverage.

That case was *AC Ocean Walk, LLC v. American Guarantee and Liability Insurance Co., AIG Specialty Insurance Co. and Interstate Fire and Casualty Co. and National Fire & Marine Insurance Co.*

Unclear policy language at issue in business interruption decision

The Louisiana Court of Appeal for the 4th Circuit in New Orleans held in June that a New Orleans restaurant had business interruption coverage for pandemic-related losses because of ambiguous policy language.

The majority ruling in the 5-2 decision in *Cajun Conti LLC et al. v. Certain Underwriters at Lloyd's, London et al.* said the policy "covers the loss of business income due to necessary 'suspension' of operations caused by 'direct physical loss or damage to the property.'"

"'Suspension' is defined in the policy as the 'slowdown or cessation of your business activities.' Therefore, under the terms of the contract, the complete cessation of operations and uninhabitable property are not prerequisites to payment for business losses suffered due to the suspension of operations caused by 'direct physical loss or damage to the property,'" the ruling said.

"Suspension includes the slowdown of business activities, which occurred here, as well as the complete cessation of business operations which occurs when a property is entirely uninhabitable," the ruling said.

The majority noted that the restaurant had an "all-risk" policy "where all risks are covered unless clearly and specifically excluded."

"The words of the policy foresee a situation in which business losses can be covered by less than the complete destruction of the property or less than the complete loss of the property's utility," the ruling said.

"The presence of this ambiguity and the existence of two equally reasonable interpretations as to what constitutes a 'direct physical loss or damage to' the insured property requires the Court to liberally construe the provision in favor of coverage for the appellants and against the appellee, who drafted the vague provision," the majority said, in reversing the trial court's decision and ruling in the restaurant's favor.

The dissenting opinion stated, "While the majority argues that the language is open to more than one reasonable meaning and is ambiguous, the jurisprudence and plain language of the Policy do not support that contention."

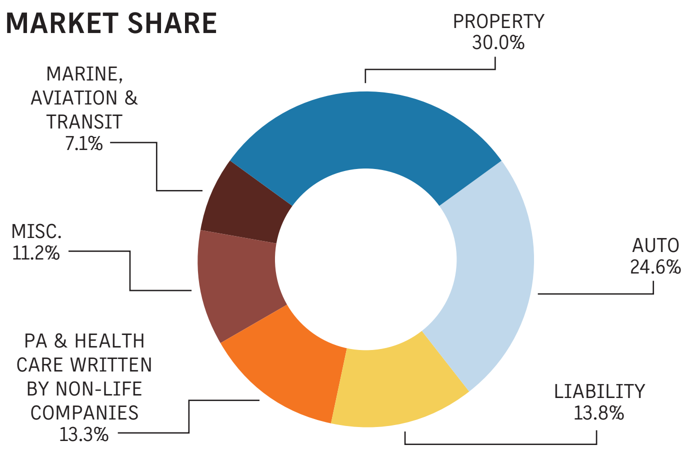
Judy Greenwald

PROFILE: UNITED KINGDOM

7
GLOBAL P/C MARKET RANKING

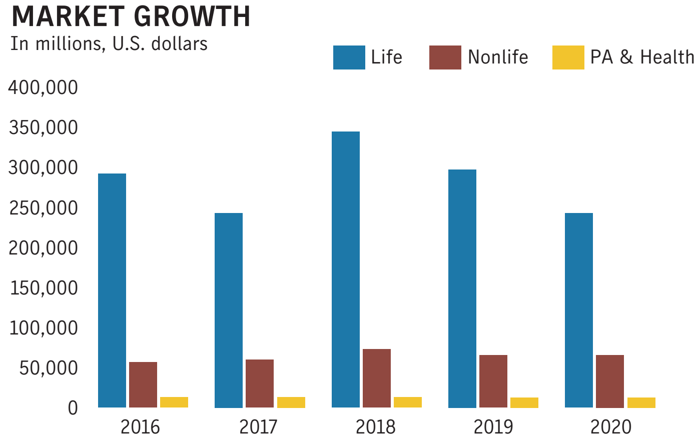
There are few barriers to entering the U.K. insurance market and complete freedom to set rates. These factors continue to make the U.K. attractive to foreign insurers, which comprise a large part of the domestic market. A unique feature of the U.K. insurance environment is the London market, the world's leading international insurance center. This is concentrated in the City of London and comprises Lloyd's, non-Lloyd's underwriting agencies, and the branches and subsidiaries of U.K. and international insurance and reinsurance companies. The London market specializes in inwards reinsurance, marine and aviation business, U.S. surplus lines and international direct risks of a large or complex nature. Nonlife insurance business for U.K. risks is written by a multitude of companies based in the U.K. and overseas; consequently, it is difficult to calculate total U.K. premiums with any degree of certainty.

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

AREA

94,058

square miles

POPULATION

67.8

million

MARKET CONCENTRATION

51.2%

market share of top five insurers

2022 GDP CHANGE (PROJECTED)

3.7%

MARKET DEVELOPMENTS

Updated June 2022

- As part of the government review of the Solvency II regime as it applies to the U.K. following the nation's withdrawal from the European Union, the Prudential Regulatory Authority launched its Quantitative Impact Study in July 2021. The study will gather information for the PRA to determine which reforms would be best suited to meet government objectives and what their effect might be.
- The study had not been completed when this report was being prepared, but a report commissioned by the Association of British Insurers, published in February, concluded that reforms proposed in the QIS would not satisfy the objectives for the Solvency II review in the areas of competitiveness, policyholder protection and increased investment.
- In response to complaints by policyholders that believed they had some degree of cover for business interruption related to the COVID-19 pandemic, the Financial Conduct Authority instigated a legal test case involving various insurers that had issued policy wordings with extensions that appeared to include the risks involved but had declined claims. The judgment in mid-September 2020 ruled that most, but not all, of the disease extensions in the policies under consideration did provide some element of cover for business interruption losses. Following an appeal, the Supreme Court upheld the findings of the lower court in January 2021 and issued further clarifications in some areas that essentially favored the FCA's position and that of the affected policyholders.
- Most insurers have introduced exclusions for losses associated with COVID-19, and some have widened this to exclude any notifiable disease, but there is no consistency in the wordings of these exclusions.

COMPULSORY INSURANCE

- Auto third-party liability
- Employers liability
- Professional indemnity for insurance intermediaries and claims managers
- Clinical trials liability
- Liability for aviation and space risks
- Shipowners liability against marine oil pollution (financial guarantee or insurance)
- Railway operators liability (financial guarantee acceptable)
- Shipments of waste (financial guarantee acceptable)
- Third-party liability for licensees of nuclear installations

NONADMITTED

Unauthorized insurers cannot carry on insurance activity in the U.K., although there is nothing in the law that indicates insurance must be purchased from locally authorized insurers, with some exceptions. This is generally interpreted to mean that insurers can issue policies from abroad, with exceptions, if approached by a buyer or an intermediary.

INTERMEDIARIES

Brokers and agents must be authorized to transact insurance business and may place business with nonadmitted insurers. Intermediaries involved in nonadmitted placements do not have to be registered with the Financial Conduct Authority.

MARKET PRACTICE

In general, there is nothing in U.K. law to prevent locally domiciled citizens or corporations from buying insurance outside the country on a nonadmitted basis.

When you're facing the most pressing business challenges, maximizing your success starts with the right partner.

As a top national specialty insurance broker, with tailored services and experts in over 30 practices, we see risk through your lens. By understanding your industry, business goals and market trends, we deliver personalized, comprehensive risk advice to prepare for today and plan for tomorrow.

Face the future with confidence.

Risk Strategies. A Specialist Approach to Risk.
Property & Casualty | Employee Benefits | Private Client Services

riskstrategies.com/learnmore

Race discrimination charge reinstated

■ A federal appeals court reinstated a race discrimination charge filed by a fired university employee, questioning why a lower court dismissed it without addressing the issue in its ruling.

Emily Lewis began working as a director of instructional design at Indiana Wesleyan University, a private Christian university in Marion, Indiana, in 2017, according to the ruling by the 7th U.S. Circuit Court of Appeals in Chicago in *Emily Lewis v. Indiana Wesleyan University*.

In July 2018, Ms. Lewis met with two university officials to discuss her concerns that her subordinates, all of whom were white, did not take direction from her because of her race.

One of the officials told her she should get "Black woman syndrome off of (her) shoulders" and that she was "too smart," the ruling said. She reported the conversation to the university's chancellor.

In February 2019 she was told by another university official, who according to the record was not aware of her discrimination complaint, that her position was being eliminated as part of combining her department with another. She refused the offer of a research assistant position and stopped working at the university.

Ms. Lewis filed suit against the university in U.S. District Court in Fort Wayne, Indiana, on charges including retaliation and discrimination. The lower court granted the university summary judgment on her retaliation charges but did not address her race discrimination claim.

The three-judge appeals court panel reinstated the discrimination claim, saying the district court had "failed to explain why it was granting summary judgment on Dr. Lewis's claim that her termination was racially discriminatory."

"As a result, we cannot be sure that the district court adequately considered the merits of that claim," the ruling said in affirming dismissal of the retaliation claims but declining to evaluate the race discrimination claim and remanding the case for further proceedings on that issue.

State high court asked to take case

■ A federal appeals court asked the Massachusetts Supreme Court to consider whether insurers must cover costs incurred to prevent an imminent covered loss, even if the costs themselves are not covered by the policy.

The incident sparking the question involves Marlborough, Massachusetts-based Ken's Foods Inc., according to the ruling by the 1st U.S. Circuit Court of Appeals in Boston in *Ken's Foods Inc. v. Steadfast Insurance Co.*

In December 2018 an accidental discharge at one of Ken's Foods' processing facilities caused wastewater to enter Georgia waterways. The company immediately addressed the issue to prevent further discharge and to clean up the pollution, which included fully cooperating with Georgia state officials, according to court documents.

Its efforts, which generated more than $2 million in costs, prevented a suspension of operations at the processing facility, the ruling said.

Without these moves, the company would have incurred losses in excess of the $10 million coverage provided by its comprehensive environmental policy with Zurich Insurance Group unit Steadfast, the ruling said.

Steadfast refused to pay for the prevention efforts on the basis it only covered business losses resulting from a complete suspension of operations. Ken's Foods then filed suit in U.S. District Court in Boston, seeking nearly $3 million and treble damages.

The district court ruled in Steadfast's favor, holding there was no indication that Massachusetts common law entitled Ken's Foods to recover costs in this situation.

A three-judge appeals court panel decided the issue should be considered by the state's high court.

HVAC firm settles harassment charges

■ A heating, ventilation and air conditioning company whose owner allegedly sexually harassed female employees has agreed to pay $361,000 to settle a U.S. Equal Employment Opportunity Commission lawsuit.

The EEOC said Maxim Johnston, founder, owner and president of Spokane Valley, Washington-based Air Control Heating & Air Conditioning Inc., had allegedly subjected female employees to sexual harassment on a nearly daily basis since 2010 and repeatedly stated that female employees did not belong in the building trades because of their sex.

The EEOC charged that his behavior included offensive, graphic comments and sexually explicit innuendos; touching women without their consent; unwanted remarks about their bodies; requests to wear more-revealing clothing; leering; and offering tickets to a nearby strip club.

The agency said corporate directors, who were also company managers, failed to take prompt or effective actions to stop the alleged harassment despite multiple reports of such conduct over the years.

Under the five-year consent decree settling the suit, Air Control, which has about 40 employees, agreed to pay $361,000 to seven claimants and full back pay to a female employee who was forced to quit.

The settlement decree also requires the company to retain an independent consultant to assist it in developing anti-discrimination policies and procedures, among other provisions.

EEOC Seattle Field Office Director Elizabeth Cannon said in a statement, "Regardless of whether it happens to women in a male-dominated industry or anywhere else, sex discrimination and harassment in the workplace is illegal. Employers who allow sexually hostile work environments violate the law."

Rejected applicant's suit may proceed

■ A rejected male applicant for a University of Cincinnati professorship can still proceed with his gender discrimination litigation even though the position he sought was never filled, a federal appeals court ruled.

Mark Charlton-Perkins, a research scientist, applied for a professorship at the university in late 2017, according to the ruling by the 6th U.S. Circuit Court of Appeals in Cincinnati in *Mark Charlton-Perkins v. University of Cincinnati et. al.*

After he was determined to be the most-qualified candidate, a dean said he believed the most appropriate course was to focus on women candidates, the ruling said. The search committee's chair objected, and the search was canceled.

Mr. Charlton-Perkins filed suit in U.S. District Court in Cincinnati, charging gender discrimination and asserting a failure-to-hire claim under Title IX of the Education Amendments of 1972, which protects people from discrimination based on sex in education programs or activities that receive federal financial assistance.

The court dismissed the case on the basis the lawsuit was not "ripe" because the position was never filled. A three-judge appeals court panel overturned the ruling.

"No matter whether somebody else ever got the spot, it has always been the case that Charlton-Perkins was denied the spot. So, Charlton-Perkins has always had that de facto injury — he has always been stuck with the denial — no matter whether someone else got the position instead," the ruling said.

DOCKET

WARN RULE IN EFFECT AMID PANDEMIC

The COVID-19 pandemic is not a natural disaster that exempts employers from complying with the Worker Adjustment and Retraining Act, which requires companies to give affected employees 60 days' notice of a plant closing or mass layoff, a federal appeals court ruled. Crew members of Houston-based US Well Services Inc., which performs fracking services, had filed a class-action complaint against the company in U.S. District Court in Houston for allegedly violating the WARN Act by terminating them without advance notice, citing the effect of the pandemic.

TRAVELERS WINS RULING OVER ROOF DAMAGE

A federal appeals court affirmed a ruling in favor of a Travelers Cos. Inc. unit that denied a property owner's claim involving a roof over a swimming pool, stating the damage to the roof was known prior to the policy period. Newport Beach, California-based Monterey Property Associates Anaheim LLC had sought defense and indemnity from Travelers Property Casualty Co. of America after it was sued by a tenant, Fitness International LLC, that had to close its pool because of the health and safety hazards the roof posed, according to the ruling by the 9th U.S. Circuit Court of Appeals in San Francisco.

MUNICH RE PREVAILS IN ENGINE FAILURE CASE

A federal appeals court affirmed a lower court ruling in favor of a Munich Re unit in litigation over its coverage denial for a marine vessel's failed engine, saying the owner failed to prove it was caused by an "accidental external event." Coral Gables, Florida-based Wave Cruiser LLC purchased a marine all-risks insurance policy from Munich Re unit Great Lakes Insurance SE that provided $310,000 in coverage for a marine vessel it purchased, according to the ruling by the 11th U.S. Circuit Court of Appeals in Atlanta.

VIEW FROM THE TOP

Juan Andrade

EVEREST RE

Juan C. Andrade joined Everest Re Group Ltd. as chief operating officer in September 2019 and became CEO of the Bermuda-based insurer and reinsurer on Jan. 1, 2020. Starting in the industry as an underwriter, he has held senior positions at several commercial and personal lines insurers and worked on domestic U.S. and international business. Prior to joining Everest Re, he headed Chubb Ltd.'s international property/casualty business. Recently, Mr. Andrade spoke with *Business Insurance* Editor Gavin Souter about Everest's strategy and the outlook for the industry. Edited excerpts follow.

Q Everest made a big play into the insurance sector expanding its primary operations about seven years ago. What is the business mix of Everest today?

A It's about building a broadly diversified group, and diversification is especially important to me. It's by geography, it's by line of business, but it's also within different industries, insurance and reinsurance. We finished last year roughly at about 70% reinsurance and 30% insurance.

Q Are you expecting that to be the right proportion going forward, or are you looking to continue to grow the insurance business?

A We're the seventh-largest reinsurer in the world and we still see a lot of opportunity on the reinsurance side of things, but it's also a function of the numbers. If you look at the available market opportunity in reinsurance, it's about $400 billion; if you look at the available opportunity in commercial property/casualty, it's $800 billion; and we finished last year roughly with $4 billion as a primary carrier. So, we definitely see headroom and will continue to grow the primary side while being able to maintain the preeminence of our franchise on the reinsurance side of things.

I do see more balance as we go forward over time, but I have been careful not to put a specific line in the sand as to what that mix of business ought to be because I deeply care about technical underwriting profit and profitability, so a lot of it will be what the market bears and what the opportunity is in front of us. But you will see better balance between the two divisions.

Q Is there any particular area where you would see more opportunity going forward?

A I see opportunity in both insurance and reinsurance in different lines of business. We have been very successful on the primary side, particularly in the long-tail lines — excess casualty, primary casualty — also in D&O and then some of the true specialties, such as political risk, trade credit, surety.

It's similar on the reinsurance side. One of the things that we have been trying to do is de-risk the company from property cat. Last year, one of the more important things that we did as a firm was create a risk appetite that we felt comfortable trading in for our company. We still see opportunity in property cat, but we're a lot more focused on optimizing economic returns on that.

At the same time, we have benefited from the primary improvement in the casualty lines. Rates have been up, limits have been down, terms have been tighter, so for us reinsurance casualty has been a successful line of business.

Q&A

Q Inflation is a major concern for many companies. What effect is that having on insurance and reinsurance markets?

A We have a number of things hitting all of us within the economy right now, whether it's inflation, social inflation, the ongoing pandemic. Inflation is the one that takes more of my attention these days.

The question in my mind is: "How high does it get and for how long?" And the follow-up question to that is "How much above your expectations in pricing does that take place?" That's what all of us in the insurance and reinsurance industry are looking at right now.

The impact is not the same on all lines of business. Some lines of business are more tied to the CPI index, other lines of business are not. There's built-in inflation hedges in certain lines, for instance, insured values of property. If values go up, so does the premium associated with it.

We think about it quite a bit and we make sure that we stay on top of our loss trend selects, but ultimately it really is going to be a question of how high it gets and for how long.

Q You mentioned social inflation. Did the court closures during the pandemic affect that trend?

A You definitely saw a pause with the backlogs in courts, and particularly during 2020 there was more interest by plaintiff attorneys to try to settle things out of court, more for cash flow reasons.

There's probably still a backlog in the courts; it hasn't really worked its way through the system and so that's something obviously that we keep our eye on. There are certainly verdicts out there, particularly with commercial auto, that the industry keeps an eye on as well, but I would say social inflation is something that we've come to see as more of a constant than anything else. How we deal with it, frankly, is by pricing some of that into our loss trends.

Q Is the increase in prices over the past four years at pace with social inflation?

A I think it is. What we have seen really since 2018 or so is that rate has been in excess of trend and that's been good. I also see that pricing has been moderating some, particularly in the past year, but in my mind that's also a sign that more lines are getting to pricing adequacy. But, yes, I do believe that there's been rate in excess of trend over this period of time and that certainly helps deal with social inflation and those kinds of things.

Q How do you view the recent increases in interest rates?

A Rising interest rates should be good for the investment portfolio, particularly for companies that have assets and liabilities matched. In our case, 20% of our portfolio is on floating rate, so we're going to be able to capture the benefit of those rising rates faster; so from that perspective that's good.

Rising rates will also have an impact on our bond portfolios, and bond portfolios, obviously, are sort of at the core of what insurers and reinsurers do.

We have a number of things hitting all of us within the economy right now, whether it's inflation, social inflation, the ongoing pandemic. Inflation is the one that takes more of my attention these days.

COVER STORY

DEADLY WINDSTORM TRANSFORMED MARKET

30 years after Hurricane Andrew devastated parts of Florida, the insurance sector continues to feel the effects of the catastrophe

BY GAVIN SOUTER
gsouter@businessinsurance.com

When Hurricane Andrew ripped through southern Florida in 1992, tearing up buildings and killing more than two dozen people, few had witnessed such a destructive natural catastrophe in the United States.

In the 30 years since, the U.S. has endured multiple storms that caused more damage than Andrew, but it was the earlier storm that put insurers and businesses on notice about the potential for such large losses and transformed property underwriting and risk management.

Catastrophe modeling, which was in its infancy before Andrew, became a mainstream underwriting tool; outdated and poorly enforced building codes were upgraded in Florida and elsewhere, making homes and businesses more resilient; eight highly capitalized property catastrophe reinsurers launched in Bermuda, causing reverberations throughout the insurance sector; and insurance contracts were overhauled, effectively imposing much higher retentions on policyholders.

> “The carriers weren’t able to track exposure, like they are now. Some of them back then basically tracked their cat loads by pushpins in a map.”
>
> Rep Plasencia,
> Risk Placement Services

Reuters

A mobile home resident stands outside his wrecked home the day after Hurricane Andrew struck. More than 100,000 homes were damaged or destroyed by the Category 5 hurricane, which tore through southern Florida in August 1992.

In addition, catastrophe response strategies were rethought and rewritten as businesses and insurers spent more time planning how they would cope with future storms.

Hurricane Andrew made landfall as a Category 5 storm near Homestead, Florida, on Aug. 24, 1992. Previously, it had hit the Bahamas and it went on to cause further damage in Louisiana.

A relatively compact storm, most of its damage in Florida was confined to the area south of Miami. Estimates vary, but according to data collated by the National Hurricane Center, 26 people were killed as a direct result of Andrew; the storm caused $25 billion in total damage; 25,524 homes were destroyed, and 101,241 were damaged. In Homestead and neighboring Florida City, 99%, or 1,167 of 1,176, mobile homes were destroyed.

Still, the storm ranks as just the eighth largest insured loss since 1900, causing $16 billion in insured losses at the time of the event (see chart) and does not rank among the Top 10 costliest in terms of economic losses.

Losses covered

While Hurricane Hugo in 1989, which resulted in more than $4 billion in insured losses, had alerted underwriters to the level of devastation a hurricane could cause in the United States, Andrew “caught everybody a little bit off guard in how vast and complete the devastation was where it made landfall,” said Todd Billeter, Stamford, Connecticut-based senior managing director at Aon PLC, who was a property reinsurance underwriter in 1992.

“It had been decades and decades since such a disruptive hurricane had hit Florida,” said Gary Marchitello, chairman of Willis Towers Watson PLC’s North American property practice in New York. “Underwriters immediately recognized they were putting out too much limit and were mispricing the risk.”

Scott Clark, area senior vice president, national risk control, at Arthur J. Gallagher & Co. in Naples, Florida, lost his home during the storm. At the time of Andrew, he was risk and benefits officer at Miami-Dade County Public Schools, a position he retired from in 2016.

The district sustained a $98 million loss as a result of the storm. Most of the loss was insured due to a joint deductible provision for its windstorm coverage, which essentially provided that the lowest windstorm deductible on any of its policies would be applicable for any claims. While the district carried a $1 million windstorm deductible on its excess property policy, its boiler and machinery coverage — placed with a different insurer — had a $100,000 deductible, which under the joint-deductible provision was applied to the property losses, too.

“It was negotiated and was pretty standard in the day,” said Mr. Clark, who is also a past president of the Risk & Insurance Management Society Inc.

Many large insurers had a limited understanding of their exposures prior to Andrew, said Rep Plasencia, executive vice president and Boca Raton, Florida, office lead for Risk Placement Services, a unit of Gallagher.

> “We were looking at state data, and if you got county level data that would be crazy granular back then.”
>
> Todd Billeter,
> Aon PLC

“The carriers weren’t able to track exposure, like they are now,” he said. “Some of them back then basically tracked their cat loads by pushpins in a map.”

Actuaries based their assessments on historical storms, indexed for exposure growth and increased values, Mr. Plasencia said.

TOP 10 COSTLIEST GLOBAL INSURED LOSS EVENTS

Includes loss at time of the event and loss adjusted to 2021 dollars.

YEAR	EVENT	INSURED LOSS	ADJUSTED INSURED LOSS
2005	Hurricane Katrina	$65 billion	$90 billion
2011	Tohoku earthquake/tsunami	$35 billion	$42 billion
2017	Hurricane Irma	$33 billion	$37 billion
2021	Hurricane Ida	$36 billion	$36 billion
2012	Superstorm Sandy	$30 billion	$35 billion
2017	Hurricane Harvey	$30 billion	$33 billion
2017	Hurricane Maria	$30 billion	$33 billion
1992	**Hurricane Andrew**	**$16 billion**	**$31 billion**
1994	Northridge earthquake	$15 billion	$28 billion
2008	Hurricane Ike	$18 billion	$23 billion

Source: Aon PLC

Market changes

The losses from the storm had an immediate effect on the insurance market and the way windstorm risks were underwritten.

Insurers sharply pulled back property limits, Florida risks had to be syndicated in global markets to obtain sufficient coverage and prices increased dramatically, Mr. Marchitello said.

In the year prior to Andrew, Miami-Dade, which was and is the fourth-largest school district in the country based on student enrollment, paid a $770,000 premium for $150 million in property insurance coverage, which was placed with two domestic insurers, Mr. Clark said.

After the storm, the district had to buy coverage from 26 different insurers,

See **CATASTROPHES** next page

COVER STORY

CATASTROPHES

Continued from previous page

predominantly in London, and the premium jumped nearly tenfold to $7.5 million. The windstorm deductible increased tenfold to $10 million.

"At that time, in 1992, the $7.5 million premium was tantamount to the same cost to build an elementary school," Mr. Clark said.

Many insurers replaced dollar deductibles with percentage deductibles, which increased self-retention by policyholders by multiples, Mr. Marchitello said.

"You took a $500,000 house, which may have had $1,000 or $2,500 deductible on it, all of a sudden if you went to a 5% (windstorm deductible) you went to $25,000," Mr. Plasencia said.

Percentage deductibles have varied through market cycles over the past 30 years and in the current market some insurers are seeking to impose 10% windstorm deductibles for commercial lines risks, he said.

A big change from a reinsurance underwriting point of view after Hurricane Andrew was a focus on data, said Mr. Billeter of Aon. Prior to the storm, reinsurers would look at spreadsheets and assess insured values within a state, with little information on the location of the properties, he said.

"We were looking at state data, and if you got county level data that would be crazy granular back then," Mr. Billeter said.

After Andrew, catastrophe models, which had been recently developed, were put to widespread use by reinsurers and later by primary insurers (see related story).

The storm opened up the eyes of reinsurance executives to the extent of losses possible and led to the widespread uptake of catastrophe models in reinsurance underwriting, said Jayant Khadilkar, who worked at catastrophe modeler Applied Insurance Research, which became AIR Worldwide, in 1992, before going on to work at RenaissanceRe Holdings Ltd., TigerRisk Partners and Ariel Re, where he is a board member and adviser.

Prior to Andrew, reinsurers based their underwriting more on market share, comparing a cedent's premium with the overall industry premium, said Mr. Khadilkar, who is based in Raleigh, North Carolina.

National Oceanic and Atmospheric Administration (NOAA)

"In the past it was based on historical losses, but with the models underwriters were able to see what potentially could happen," he said.

The importance of catastrophe models for property reinsurance "can't be understated," said Matt Junge, Schaumburg, Illinois-based head of property underwriting, U.S. regional and national, at Swiss Re Ltd. "They drive our pricing for treaties, they drive primary peril pricing as well."

Claims and mitigation

Andrew also changed the way claims professionals approached catastrophe claims, said Robert O'Brien, a Washington-

Andrew made Bermuda a global center for property reinsurance

While Hurricane Andrew led to permanent changes across the commercial property insurance industry, the sector of the market that was most immediately and significantly transformed was reinsurance.

In the 18 months after the 1992 storm, eight highly capitalized property catastrophe reinsurers were established in Bermuda offering much needed capacity in a market where prices were rising sharply.

Later in the 1990s, many of the cat reinsurers were absorbed by other companies, notably by Bermuda's large liability insurers Ace Ltd. and Exel Ltd., but their formation set a higher bar in terms of capitalization of reinsurers, established Bermuda as a global reinsurance market, and their use of catastrophe models helped set a trend for the industry.

Prior to Andrew, Bermuda had largely been a domicile for captive insurers, until Ace, which later bought and merged into Chubb Corp., and Exel, which eventually became Axa XL, a unit of Axa SA, were formed during the U.S. liability crisis in the mid-1980s.

The success of Ace and Exel gave Bermuda credibility as a market for capital, said Michael Butt, former chairman of Axis Capital Holdings Ltd. and a longtime London market and Bermuda industry executive, who was president and CEO of Mid Ocean Reinsurance Co. Ltd., the first of the Bermuda property cat reinsurers to form in 1992.

The property cat reinsurers brought in business from around the world and expanded their own operations.

The companies "changed Bermuda from being U.S.-centric to being global," Mr. Butt said.

They also attracted significant amounts of capital, compared with many smaller reinsurers in the market.

"We started with $300 million, and we ended up after the end of the first year with $700 million. And the entry price is now $1.5 billion," Mr. Butt said. "The depths of the capital markets in the U.S. and the quality of the capital made all the difference."

The storm also changed reinsurance underwriting, which previously was based on the experience of an underwriter, he said.

"And you did it largely instinctively. The intellectual or technical support was limited," Mr. Butt said.

Increased use of information technology and the availability of catastrophe models led to improvements in the quality of information available to underwriters.

"And the fact that the new capital was demanding and saying, 'If you're going to be doing this, boys, you better get it right, so could you make sure you've got the right tools to do it?'" Mr. Butt said.

Using catastrophe models enabled reinsurers to differentiate between insurers with similar property premium levels, said Jayant Khadilkar, who worked at catastrophe modeler Applied Insurance Research, which became AIR Worldwide, in 1992, before going on to work at RenaissanceRe Holdings Ltd., a cat reinsurer set up in 1993, and later Ariel Re, where he is a board member and adviser.

"Of course, there is qualitative stuff that goes into underwriting, and there's no substitute for that, but there has to be an underlying foundation of analytics that drives the pricing, the risk selection and the whole portfolio composition," he said.

The models also created the basis for the development of the insurance-linked securities market, said Mr. Khadilkar, who is based in Raleigh, North Carolina.

"Andrew led to the acceptance and promotion of catastrophe modeling, which allowed a mechanism to attract investors into the ILS market," said Gary Marchitello, chairman of Willis Towers Watson PLC's North American property practice in New York. "That took five to seven years to germinate, but the starting point was Andrew."

With the changes in computing power since Andrew, increases in available data and the use of models, the reinsurance market is better positioned to withstand large catastrophes, said Todd Billeter, Stamford, Connecticut-based senior managing director at Aon PLC.

"We would hope that a hurricane like this isn't going to surprise us," he said.

Changes in prices and property development in Florida would also change the cost of a storm similar to Andrew.

"We would estimate that if Andrew struck again, that $16 billion that was insured in 1992 would become $60 billion today," said Matt Junge, Schaumburg, Illinois-based head of property underwriting, U.S. regional and national, at Swiss Re Ltd.

But in terms of managing exposures, the industry is better situated to manage the loss than it was in 1992, he said.

Gavin Souter

based managing director in the national property claims group at Marsh LLC.

"Andrew was what changed almost everything about catastrophe response," he said. "It changed how building codes are reviewed and how they're enforced, how we mobilize people to get into these areas, and it changed how we track the storms."

After Andrew it became apparent that local building codes were insufficient and inadequately enforced. In the years following the storm, a commission reviewed the state's building codes and made a variety of recommendations, which led to the establishment of the Florida Building Code, which supersedes local building codes.

"It became very clear that you could protect against windstorm events, and it brought into focus the quality of construction, the quality of data for underwriters to evaluate risks," he said.

In addition, for example, organizations focused on securing secondary power sources for businesses that are power dependent, such as food stores and gas stations, Mr. Plasencia of RPS said.

Risk managers also learned lessons in setting up systems to contact employees to ensure they were safe and how to transfer operations to other areas, Mr. Plasencia said.

In addition, risk managers and underwriters began to look more closely at surrounding structures to determine whether they were

> "Andrew was what changed almost everything about catastrophe response. It changed how building codes are reviewed and how they're enforced, how we mobilize people to get into these areas, and it changed how we track the storms."
>
> Robert O'Brien, Marsh LLC

Among the requirements of the code is that buildings should be constructed with windows that are impact-resistant or protected if a building is within one mile of the coast, and roofs must be secured with hurricane ties and straps.

Another big claims lesson from Andrew was making sure insurers and property owners had access to restoration services, Mr. O'Brien said. The breadth of the damage made it difficult to secure and repair properties after the storm.

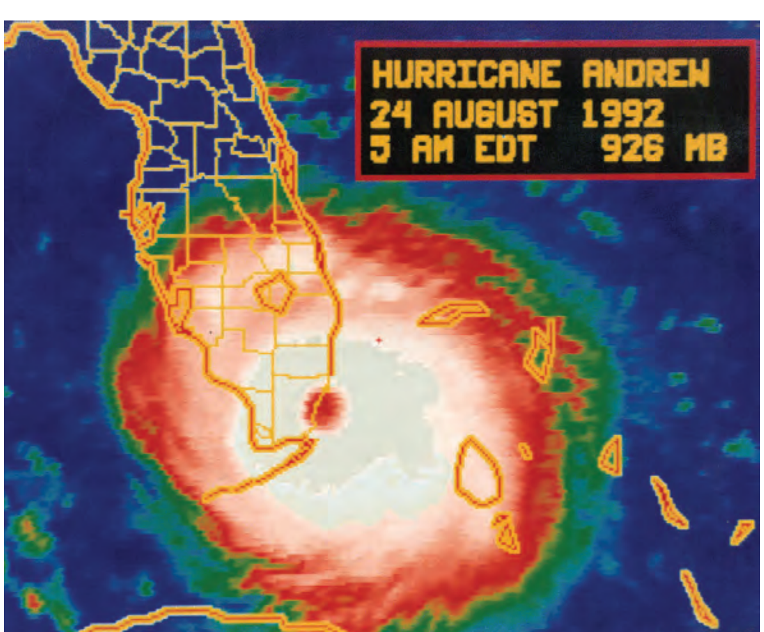
Risk management practices also changed. Prior to Andrew, property risk control was focused on fire risks, Mr. Marchitello said.

susceptible to damage from projectiles blown from less well-secured buildings, he said.

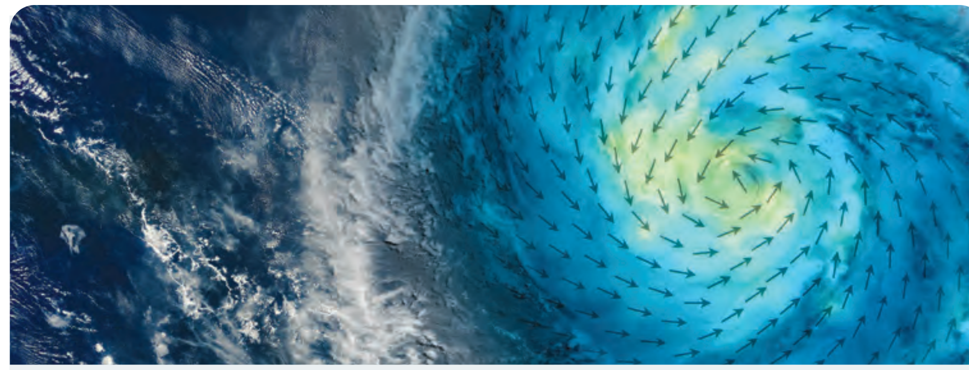
"A good property underwriter always pulls up the satellite imagery, and they're looking at the surrounding areas and the structures around the structure," Mr. Plasencia said.

The storm also put a much more increased emphasis on data quality and understanding loss mitigation efforts, said Mr. Junge of Swiss Re.

"That understanding of how those physical loss mitigation changes actually should flow through in financial terms into insurance modeling, I think that that can all be traced back to Andrew," he said.



National Oceanic and Atmospheric Administration (NOAA)



Cat models moved from sidelines to central underwriting position

Hurricane Andrew was a brusque wake-up call for the insurance industry and helped catalyze the accelerated development of catastrophe models to assess the risks posed by large hurricanes.

The industry sought improved tools that could measure and quantify hurricane risk, according to experts involved with the early models.

Hurricane preparedness had waned after a protracted period of modest hurricane activity. The Miami-Dade area had not been hit by a major hurricane since the 1960s. In the intervening years the area had undergone substantial growth and development, said Robert Muir-Wood, chief research officer in London for Risk Management Solutions Inc., a Menlo Park, California-based catastrophe modeler.

Much of the growth and the increased exposures that came with it was not closely tracked by insurers and reinsurers, said Karen Clark, co-founder and CEO of Boston-based Karen Clark & Co., a catastrophe modeling company established in 2007. In 1987, Ms. Clark founded the first catastrophe modeling company, Applied Insurance Research, which became AIR Worldwide and was acquired in 2002 by Insurance Services Office Inc.

Underestimating their exposures led to shock and surprise in the wake of Andrew's $16 billion in insured damages, and insurers and reinsurers turned to catastrophe modeling to gain a better grasp of their potential losses.

More clients for the modelers gave them more resources with which to expand, Ms. Clark said.

"The development resources went into widening the space," she said. For example, models for hail, European windstorm and Japanese earthquakes were developed.

Newly formed reinsurers using models as a key element of their business plans emerged to address the shortage of capacity in the wake of Andrew (see related story).

"The Bermuda reinsurers relied on risk modeling as opposed to having a long historical record of their own," Mr. Muir-Wood said, providing another avenue of growth for the modeling industry.

Cat models use computer simulations to assess how windstorms of various strengths would affect property in a geographic area.

Justin Davies, head of Europe, the Middle East and Africa for Xceedance Inc., said the increased use of modeling also led to hiring and structural changes at insurers and reinsurers.

"You can't just license a catastrophe model. You've got to have processes in place, people to prepare and input the data, and you've got to understand what the output means," he said. "Andrew made people believe there was a big potential risk in Florida and on the Eastern seaboard and they started properly creating catastrophe modeling teams."

More recently, clients have asked whether models are accounting for climate change, said Peter Sousounis, vice president, director of climate change research, in Boston for Verisk Analytics Inc.

This led Verisk to create a data catalog of years in which ocean temperatures were above normal against which models could be run to give some idea of what activity might be like during years in which sea surface temperatures are above normal, something clients use as "a proxy" for climate change, Mr. Sousounis said.

Similar data catalogs have been developed for so-called El Nino and La Nina years to reflect differences in the warm and cool phases of the recurring climate pattern across the tropical Pacific, he said.

Making catastrophe models more flexible to incorporate more variables faster is a feature that continues to evolve, said Ms. Clark, whose company can send clients daily hail and tornado footprints automatically.

Improvements in technology and data capture have provided an improved foundation for catastrophe modeling. "People are feeding the models with much more accurate data," Mr. Davies said.

In addition, advances in computer power have enabled more accurate and detailed modeling.

"Advances in computer power helped enormously to improve and enhance the reliability and realistic nature of the models," Ms. Clark said. Resolution has also improved from five-digit zip code levels to individual properties being geocoded with exact locations, she said.

"The idea for catastrophe models was set out in the 1970s, but at that time the cost of computation was too great to make it practical for insurers," Mr. Muir-Wood said. "It took until the 1980s until the computational resources were available. Computational ability has increased so markedly."

Matthew Lerner

SPECIAL REPORT

BROKER PROFILES & RANKINGS

Brokers prosper despite uncertain economy

BY GAVIN SOUTER
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INSIDE

Many insurance agents and brokers reported rapid growth in 2021 as rates continued to rise, economic activity recovered from the lockdowns of the prior year, and mergers and acquisitions activity hit record levels.

The sector continues to report growth in 2022, but the outlook for the rest of the year is unclear as rising interest rates and uncertainty over the economy hang over many businesses.

Higher borrowing costs may reduce valuations for brokers selling their businesses, and increases in commissions may slow as commercial insurance price hikes come off their recent highs, observers say. And if the economy slows further, overall revenue growth may be crimped.

The high growth rate of 2021 is reflected in *Business Insurance*'s rankings of the world's 10 largest brokers and the biggest 100 brokers of U.S. business.

All but one of the world's largest brokers reported double-digit brokerage revenue growth in 2021 (see chart page 26). Several reported multiple acquisitions, but organic revenue growth was also strong. A major acquisition by Alliant Insurance Services Inc. saw the Irvine, California-based company's brokerage revenue increase more than 45%, as it entered the Top 10 for the first time, leapfrogging USI Insurance Services LLC, which reported 11.4% brokerage revenue growth.

Among the Top 100, several acquisitive brokers reported triple-digit revenue growth, while other brokers reporting low double-digit growth slipped down the ranking (see chart page 28).

Publicly owned brokerages continued to report solid revenue growth in their 2022 first-quarter results.

"We haven't seen these organic growth numbers for quite a while," said Julie Herman, director in New York with S&P Global Ratings. At the end of 2021 and into 2022, brokers have had "all the wind at their back," she said.

> "The evidence is that the insurance market is highly resilient in a down economy. That's why capital has come into the industry."
>
> John Wepler,
> Marsh, Berry & Co. Inc.

In 2021, rising property/casualty rates and a strong economy provided excellent business conditions for brokers, said Mark Dwelle, director, insurance equity research, at RBC Capital Markets LLC in Richmond, Virginia.

"Time will tell what way the economy really breaks at the end of the day, but they're unlikely to see conditions as strong as what we saw in 2021; we've only seen a couple of years like that in the last two decades," he said.

Increased inflation could have a variety of effects on the brokerage business, company executives said.

"Inflation is going to drive exposure units for our clients," said Martin South, president and CEO of Marsh LLC.

Property owners will see increases in the valuations they have to insure, and claims costs will increase, said J. Patrick Gallagher Jr., president, chairman and CEO of Arthur J. Gallagher & Co.

"Everything from the cost of goods to rebuild to the cost of labor to rebuild is going to be up," he said.

As insurance premiums rise, commission-based compensation for brokers should also rise. But increases in prices don't always lead to higher revenue for brokers, said Eric Andersen, president of Aon PLC.

"A decent part of our business isn't tied to the market cycle at all," Mr. Andersen said. Fee-based compensation for placements and compensation for other services are not tied to insurance premiums, he said.

But brokers will see other pressures, said Mr. Dwelle of RBC.

They will remain under pressure to grow their revenue as expenses such as salaries and technology spending rise and travel and entertainment expenses rebound after the pandemic, he said.

Mergers and acquisitions

The recent increases in interest rates could have an effect on the mergers and acquisitions climate for brokers, but it is unclear whether they will reduce the volume of deals.

Agents and brokers saw record levels of M&A activity last year and the first half of 2022 also saw many deals (see story page 37).

Some acquisitive brokers may close fewer deals because of increased borrowing costs, said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

"I think the bottom line will be less activity, because the costs are more obvious in terms of the associated debt," he said.

J. Powell Brown, president and CEO of Brown & Brown Inc., though, said many brokers are still looking to grow through acquisitions.

"You have a number of buyers, and some of them are newer buyers, who are trying to gain scale and we do think it is going to continue to be competitive for

> "Rising rates are a bit of a headwind, but there is still an awful lot of undeployed (private equity) money out there that sees this sector as an incredibly attractive one."
>
> Carl Hess,
> Willis Towers Watson PLC

the foreseeable future," he said.

The insurance sector remains attractive because of the stability it offers, said John Wepler, chairman and CEO of Woodmere, Ohio-based mergers and acquisitions consultancy Marsh, Berry & Co. Inc.

"The evidence is that the insurance market is highly resilient in a down economy. That's why capital has come into the industry," he said.

Private equity investors remain interested in the insurance brokerage sector, said Carl Hess, CEO of Willis Towers Watson PLC.

"Rising rates are a bit of a headwind, but there is still an awful lot of undeployed (private equity) money out there that sees

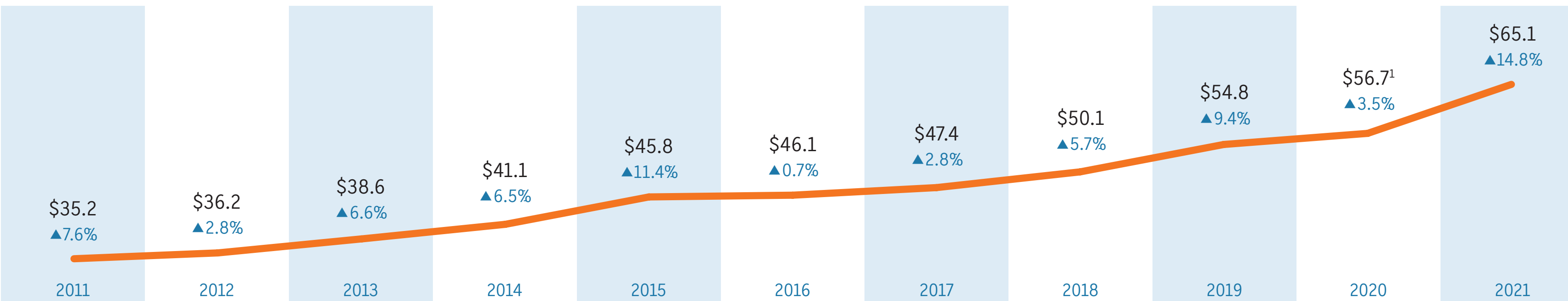
See **BROKERS** page 30

SPECIAL REPORT

A DECADE OF GROWTH*

The world's 10 largest brokers posted a revenue gain of $8.4 billion, or 14.8% — the biggest increase in 10 years.

*IN BILLIONS OF DOLLARS



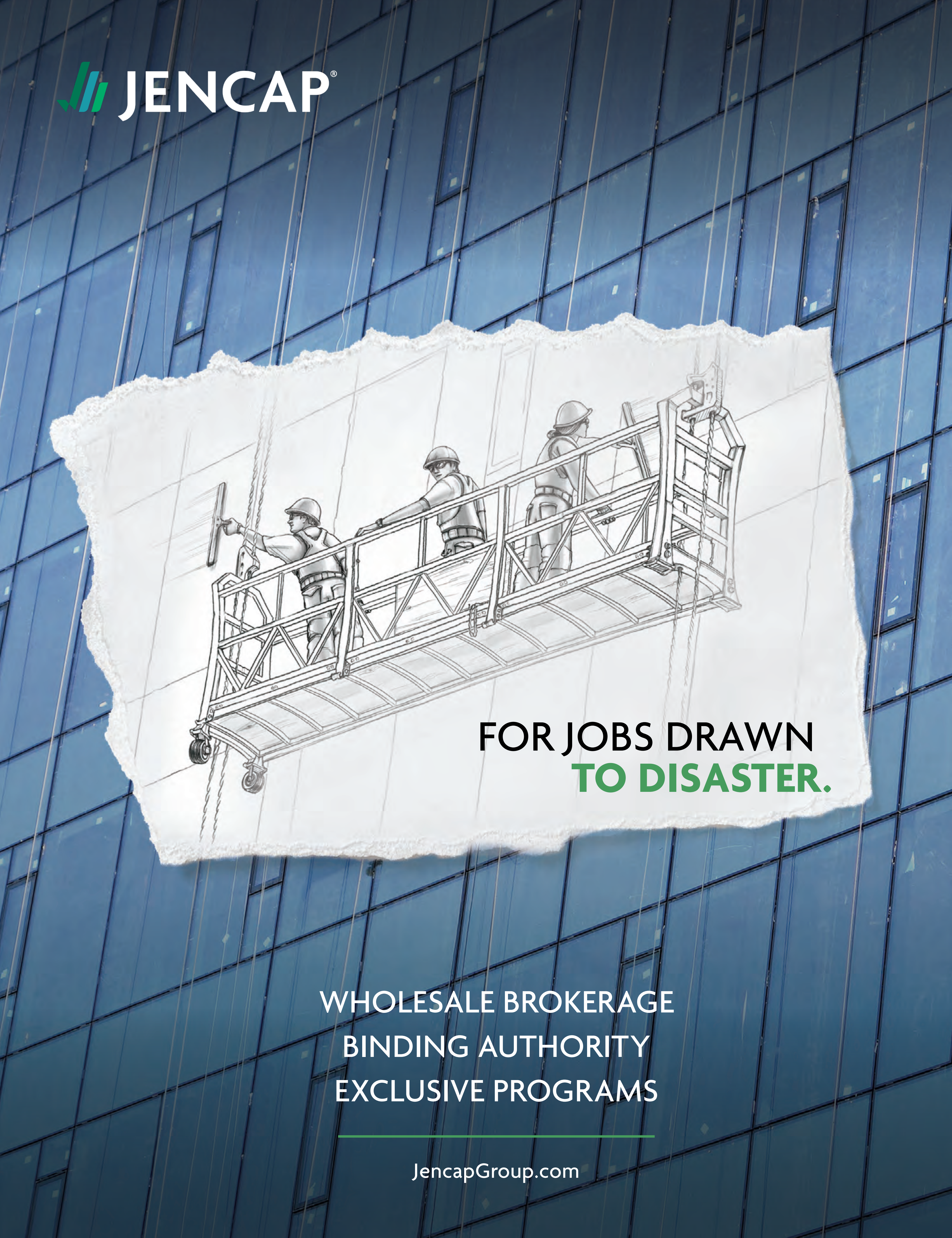
[1]Restated.
Source: *BI* survey

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2021 brokerage revenue

									PERCENTAGE OF REVENUE*							
2022 rank	2021 rank	Company/office/website	Officers	2021 brokerage revenue	2020 brokerage revenue	% increase (decrease)	Employees	Offices	Commercial	Wholesale	Reinsurance	Personal lines	Employee benefits	Services	Investments	Other
1	1	Marsh & McLennan Cos. Inc. New York www.marshmclennan.com	Daniel S. Glaser, president-CEO	$19,859,000,000	$17,267,000,000	15.0%	83,000	732	51.5%	0%	9.4%	0%	26.5%	12.8%	0.1%	(0.3%)
2	2	Aon PLC Dublin www.aon.com	Gregory C. Case, CEO	$12,185,000,000	$11,039,000,000	10.4%	50,000	N/A	54.3%	0%	16.3%	0%	17.6%	0%	0.1%	11.7%
3	3	Willis Towers Watson PLC London www.wtwco.com	Carl Hess, CEO	$8,826,000,000	$8,554,000,000[1]	3.2%	44,200	310	27.8%	1.3%	3.8%	0.7%	56.0%	8.4%	0%	1.9%
4	4	Arthur J. Gallagher & Co. Rolling Meadows, Illinois www.ajg.com	J. Patrick Gallagher Jr., chairman-president-CEO	$6,966,100,000	$6,070,400,000	14.8%	39,174	775	35.5%	11.4%	2.4%	5.6%	16.6%	13.4%	15.1%	0%
5	5	Hub International Ltd. Chicago www.hubinternational.com	Marc Cohen, president-CEO	$3,226,383,000	$2,697,991,400	19.6%	15,081	521	47.1%	8.0%	0%	15.4%	28.5%	0.8%	0.1%	0%
6	6	Brown & Brown Inc. Daytona Beach, Florida www.bbinsurance.com	J. Powell Brown, president-CEO	$3,047,522,000	$2,606,108,478	16.9%	12,023	351	35.5%	34.4%	0%	5.8%	18.4%	5.9%	0%	0.1%
7	7	Truist Insurance Holdings Inc. Charlotte, North Carolina www.truistinsurance.com	John Howard, chairman-CEO	$2,862,673,000	$2,433,560,000	17.6%	8,142	109	25.2%	55.2%	0%	6.9%	9.1%	3.3%	0.3%	0%
8	9	Acrisure LLC Grand Rapids, Michigan www.acrisure.com	Gregory Williams, president-CEO	$2,816,765,855	$1,973,247,401	42.7%	13,000	836	63.1%	2.3%	2.3%	8.1%	15.7%	0%	0.1%	8.5%
9	8	Lockton Cos. LLC[2] Kansas City, Missouri www.lockton.com	Ron Lockton, executive chairman; Peter Clune, CEO	$2,703,060,000	$2,145,696,000	26.0%	9,328	100+	59.9%	5.6%	5.3%	0.8%	27.7%	0%	0.6%	0%
10	11	Alliant Insurance Services Inc. Irvine, California www.alliant.com	Thomas W. Corbett, chairman-CEO	$2,613,929,997	$1,781,184,713	46.8%	9,194	N/A	55.0%	9.3%	0%	11.8%	21.7%	1.9%	0%	0.3%

*Percentage of revenue may not add up to 100% due to rounding. [1]Restated. [2]Fiscal year ending April 30.
Source: *BI* survey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100 LARGEST BROKERS OF U.S. BUSINESS*

Ranked by 2021 brokerage revenue generated by U.S.-based clients

2022 rank	2021 rank	Company	2021 U.S. brokerage revenue	% increase (decrease)
1	1	Marsh & McLennan Cos. Inc.[1]	$9,333,730,000	15.0%
2	2	Aon PLC	$5,455,224,500	8.7%
3	4	Arthur J. Gallagher & Co.[1]	$4,667,287,000	13.1%
4	3	Willis Towers Watson PLC[1]	$4,501,260,000	5.2%**
5	5	Brown & Brown Inc.[1]	$2,992,057,100	15.5%
6	6	Truist Insurance Holdings Inc.[1]	$2,862,673,000	17.6%
7	9	Acrisure LLC	$2,690,011,392	43.8%
8	10	Alliant Insurance Services Inc.[1]	$2,608,702,137	46.8%
9	7	Hub International Ltd.[1]	$2,419,787,250	16.5%
10	8	USI Insurance Services LLC[1]	$2,148,838,923	11.4%
11	11	AssuredPartners Inc.[1]	$2,015,419,025	19.4%
12	12	Lockton Cos. LLC[2]	$1,975,936,860	24.8%**
13	13	NFP Corp.[1]	$1,571,155,405	18.6%**
14	14	BroadStreet Partners Inc.	$1,145,200,000	33.1%
15	17	Alera Group[1,3]	$931,000,000	60.5%**
16	16	RSC Insurance Brokerage Inc., dba Risk Strategies Co.[1]	$926,518,958	45.2%**
17	15	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants[1]	$892,077,000	11.1%
18	19	Baldwin Risk Partners LLC	$719,320,000	68.8%
19	18	Digital Insurance Inc., dba OneDigital[1]	$672,415,000	30.2%**
20	27	PCF Insurance Services	$590,000,000	151.1%
21	20	Higginbotham[1]	$450,393,000	42.5%
22	21	IMA Financial Group Inc.[1]	$448,034,424	55.3%**
23	23	The Hilb Group LLC[1]	$402,247,000	54.3%
24	22	Leavitt Group[1]	$354,192,000	21.7%
25	47	Foundation Risk Partners Corp.[4]	$327,629,000	46.3%**
26	58	High Street Insurance Partners Inc.[1]	$291,000,000	330.1%
27	24	CBIZ Benefits & Insurance Services Inc.	$281,900,000	14.5%
28	31	Woodruff Sawyer & Co.	$272,783,778	37.9%**
29	26	Cottingham & Butler Inc.	$266,865,000	11.0%
30	28	Insurance Office of America Inc.	$255,590,865	8.8%
31	25	Holmes Murphy & Associates Inc.	$253,052,660	4.8%
32	30	Cross Financial Corp., dba Cross Insurance[1]	$247,523,000	15.1%
33	29	Paychex Insurance Agency Inc.[5]	$246,000,000	6.0%
34	53	World Insurance Associates LLC[1]	$224,438,434	188.0%
35	37	Patriot Growth Insurance Services LLC[1]	$214,870,000	72.8%
36	39	Relation Insurance Inc.[1]	$179,340,000	54.9%
37	34	Hylant Group Inc.	$161,164,159	10.2%
38	33	Unison Risk Advisors[1]	$149,621,937	2.3%
39	32	Heffernan Group[1]	$146,880,177	26.4%**
40	40	Newfront Insurance[6]	$145,000,000[7]	28.9%
41	45	Cobbs Allen/CAC Specialty	$142,121,129	58.7%
42	38	Insurica Inc.[1]	$138,081,872	12.5%
43	36	BXS Insurance[1]	$135,345,376	8.0%
44	35	AmeriTrust Group Inc.	$122,153,943	(5.8%)
45	74	The Liberty Co. Insurance Brokers Inc.[1]	$105,000,000	159.2%
46	48	Marshall & Sterling Enterprises Inc.[1]	$103,772,158	25.4%
47	44	TrueNorth Cos. LLC	$103,393,239	10.7%
48	43	Insurors Group LLC	$97,938,952	2.0%
49	42	Eastern Insurance Group LLC[1]	$97,167,664	0.4%
50	50	M3 Insurance Solutions Inc.[1]	$91,615,379	12.2%
51	46	Lawley LLC[1,8]	$90,546,959	4.1%
52	51	Horton Group Inc.	$89,081,572	11.0%
53	56	Sunstar Insurance Group	$86,100,000	19.6%
54	52	Towne Insurance Agency LLC	$82,062,170	4.7%
55	55	James A. Scott & Son Inc., dba Scott Insurance	$80,182,080	11.3%
56	NR	Keystone Agency Partners[1]	$80,000,000	233.3%
57	57	Sterling Seacrest Pritchard Inc.	$77,371,256	11.7%
58	54	Houchens Insurance Group Inc.[9]	$73,287,105	1.6%
59	59	Starkweather & Shepley Insurance Brokerage Inc.[1]	$71,960,481	8.7%
60	63	Shepherd Insurance LLC[1]	$68,325,022	15.4%
61	60	The Graham Co.	$68,300,777	8.3%
62	61	Huntington Insurance Inc.	$65,789,460	5.2%
63	62	Sterling & Sterling LLC, dba SterlingRisk	$62,552,054	1.0%
64	NR	Alkeme Inc.[1]	$61,320,000	104.4%
65	64	Moreton & Co.	$61,084,000	10.3%**
66	66	Robertson Ryan & Associates Inc.	$58,369,855	8.7%
67	65	Bowen, Miclette & Britt Insurance Agency LLC[1]	$54,166,796	(2.5%)
68	90	Oakbridge Insurance Agency LLC[1]	$52,920,000	73.5%
69	67	Frost Insurance Agency Inc.	$52,516,669	2.7%
70	NR	Professional Insurance Associates Inc.	$52,000,000	4.0%
71	70	Fisher Brown Bottrell Insurance Inc.	$50,182,592	9.8%
72	71	HMS Insurance Associates Inc.	$47,693,864	5.0%
73	73	The Partners Group Ltd.	$47,619,543	9.0%
74	72	M&O Agencies Inc., dba The Mahoney Group[1]	$46,978,548	6.2%
75	78	Christensen Group Inc.	$45,173,206	15.9%
76	74	The Loomis Co.	$44,748,000	6.9%
77	76	Charles L. Crane Agency Co.	$43,951,368	8.1%**
78	77	MJ Insurance Inc.[1,10]	$42,735,624	6.4%
79	69	First Insurance Group LLC	$41,899,874	4.0%**
80	79	James G. Parker Insurance Associates[5]	$40,692,000	6.9%
81	83	Kapnick Insurance Group	$40,615,129	13.9%
82	82	R&R Insurance Services Inc.	$39,891,000	9.6%
83	85	Rich & Cartmill Inc.	$39,353,785	13.9%
84	81	Ansay & Associates LLC[1]	$37,929,997	1.9%**
85	86	The Buckner Co. Inc.	$37,602,723	15.1%
86	80	M&T Insurance Agency Inc.	$37,500,000	1.6%
87	101	Reliance Partners LLC	$36,330,000	84.5%**
88	84	Haylor, Freyer & Coon Inc.[1,10]	$35,640,000	2.9%
89	87	Tompkins Insurance Agencies Inc.	$35,319,000	8.9%
90	88	Tricor LLC[1]	$34,786,969	6.4%**
91	101	The Plexus Groupe LLC	$33,313,237	20.2%**
92	NR	Pacwest Alliance Insurance Services Inc.	$32,882,324	N/A
93	91	Ross & Yerger Insurance Inc.	$31,400,041	7.6%
94	94	The Daniel & Henry Co.	$30,448,000	10.4%
95	92	Swingle, Collins & Associates	$29,715,208	5.4%
96	99	York International Agency LLC	$28,320,588	19.8%
97	96	Gibson Insurance Agency Inc., dba Gibson	$27,907,000	2.8%**
98	NR	UNICO Group Inc.	$27,875,000	19.5%
99	98	Engle-Hambright & Davies Inc.[11]	$27,849,860	5.0%**
100	95	Moody Insurance Agency Inc.	$24,440,794	6.6%**

*Companies that derive more than 49% of their gross revenue from personal lines are not ranked. **2020 brokerage revenue restated. NR = not ranked. [1]Reported U.S. acquisitions. [2]Fiscal year ending April 30. [3]Acquired Propel Insurance, Sept. 8, 2021. [4]Formerly Acentria Insurance and Corporate Synergies Group LLC, reporting under parent company. [5]Fiscal year ending May 31. [6]Formely ABD Insurance and Financial Services Inc., merged with Newfront Insurance Services LLC, Aug. 19, 2021. [7]*BI* estimate. [8]Formerly Lawley Service Inc. [9]Fiscal year ending Sept. 30. [10]Fiscal year ending Aug. 31. [11]Formerly EHD Insurance Inc.

Source: *BI* survey

LEADING U.S. COMMERCIAL RETAIL BROKERS

Ranked by 2021 commercial retail brokerage revenue from U.S. offices*

Rank	Company	2021 revenue	% increase (decrease)
1	Marsh & McLennan Cos. Inc.	$5,342,000,000	17.7%
2	Aon PLC	$2,971,000,000	11.5%[1]
3	Arthur J. Gallagher & Co.	$1,873,719,000	13.4%
4	Acrisure LLC	$1,634,042,761	63.5%
5	Alliant Insurance Services Inc.	$1,436,223,677	39.7%[1]
6	Lockton Cos. LLC[2]	$1,260,231,000	35.3%
7	Hub International Ltd.	$1,188,868,000	18.2%
8	Willis Towers Watson PLC	$1,065,000,000	5.6%[1]
9	Brown & Brown Inc.	$1,047,857,835	22.9%
10	AssuredPartners Inc.	$1,044,687,048	18.6%

*Excludes revenue from placement of employee benefits. [1]Restated. [2]Fiscal year ending April 30.
Source: *BI* survey

LARGEST BENEFITS BROKERS

Ranked by 2021 global benefits revenue

Rank	Company	2021 employee benefits revenue	% increase (decrease)	% of 2021 gross revenue
1	Marsh & McLennan Cos. Inc.	$5,254,000,000	6.6%	26.5%
2	Willis Towers Watson PLC	$5,042,000,000	4.7%	56.0%
3	Aon PLC	$2,154,000,000	4.2%[1]	17.7%
4	Arthur J. Gallagher & Co.	$1,365,997,000	9.7%	16.6%
5	Hub International Ltd.	$922,410,000	18.3%	28.5%
6	USI Insurance Services LLC	$902,623,306	14.4%[1]	40.8%
7	NFP Corp.	$891,755,280	13.5%[1]	46.5%
8	Lockton Cos. LLC[2]	$754,207,000	10.8%	27.7%
9	Alliant Insurance Services Inc.	$568,969,413	22.5%[1]	21.7%
10	Brown & Brown Inc.	$560,764,636	11.6%	18.4%

[1]Restated. [2]Fiscal year ending April 30.
Source: *BI* survey

LARGEST PRIVATELY OWNED BROKERS*

Ranked by 2021 brokerage revenue

Rank	Company	2021 brokerage revenue	% increase (decrease)
1	Hub International Ltd.	$3,226,383,000	19.6%
2	Acrisure LLC	$2,816,765,855	42.7%
3	Lockton Cos. LLC[1]	$2,703,060,000	26.0%[2]
4	Alliant Insurance Services Inc.	$2,613,929,997	46.8%
5	USI Insurance Services LLC	$2,170,544,367	11.4%
6	AssuredPartners Inc.	$2,040,310,817	19.5%
7	NFP Corp.	$1,726,544,401	18.6%[2]
8	BroadStreet Partners Inc.	$1,145,200,000	33.1%
9	RSC Insurance Brokerage Inc., dba Risk Strategies Co.	$955,174,183	45.2%
10	Alera Group[3]	$931,000,000	60.5%[2]

*Companies that derive more than 49% of revenue from personal lines are not ranked. [1]Fiscal year ending April 30. [2]Restated. [3]Acquired Propel Insurance, Sept. 8, 2021.
Source: *BI* survey

BROKERS

Continued from page 25

this sector as an incredibly attractive one," he said.

While deal volume may continue at high levels, the cost of the deals may decline, Mr. Andersen said.

"With (initial public offerings) largely shut down these days and the cost of debt rising you would think it would have an effect on the valuations for the remainder of the year, but it's hard to tell until you start to see some companies change hands," he said.

Multiples of profits paid for brokerages have risen for several years, said Ms. Herman of S&P Global.

"It seems like now there would be a case for multiples to go down with interest rates rising, but that hasn't trickled down yet," she said.

Market outlook

Insurance buyers should not expect much letup in pricing of coverage, and brokers are working with their clients to help ease the burden of increased premiums, several brokerage executives said.

For clients facing a revenue squeeze on their own business, brokers are looking for ways to contain insurance expenses, Mr. Hess said.

"In general, the environment we're in makes us work with our clients to see what economies can be taken while they're still maintaining the coverage they need," he said.

Increasingly, buyers are looking to levels of deductibles and limits purchased to manage costs, Mr. Brown said.

"I think of it as two big buckets: deductibles, i.e. higher deductibles, or lower limits to manage the overall spend," he said.

Buyers with captives have made more use of them in the hard market, said Mr. South of Marsh.

The captives enable them to retain frequent and predictable losses while laying off catastrophe exposures, although insurance capacity for cat risks has declined, he said.

> "We're trying to maintain that discipline that we learned over the past two years as we start to get more in-person engagement with clients and markets."
>
> Eric Andersen, Aon PLC

Operational changes

Brokers, like many other businesses, adjusted their operations during the COVID-19 pandemic, but it remains to be seen how many of the changes will be permanent.

"I do think the smart working model and the hybrid model are here to stay, and it will be driven by roles as opposed to just where you live," said Mr. Andersen of Aon.

Virtual meetings allow brokers to call on resources within a company. For example, an expert on Brazil can easily be added to a U.S. client meeting, he said.

"We're trying to maintain that discipline that we learned over the past two years as we start to get more in-person engagement with clients and markets," Mr. Andersen said.

Aon is also reviewing its office space and considering its options.

"We have tried not to make hard decisions on footprint yet until we really understand the new way people work," Mr. Andersen said.

Marsh has used digital resources to address the limitations imposed by the pandemic, Mr. South said.

"That said, we're a professional services firm and our culture is everything to us," he said. "Conversations are stilted when you don't have any opportunity afterwards to convene around the watercooler."

While a small number of staff will need to work in offices full time in the future, many will work fully remotely or a hybrid of work-from-home and working in an office, Mr. Hess said.

"Fully onsite is going to be a pretty small number across most offices, 5% to 10% of population in total. Fully remote will be 20% and the vast bulk of colleagues will be that bit in between," he said.

Michael Bradford, Matthew Lerner and Claire Wilkinson contributed to this report.

SPECIAL REPORT

1 Marsh & McLennan Cos. Inc.

2021 brokerage revenue: **$19.86B**
Percent increase: **15%**

Marsh & McLennan Cos. Inc. delivered double-digit organic revenue growth last year on the back of continued strong insurance pricing, while it also capitalized on disruption in the broking sector to ramp up hiring.

Executive leadership changes were announced in November as John Doyle, formerly head of Marsh LLC, was named group president and chief operating officer of Marsh McLennan. Martin South and Dean Kilsura were named heads of its core insurance and reinsurance brokerage units, respectively.

The addition of 6,000 employees in 2021 represented the highest level of hiring in Marsh McLennan's 150-year history, Dan Glaser, president and CEO, said during its fourth-quarter earnings call with analysts.

In a year in which two of the brokerage's biggest competitors were in the final stages of a planned merger that ultimately failed, Marsh McLennan was well-positioned to hire staff, said Mr. South, president and CEO of Marsh.

In the run-up to Aon PLC's proposed purchase of Willis Towers Watson PLC, rival brokerages made numerous announcements about hiring staff away from the two companies.

"Inevitably we were going to do what we could to hire the best talent," Mr. South said. "We were able to make some investments and speak to people who I don't think would have returned our phone calls, or would have been less eager to move over, but for a lot of disruption in the marketplace."

Marsh focused on high-growth areas, such as health care and senior living, and from a geographic standpoint it wanted to ensure it was in the best position to capture opportunities arising from the huge movement of talent and business to Florida, Mr. South said.

The brokerage also continued to "double down" on its strategy of early career hiring and its commitment to developing talent from within, he said.

Marsh McLennan also continued to grow through acquisitions in 2021 as its middle-market unit, Marsh & McLennan Agency LLC, completed eight deals, and its consulting business Oliver Wyman completed one acquisition for a total purchase consideration of about $1.4 billion, according to SEC filings.

MMA's acquisitions included Missoula, Montana-based PayneWest Insurance Inc., which, with $135 million in annual brokerage revenue, was previously the 33rd largest brokerage of U.S. business.

MMA, which launched in 2009, has grown to $2 billion in revenue and 150 offices in the U.S., Mr. South said.

Marsh McLennan reported $19.86 billion in brokerage revenue in 2021, a 15% increase over 2020, and retained its No. 1 position in *Business Insurance*'s ranking of the world's largest brokerages.

Revenue momentum continued in the first quarter of 2022. Marsh McLennan's risk and insurance services business, which comprises Marsh and Guy Carpenter & Co. LLC, reported a 10.1% increase in revenue over the prior-year period, up 11% on an organic basis.

Martin South

In a first-quarter earnings call with analysts, Mr. Glaser said there were greater risks and uncertainties than when the company entered the year. The Russia/Ukraine conflict added to the unsettled economic outlook and, like other brokerages, Marsh McLennan decided to exit its business in Russia in March.

Marsh McLennan had a strong first quarter, said Mark Dwelle, director, insurance equity research, at RBC Capital Markets LLC in Richmond, Virginia. "Our expectation is that we'll see organic growth rates fall from the low double digits that we saw throughout much of 2021 to an average in the mid- to high single digits this year," Mr. Dwelle said.

Some impact of last year's hiring surge was seen in Marsh McLennan's reinsurance business Guy Carpenter in the first quarter, but the greater effect should come in future quarters and boost revenue, said Elyse Greenspan, managing director, equity research, insurance, at Wells Fargo Securities LLC in New York.

As to a possible future CEO succession, the last time somebody occupied the COO position at Marsh McLennan it was Mr. Glaser before he replaced Brian Duperreault as CEO, Ms. Greenspan noted.

"To us it seems like it'll be a seamless transition. Our expectation would be that transpires around the end of this year," she said.

Marsh McLennan had no comment on the issue.

Claire Wilkinson

2 Aon PLC

2021 brokerage revenue: **$12.19B**
Percent increase: **10.4%**

Nearly a year after its long-planned acquisition of rival Willis Towers Watson PLC was scuttled due to regulatory concerns, Aon PLC has revamped its organizational structure and is continuing with its strategy of seeking to offer clients multiple financial services.

While the failure to complete the deal was a blow to the brokerage, it appears to have rebounded as it continues to report solid revenue growth, analysts say.

The Willis deal, which was announced in March 2020 and would have created the world's largest brokerage, was scrapped after the U.S. Department of Justice filed an antitrust lawsuit against Aon in June 2021. At first, Aon indicated it would fight the lawsuit, but at the end of July it announced it was pulling the plug. It paid a $1 billion breakup fee to Willis and quickly announced a restructuring.

The company reorganized along four business lines — commercial risk solutions, health solutions, reinsurance solutions and wealth solutions — and five geographic regions.

Aon had spent several years building itself into an integrated organization offering a full range of services to clients, rather than a collection of business units, said Eric Andersen, president of Aon. As part of this effort, the bonuses of the top 250 managers were tied to the success of Aon as a whole.

Eric Andersen

"We went through the Willis Towers Watson integration process with an eye toward moving the combined firm to that model, and so when the deal didn't happen, we essentially kept going with the play," Mr. Andersen said.

Aon moved quickly after the deal fell through, announcing a cost-cutting program, which improved its profit margin, and share buybacks, said Mark Dwelle, director, insurance equity research, at RBC Capital Markets LLC in Richmond, Virginia.

"They still ended up with a very strong year, even though it wasn't necessarily the year that they would have planned for," he said.

Aon reported $12.19 billion in brokerage revenue last year, a 10.4% increase over 2020, and remains No. 2 in *Business Insurance*'s ranking of the world's largest brokers.

Aon has largely recovered from the failure of the Willis deal, said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

"Clearly it was a big deal, but nothing that would really throw them off their game," he said. "In recent quarters' results we've seen Aon basically produce the sort of results that Aon's always produced."

In the first quarter of 2022, Aon reported 8% organic revenue growth and said it expects to report mid-single-digit or higher growth for the year.

Unlike several of its rivals that added staff, Aon's employee numbers were static in 2021.

"There's been a little bit of internal turnover that they're contending with, but I think overall it's manageable," Mr. Shields said.

Aon does a lot of entry-level hiring and developing of staff, and its hiring tends to focus on areas where the company is looking to expand, such as intellectual property and other emerging risks, Mr. Andersen said. "Other than that, it's really been a promote from within strategy," he said.

Mr. Andersen noted the stiff competition for staff in the brokerage sector.

"We are competing for our people," he said. "We like our people and we're fighting hard to keep our people. We do that by paying them well and providing them with career opportunities that they can't get anywhere else."

The failure of the Willis deal will likely deter Aon from attempting larger acquisitions for the foreseeable future, Mr. Shields said.

"I think there will always be interest in identifying bolt-on deals, but I don't think they want to involve the regulators the same way that happened in the Willis deal," he said.

Earlier this year, Aon announced the purchase of Tyche, an actuarial software program that offers capital modeling to reinsurers, from London-based RPC Tyche.

"The plan is to expand it and move it toward not just insurance company clients but corporate clients as well," Mr. Andersen said.

Aon will continue to look for acquisitions to expand its capabilities, Mr. Andersen said.

Meanwhile, last month it agreed to sell its e-discovery practice to legal and cyber services provider Technology Concepts & Design Inc. It acquired e-discovery capabilities through its acquisition of Stroz Friedberg Inc. in 2016.

"We look at our portfolio all the time and there are some things that fit better with other owners," Mr. Andersen said.

Gavin Souter

3 Willis Towers Watson PLC

2021 brokerage revenue: **$8.83B**
Percent increase: **3.2%**

Willis Towers Watson PLC endured a challenging year in 2021 that saw it shift gears and regroup as an independent brokerage, change its senior leadership and largely exit the reinsurance brokerage business, after its proposed merger with Aon PLC was called off.

The $30 billion deal with Aon, which was announced in 2020, was scuttled in July 2021 largely due to antitrust concerns from U.S. regulators.

Longtime CEO John Haley, who had planned to retire after the merger, stepped down and was replaced by Carl Hess. The brokerage also appointed Andrew Krasner chief financial officer.

Willis, which had previously agreed to sell its reinsurance business to Arthur J. Gallagher & Co. to placate European regulators, went through with the sale of the business for the increased price of $3.25 billion — possibly rising to $4 billion — and announced a reorganization of its global leadership.

Willis also announced a plan to become a $10 billion revenue company, improve its profit margin, cut costs by $300 million by the end of 2024 and pursue share buybacks.

Willis reported $8.83 billion in brokerage revenue in 2021, a 3.2% increase over the prior year, and retained its position as the world's third-largest brokerage. It has said it expects to deliver mid-single-digit revenue growth this year.

With Mr. Hess at the helm of Willis since Jan. 1, a fresh set of directors has been appointed to its board, including former Lloyd's of London CEO Inga Beale and Michael Hammond, who previously served in various senior roles at Lockton Cos. LLC. These changes were part of a multiyear succession planning process in place before the deal with Aon was announced, Willis said.

"It's a far more engaged board, which is good because we have a lot to do. We need that engagement to make sure that management is on the right track and doing what it said it was going to do," Mr. Hess said.

Last year's divestitures of its reinsurance business and of its London-based wholesale unit Miller Insurance Services LLP have enabled Willis to focus on "what we are as a broking business and what we do well," Mr. Hess said.

Hiring has been a priority. Willis lost a steady stream of staff after the Aon deal was announced but has since made several high-profile hires, including Michael Chang, formerly with Sompo International Holdings Ltd., as head of corporate risk and broking for North America, and former Aon executive Hugo Wegbrans as global head of broking and broking strategy.

The loss of talent around the proposed merger challenged Willis from a revenue perspective and led to disappointing results relative to its peers, said Elyse Greenspan, managing director, equity research, insurance, at Wells Fargo Securities LLC in New York.

"They've worked on rehiring, but it does take time when you are trying to hire folks until they can get to their full revenue potential," Ms. Greenspan said.

Willis reported organic revenue growth of 6% in 2021. In the first quarter of this year, its organic revenue growth continued to lag its peers' performance, coming in at 2% overall, while its risk and broking business saw no growth.

Carl Hess

The Russia-Ukraine conflict presented an unexpected headwind, with Willis taking a $138 million hit in the first quarter related to its decision to transfer ownership of its Russian operations to the businesses' local management.

While Willis has trailed its peers in growth over the past few quarters, this reflects what happened during 2020 and the first half of 2021, not the steps it has taken since the deal's break, Mr. Hess said.

"Given the quality of people we have and we've been bringing in, I'm confident the revenue will follow," he said. Across the broking portfolio there is plenty of room for growth in areas such as natural resources, construction and surety, "to name three," he said.

The challenge for Willis is that the second and third quarters are seasonally the weakest quarters, said C. Gregory Peters, managing director-equity research, at St. Petersburg, Florida-based Raymond James & Associates Inc.

While Willis may have some momentum to report in the fourth quarter of this year, "we won't see that until January, February of next year," he said.

"Everything is on the table depending on how results develop, and, if the risk and broking business doesn't begin to show improvement, clearly there is a potential breakup scenario," Mr. Peters said.

Claire Wilkinson

4 Arthur J. Gallagher & Co.

2021 brokerage revenue: **$6.97B**
Percent increase: **14.8%**

Arthur J. Gallagher & Co.'s largest-ever acquisition transformed its reinsurance brokerage operations last year, while strong organic growth also played a big role in its double-digit revenue rise.

Gallagher completed its $3.25 billion acquisition of Willis Re late last year — which could rise to $4 billion — creating a reinsurance brokerage with around $1 billion in annualized revenue. The deal, which comprised Willis Towers Watson PLC's treaty reinsurance business, made Gallagher Re the world's third-largest reinsurance brokerage.

While the reinsurance deal grabbed attention, Gallagher also grew its core primary brokerage business. "We had about 11% organic in '21, which was probably our best year in 25 years," said J. Patrick Gallagher Jr., chairman, president and CEO of Gallagher. "I see continued opportunity to maintain something close to that."

The organic growth was driven by insurance rate increases, which have not subsided, Mr. Gallagher said.

Gallagher's 2021 gross revenue of $8.21 billion was a 17.2% increase from the previous year. Brokerage revenue climbed 14.8% to $6.97 billion. Gallagher retained its No. 4 spot in *Business Insurance*'s ranking of the world's largest brokerages.

J. Patrick Gallagher Jr.

In the first quarter of this year, the brokerage reported $2.38 billion in total revenue, a 31.6% increase over the same period in 2021.

Gallagher's 2021 performance was impressive, said C. Gregory Peters, managing director — equity research at Raymond James & Associates Inc. in St. Petersburg, Fla. "Their margins didn't expand as much as their peers; however their margins in previous years were substantial," he said. "The fact that they held onto margins and expanded them in '21 was a phenomenal result."

Gallagher's organic growth will continue, but at a more moderate pace, Mr. Peters said.

The Willis Re acquisition "puts them in a very different position than they were in before," said J. Paul Newsome Jr., managing director with Piper Sandler & Co. in Minneapolis.

The reinsurance brokerage business has traditionally been faster growing and with higher margins than property/casualty business, Mr. Newsome said. "It's an important strategic change for them," he said.

Prior to the acquisition, Gallagher was the fifth-largest reinsurance brokerage, with $100 million in annual revenue. With the completion of the Willis Re purchase, it became the third-largest reinsurance broker.

The acquisition will benefit Gallagher's retail operation, according to Mr. Gallagher. Additional data and expertise from the reinsurance brokerage business help with retail placements, he said.

"Our property, and catastrophe-exposed property in particular, is having a very difficult time on retail placements," Mr. Gallagher said. "The reinsurance team is trying to help mitigate that" by sharing their knowledge of market issues, he said. "It's given our people on the retail side better data, and at the same time it's given them insights that they are sharing with clients, which is making us more important to clients as they do their planning."

"The reinsurance brokerage folks typically have better data on an aggregate basis," Mr. Newsome said, and Gallagher Re may benefit from additional information on pricing, markets for particular coverage and other insights. "It can help the brokerage folks give better advice and send the business to the appropriate carrier."

The Willis Re deal isn't likely to be the last reinsurance acquisition, Mr. Gallagher said. "We have an appetite to continue growing our reinsurance platform and there are acquisition opportunities there," he said.

Integration of the Willis Re operation has gone well, Mr. Gallagher said. "We've been successful in adding people across the network. I'm pleased with that and I'm pleased with the fact that attrition is low," he said.

Gallagher completed 38 acquisitions, an increase from the 27 it completed in 2020. Last year's acquisitions represented $1 billion in annualized revenue.

The brokerage continues to look for deals that are a good fit, Mr. Gallagher said. "We've got tremendous opportunities to do tuck-ins in the $500,000 to $5 million range," he added, "and I do think you'll see some sizeable ones as well."

In the first quarter of this year, Gallagher completed five acquisitions with estimated annual revenues totaling $32.2 million.

"They're going to keep buying deals like they have forever," Mr. Newsome said. "It's a core part of what they do."

Michael Bradford

5 Hub International Ltd.

2021 brokerage revenue: **$3.23B**
Percent increase: **19.6%**

A combination of strong organic growth and an acceleration in the number of acquisitions it completed helped Hub International Ltd. grow its revenue by nearly 20% last year.

Investments in technology, both through acquisition and internal development, should fuel further growth with customers that want to interact digitally with brokers, its top executive said.

Chicago-based Hub's brokerage revenue grew 19.6% to $3.23 billion in 2021, compared with the more modest 12.8% revenue increase it reported a year earlier. Hub retained its position at No. 5 in *Business Insurance*'s ranking of the world's largest brokerages.

Last year, "by every metric that brokers are measured by, was a historical best for Hub," CEO Marc Cohen said. Hub had high single-digit organic growth in 2021 and double-digit organic growth in this year's first five months, according to a company spokeswoman.

The brokerage completed 72 acquisitions last year, compared with 65 in 2020.

Last year was a "record-setting year for M&A, and we are off on an equally good start in 2022," Mr. Cohen said. "The pipeline is robust. We've stayed very disciplined in our M&A strategy to focus on acquisitions that support existing strategies and help us to create new ones."

The acquisitions largely are a mix of small fold-ins and dominant local independent agencies, Mr. Cohen said.

"For us, it's really looking for organizations that have strong leadership, that fill geographic kind of voids for us around North America, that bring distinct products and expertise to Hub and that also want to take their organizations to a higher level by taking advantage of everything that Hub has to offer," Mr. Cohen said.

"Our M&A strategy really is focused on supporting existing business strategies and creating new business strategies," Mr. Cohen said. Five years ago, he said, Hub began to build its retirement and wealth management division, supporting it with strong acquisitions.

"That helped us to ultimately grow that business organically and helped us cross-sell to existing clients," he said. Hub followed the same strategy in Canada, and with its managing general agency and wholesale business, he said.

In addition, Hub recruited additional employees and promoted staff internally, he said.

Hub puts an emphasis on cooperating across its specialty verticals and using the best resources, specialists and expertise "wherever they fit throughout Hub," he said.

Michael Dion, vice president and senior analyst with Moody's Investors Service Inc. in New York, said that while the brokerage is privately held, employees own a "meaningful share" of the company, which creates a "sense of pride among its producers."

A key area of development this year has been the expansion of its digital capabilities.

In March, Hub teamed with insurtech Bold Penguin to buy online agency Insureon, which launched in 2011 and offers various lines of coverage to small businesses, including business owners policies, general liability, auto liability, workers comp, and errors and omissions.

Marc Cohen

In June, Hub launched VIU, a digital platform for personal lines coverage such as home and auto insurance.

Insureon "gives us the capability to interact with customers who want to communicate and transact in a digital way for their insurance needs," Mr. Cohen said. "It is an important strategic evolution for us within our organization," he said.

"We want to make sure that what we are bringing to our customers is a very different, efficient, modern insurance experience that's unbiased."

Hub has been majority owned by San Francisco-based Hellman & Friedman LLC since 2013.

"The relationship is outstanding," Mr. Cohen said. "They are very supportive of us from both an M&A standpoint and an organic growth standpoint, and at this time there are no conversations regarding a change in that management control." Atlas Partners LP acquired a minority stake in the brokerage in 2018.

"With their private equity sponsors, I think they will continue to grow" and "may be the buyer of choice" with some sellers, said Timothy J. Cunningham, director at Optis Partners LLC, a Chicago-based investment banking and financial consulting firm.

This would be the case "where there's an alignment of interest with the additional products and services that Hub delivers to that particular seller," Mr. Cunningham said.

Judy Greenwald

6 Brown & Brown Inc.

2021 brokerage revenue: **$3.05B**
Percent increase: **16.9%**

Brown & Brown Inc. posted strong organic revenue growth in 2021 and continues to grow through acquisitions, including two sizeable deals this year that mark a further expansion of its international footprint.

The Daytona Beach, Florida-based brokerage's organic growth of 10.4% was fueled partly by rising property/casualty insurance rates, said J. Powell Brown, president and CEO. "And we were very pleased with the amount of new business we wrote and the retention of our existing clients," he said.

Brown & Brown's organic revenue growth was well above the average of its peers, said C. Gregory Peters, managing director-equity research with Raymond James & Associates Inc. in St. Petersburg, Florida. "The pieces of the puzzle that are important to the future of the company, including being positioned for organic revenue growth" and opportunistic acquisitions, "seem to be in place for them to continue to do well this year," he said.

Brown & Brown reported 2021 brokerage revenue of $3.05 billion, a 16.9% increase over the previous year. The company retained its No. 6 position in *Business Insurance*'s ranking of the world's largest brokerages.

J. Powell Brown

Brown & Brown posted $904.7 million in revenue for the first quarter of this year, up 11% year over year. Organic growth of 7.8% was lower than the 9.8% for the same quarter in 2021.

Like other brokers, Brown & Brown rode the rising tide of an improving economy as the COVID-19 crisis ebbed, said Paul Newsome, managing director at Piper Sandler & Co. in Minneapolis. "We saw a rebound in organic growth in part because of the recovery from the pandemic. It's been overall a pretty good environment for insurance brokers."

Brown & Brown completed 19 acquisitions in 2021 with combined annual revenue of around $132 million. Fifteen of the deals added to Brown & Brown's retail segment, three to its wholesale brokerage segment and one to national programs.

The acquisition of O'Leary Insurances Ltd. in Cork, Ireland, was completed in January 2021, the second international deal for Brown & Brown. Its first, completed in 2020, was the acquisition of Special Risk Insurance Managers, a Langley, British Columbia-based MGA. Since then, the brokerage has expanded its international presence.

In the first quarter of this year, Brown & Brown agreed to acquire the operating companies of London-based wholesaler BDB Ltd. and London-based brokerage Global Risk Partners Ltd.

"This is important for them as part of the natural evolution to become a global platform," Mr. Peters said of Brown & Brown's international moves. "It's methodical, deliberate and consistent with how they approach the business."

Brown & Brown is among other U.S. brokers that have made forays into the United Kingdom and Ireland in recent years, Mr. Newsome said. "Selling insurance in English-speaking countries with stable regulations and governments" is easier than pursuing deals in areas where those conditions may not exist, he said.

Brown & Brown has operated in London since 2008 when it opened a business there, Mr. Brown said.

The brokerage also agreed in this year's first quarter to acquire Vero Beach, Florida-based managing general agent Orchid Underwriters Agency and its subsidiary CrossCover Insurance Services. Together with the BDB and Global Risk Partners deals, the brokerage agreed to spend around $2.5 billion for the three acquisitions, financing the transactions with around $2 billion in newly issued debt and available cash on hand.

Meanwhile, the 2020 acquisition of CoverHound Inc., a San Francisco-based online insurance platform, has helped Brown & Brown grow in the digital insurance sector, which is an area where the brokerage would like to expand further, Mr. Brown said.

"We're very pleased with CoverHound; it helped us move into an area of the market that we were not in from a digital standpoint," Mr. Brown said.

The brokerage is looking into how the platform might potentially be used within its national programs and wholesale business segments, he said.

"We would consider something in the same space," he said of future digital deals, "if it was additive to what we already have. We're not trying to buy something that is duplicative in that space."

Michael Bradford

SPECIAL REPORT

7 Truist Insurance Holdings Inc.

2021 brokerage revenue: **$2.86B**

Percent increase: **17.6%**

Cross-sales from clients of its bank parent, specialization in wholesale business and acquisitions helped Truist Insurance Holdings Inc. report strong revenue growth last year.

Although the name has changed, Truist Insurance is also marking its hundredth year in the insurance business, said John Howard, chairman and CEO of the Charlotte, North Carolina-based brokerage, a unit of Truist Financial Corp.

The Truist brand was created after the 2019 merger of SunTrust Banks Inc. and the insurance brokerage's parent, BB&T Corp. The insurance operation changed its name from BB&T Insurance Holdings Inc.

The brokerage posted organic growth of 12% in 2021 as wholesale revenue jumped 33.8% to $1.59 billion. Brokerage revenue rose 17.6% as retail revenue grew 2%. Truist Insurance retained its position at No. 7 in *Business Insurance*'s ranking of the world's largest brokerages.

The July 2021 purchase of Constellation Affiliated Partners LLC, an insurance distribution platform with seven managing general agents and program managers, helped drive growth in Truist Insurance's CRC Insurance Services Inc. wholesale division, Mr. Howard said.

CRC named former Constellation CEO Bill Goldstein as CEO of its specialty programs division. Nicholas Bozzo, formerly president of programs at CRC, and Brian Norman, previously managing director of Constellation, were named co-presidents of the division.

Truist Insurance has a larger wholesale business than other large brokers, which are either fully retail or have a smaller wholesale component, said Elyse Greenspan, managing director, equity research, insurance, at Wells Fargo Securities LLC in New York. "That's one of the factors that helped them," as the wholesale business in general has been seeing "outsized growth" recently, she said.

Ms. Greenspan said Truist Insurance's organic growth in 2021 topped its immediate peer group of other large brokers, which averaged almost 9% organic growth for the year, she said. "When you compare Truist to this peer group, they did come in above the pack in 2021."

John Wepler, chairman and CEO of Woodmere, Ohio-based mergers and acquisitions consultancy Marsh, Berry & Co. Inc., said that in addition to its wholesale/retail balance, Truist insurance is well diversified geographically and by client size.

Truist also practices what it calls "integrated relationship management" under which it "collaborates across the entire enterprise, not only insurance, but also banking," to drive business referrals, Mr. Wepler said.

Truist Insurance has "incredible" opportunities to serve clients that came with the SunTrust purchase, Mr. Howard said, pointing out that the predecessor bank did not have an insurance business. "We have the potential to add significant amounts of revenue from customers introduced to us by other parts of Truist," he said.

The broker has also added staff, Mr. Howard said. Truist Insurance's headcount rose 6.8% last year to 8,142, according to company data.

Truist Insurance in September 2021 named Read Davis, president of McGriff's Georgia region, as CEO, McGriff Specialty and Middle Market, and Renee Keen, national personal lines and small business practice leader, as CEO, McGriff Small Business and Personal. Both executives report to Mr. Howard.

John Howard

Analysts agreed the strong commercial line pricing environment provided a tailwind for brokers, and Mr. Howard said he expects pricing to remain buoyant. "Carriers are very focused now on inflation and incorporating that into their pricing, so I do expect pricing to continue to rise for the foreseeable future," he said.

That firm market, however, has taken some toll on policyholders.

"There are clients that are taking higher retentions and using captives," Mr. Howard said. "There are also clients buying less insurance, and some buying as much insurance as in the past but paying more for it." He added that there are also cases where policyholders "aren't able to get all the capacity they would like to have," such as with cyber liability coverage.

Truist Insurance has also been expanding its technological capabilities. In 2021 it invested in insurtech Covered Insurance Solutions LLC., and in May 2022 it launched an online marketplace for personal lines business, which is something that can be scaled to commercial applications.

"We are looking to develop similar capabilities to support small businesses," Mr. Howard said, adding that Truist Insurance has also increased its technology staff to support growth.

Matthew Lerner

8 Acrisure LLC

2021 brokerage revenue: **$2.82B**

Percent increase: **42.7%**

Acrisure LLC got off to a slow start in 2021 but quickly gained steam and finished with record growth.

The company's top executive expects more growth this year, in part from its purchases of several managing general agencies, in addition to other acquisitions and organic growth.

"Our client base is mostly small- to middle-market business owners," who were among the slowest to recover from the COVID-19 crisis, said Gregory L. Williams, the Grand Rapids, Michigan-based brokerage's CEO.

Acrisure weathered a sluggish first two months of 2021 as its clients' business began to pick up, Mr. Williams said. "But overall, 2021 was a really good year for us. We grew from $2 billion to $3 billion in revenue. Between our real estate division and insurance group, we did 155 acquisitions, and we grew 7.2% organically."

Brokerage revenue in 2021 grew by 42.7% to $2.82 billion, moving Acrisure up one spot to No. 8 in *Business Insurance*'s ranking of the world's largest brokerages.

"It was a record year in terms of growth," Mr. Williams said.

Credit analysts have taken note of Acrisure's rapid growth.

Gregory L. Williams

"It's concerning from a credit perspective when a company grows ultra-fast," as Acrisure has in recent years through organic growth and a "huge number of acquisitions," said Bruce Ballentine, vice president and senior credit officer at Moody's Investors Service Inc. in New York. However, "they've done it well over these years," he said.

"A lot of these deals are tuck-in oriented" and are a core competency of brokers such as Acrisure that are making large numbers of acquisitions, said Joe Marinucci, senior director at Standard & Poor's Global Ratings in Princeton, N.J.

Acrisure is able to complete acquisitions quickly because it doesn't take a heavy hand in the process, according to Mr. Ballentine.

The broker likes to "make an acquisition and let the acquired entity run autonomously," he said, rather than putting "the buyer's brand and multiple systems in place on Day One. … It helps them do the number of deals they do because there is less disruption. They do work to bring the acquired entities onto common systems over time."

Mr. Williams said the company's 2021 overall growth included diverse sources of business. It views itself as a fintech business with insurance at its core, he said, and "it will probably always be our core." But the company also offers cyber services, asset wealth management, real estate services and other services, he said.

The company's Auris technology platform allows it to oversee disparate segments, Mr. Williams said. "We have the ability to connect what one vertical represents in terms of opportunity for another," he said, adding he expects that to fuel more growth.

The platform was built by the team that came to Acrisure through the purchase of the insurance practice of artificial intelligence company Tulco LLC in 2020, Mr. Williams said.

"That is a differentiator," Mr. Marinucci said of the Acrisure technology platform. "In some ways it's a selling point" for smaller companies that want to become part of an operation that offers access to sophisticated technology resources, he said.

There are some headwinds pushing against organic growth, Mr. Williams acknowledged, as a segment of its business related to real estate title transactions has been dulled by interest rate hikes. It's likely that organic growth will amount to around 5% to 6% this year, he said.

Acrisure had closed or signed letters of intent on 89 acquisitions this year as of June 1. Three of those — managing general agencies Volante Global, SUNZ Insurance Co. and Appalachian Underwriters Inc. — are key acquisitions, according to Mr. Williams.

"Those are very strategic to us," he said, because Acrisure's aim is to underwrite through MGAs "not for the purposes of taking risk" but to understand how it can "place that premium more thoughtfully for the benefit of our clients. … We decided we could turbocharge that effort by acquiring some high-quality MGAs."

Acrisure earlier this year raised $725 million in funding led by a wholly owned subsidiary of the Abu Dhabi Investment Authority. "That capital was raised and earmarked for additional M&A," Mr. Williams said.

In late June, Acrisure announced the acquisition of Russell Scanlan Ltd., a commercial insurance brokerage and risk manager based in Nottingham, England, that was founded in 1881.

Michael Bradford

9 Lockton Cos. LLC

2021 brokerage revenue: **$2.7B**
Percent increase: **26%**

Lockton Cos. LLC continues to pursue its focus on organic growth, while making a few small acquisitions to extend its international reach.

The Kansas City, Missouri-based brokerage reported $2.7 billion in brokerage revenue for its 2021 fiscal year, ended April 30, which was a 26% increase from the prior fiscal year.

Despite the growth, Lockton dropped one spot to No. 9 in *Business Insurance*'s 2022 ranking of the world's largest insurance brokerage as its acquisitive rival Acrisure LLC grew even more rapidly.

Lockton remains the only privately held brokerage among the top 10 without private equity investors.

"We are fully and firmly committed to our private ownership" and independence as a business philosophy, said chairman Ron Lockton. It is "a strategy we will be sticking to perpetually," he said.

Lockton reported a 27% increase in organic growth last year, said Peter Clune, the broker's president and CEO.

Lockton clients are coping with the hard market, its executives say.

With the exception of workers comp, "the market's been firming since 2018, and clients are questioning the need for additional rate increases after multiple years" of the hard market and "looking for innovative solutions," Mr. Clune said.

No major acquisitions are planned for Lockton, say its executives.

"We're not opposed to acquisitions, but we view acquisitions, really, as a starting point to future organic growth, and so we will be very selective in the way we look at acquisitions," Mr. Lockton said.

He added that what is typically most attractive to Lockton in its acquisitions are the talent and the client solutions. "If we find those things, we may pursue them," he said.

"We're never going to generate headlines about M&A deals "with eye-popping multiples. That's not who we are," Mr. Lockton said.

The broker has completed two smaller acquisitions in the past year. In October it agreed to buy Bergen, Norway-based marine insurance broker Edge Group Holdings.

It completed its acquisition of Istanbul-based Omni Insurance and Reinsurance Brokerage Inc. in May. Lockton had acquired a 50% stake in the company in December 2008.

These acquisitions, along with Lockton's 2016 purchase of Genoa, Italy-based marine broker P.L. Ferrari & Co., "are an example of using small acquisitions to round out global offerings to our clients," Mr. Clune said.

Lockton has been "very strategic about their acquisitions," said Timothy J. Cunningham, managing director at Optis Partners LLC, a Chicago-based investment banking and financial consulting firm. The brokerage has "certainly done a good job of expanding domestically and internationally."

A particular bright spot for the company has been its reinsurance business, which saw a 65.9% increase in revenue to $143.2 million last year.

Lockton announced several hires in its reinsurance business over the past year. Most recently, Lockton Re said Kathy McCann had joined from Guy Carpenter LLC.

In March, Lockton announced the launch of Lockton Advisory in Australia. The division offers capital management services to insurers and reinsurers, among other things.

Peter Clune

Ron Lockton

Other hires at Lockton over the past year include Machua Millett, formerly with Marsh LLC, as chief information officer and alternative investment practice leader in its financial services group.

In October, Lockton announced it had recruited Julie Marcello, formerly a market leader for Marsh, as chief operating officer for its Denver-based Mountain West region, which includes Denver, Phoenix, Las Vegas, Salt Lake City and Seattle.

Lockton expanded its transaction liability group in February by naming as two New York-based senior vice presidents Annie Heiss, formerly a senior corporate associate for Willkie Farr & Gallagher LLP, and Alex Connelly, who served as mergers and acquisitions and international partnerships counsel at A+E Networks.

In March, Lockton named Michelle Faylo, formerly North America head of cyber, financial lines, at American International Group Inc., as head of cyber financial lines, replacing Anthony Dagostino, who left the company last year.

E.J. Hentennar, Lockton's head of global financial risks, was named CEO, Europe effective May 1, as part of a new international leadership structure, and Neil Nimmo, formerly CEO of Lockton International, became its chairman, reporting to Mr. Clune.

Judy Greenwald

10 Alliant Insurance Services Inc.

2021 brokerage revenue: **$2.61B**
Percent increase: **46.8%**

Robust organic growth, fueled by buoyant commercial lines pricing and employee recruitment, and the acquisition of a large personal lines agency enabled Alliant Insurance Services Inc. to break into the *Business Insurance* ranking of the world's 10 largest brokerages for the first time this year.

The Irvine, California-based brokerage, which began as a storefront agency in San Diego in 1925, reported 19.3% organic revenue growth in 2021.

Its purchase of Huntington Beach, California-based personal lines agency Confie Holding II Co. last year gave Alliant a huge bump in personal lines revenue and more than doubled its headcount.

The firm commercial insurance pricing environment is creating a tailwind for most brokers, said Greg Zimmer, president of Alliant. "That's one of the reasons you see organic growth for all brokers higher than it has traditionally been." The rate of increases, though, is moderating, he said.

Alliant reported $2.61 billion in revenue in 2021, up 46.8%.

Policyholders have made adjustments to the market conditions.

"Businesspeople are taking a much harder look at their expenses and how to control them. To a degree, you're seeing higher deductibles or perhaps lower limits to control the insurance spend," Mr. Zimmer said.

Greg Zimmer

Alliant's construction and real estate verticals, areas of focus staffed by industry specialists, grew the most in 2021, with the construction vertical now the company's largest, he said.

The broker's reach in the construction sector is national, having brokered coverage for improvements at New York's LaGuardia Airport and projects in Manhattan's Hudson Yards development, Mr. Zimmer said.

Commercial retail revenue at Alliant rose 39.8% to $1.44 billion, employee benefits revenue grew 22.5% to $569 million, wholesale rose 18.1% to $244.38 million and personal lines soared 487.74% to $309.15 million.

Alliant finished 2021 with 9,194 employees, compared with 4,457 at the end of 2020.

Mr. Zimmer said the large increase in personal lines revenue was tied to the purchase of Confie, which specializes in nonstandard auto coverage. In addition, the 2020 acquisition of Senior Market Sales Inc. expanded Alliant's Medicare business, which continued to grow in 2021, he said.

Early in 2021, Alliant bought Greenwich, Connecticut-based BridgePoint Risk Management LLC, which specializes in placing coverage for business owners, high-profile executives, athletes, entertainers, and collectors of fine art, jewelry, wine and automobiles.

Much of Alliant's recent technology spending has been on internal efficiencies, Mr. Zimmer said. The company has also invested in some client-facing and prospecting technology.

John Wepler, chairman and CEO of Woodmere, Ohio-based mergers and acquisitions consultancy Marsh, Berry & Co. Inc., noted that Alliant is private equity backed, as opposed to owned, meaning a majority of the company is held by employees. "You have a lot of people whose interests are in alignment driving organic growth," he said.

GTCR LLC was the first private equity investor in Alliant, back in 2000. Alliant currently has about a dozen institutional investors, with Stone Point Capital the lead institutional investor, but the company is still more than 50% owned by its management and employees.

The broker is "really an organic growth business," Mr. Wepler said, with an emphasis on producer hiring and development.

Alliant has "focused on its producer strategy," and producers continue to be strong at building out books of business, said Francesca Mannarino, a New York-based associate director at S&P Global Ratings. She added that after the recent larger acquisitions, the focus in 2022 is more likely to be on smaller "tuck-in" deals.

Ms. Mannarino said Alliant's "lateral hiring strategy," in which it seeks to acquire highly experienced producers with sizeable books of business, could account for as much as 30% of the broker's organic growth in certain segments.

Alliant like several other brokers that pursue a similar strategy, has been subject to poaching lawsuits by rivals from which it has hired staff.

Julie Herman, director in New York with S&P Global Ratings, said that when Alliant does seek to gain such business, it tries to come to a commercial resolution with the prior employers.

"We always work with their prior employer to make a smooth transition," Mr. Zimmer said. "People should be able to work where they want to work and clients should be able to choose who they work with. Everything after that should be worked out in a commercial way."

Matthew Lerner

RESEARCH & DATA

Acquisitive brokers keep buying rivals

BY TIMOTHY J. CUNNINGHAM, DANIEL P. MENZER & STEVEN E. GERMUNDSON

Mergers and acquisitions activity among insurance agents and brokers remains as strong as ever, despite increased general economic concerns.

The headwinds of rising interest rates, economic uncertainty and a rush of sellers to the exits in 2020 and 2021 have not slowed overall deal activity in 2022, although there is some uncertainty about what the future holds.

The total number of U.S. and Canadian transactions involving property/casualty agents and brokers, benefits brokers, managing general agents and third-party administrators during the first half of this year rose 14.4% to 427 from the previous all-time high of 369 during the first half of 2021 and were 23.4% above the five-year average.

On a quarterly basis, there were 233 transactions during the second quarter, 18.9% higher than the 196 reported in the same period in 2021. On a trailing 12-month basis, the current deal count was 1,118, significantly higher than the 1,060 reported in all of 2021 and the 795 reported for the year-earlier period.

Buyers' appetite beyond the traditional insurance distribution targets has expanded over the past few years. The broad buy-side universe now has a deeper appetite with a marked increase in seller-types that includes more life insurance and financial services companies, human resources consulting, actuarial services and other ancillary business directly or tangentially related to insurance distribution. So far in 2022, a total of 53 such acquisitions have been announced. Activity in prior years was not material. We will continue to monitor these transactions and report on trends as they develop. Further, we see a movement among several traditionally retail-focused companies to the wholesale and program underwriting sectors.

The private equity-backed firms' story of fast-paced acquisitions, in some cases to amass as much revenue as possible, continues. The "lather-rinse-repeat" nature of this strategy shows no signs of slowing down. Each of the active private equity-backed brokers saw year-over-year increases except for AssuredPartners Inc. and BroadStreet Partners Inc. In fact, PCF Insurance Services, Acrisure LLC and Hub International Ltd. picked up their pace by 40% or more, and Inszone Insurance Services and Patriot Growth Insurance Services LLC more than doubled their number of closed deals.

PCF Insurance took the lead, completing more transactions than all other buyers with 48 in the first half of 2022, up from 28 in the same period in 2021, and well above its five-year first-half average of 19. Acrisure followed with 43 deals in the first six months of this year, up 43% from 30 reported in the same period last year. Hub logged 35 transactions, up from 25, and High Street Partners Inc. recorded 20, which was two more than it recorded in the first half of 2020.

In total, the 10 most active buyers have booked 55% of the announced transactions so far in 2022. There were 72 buyers in total that completed the remaining 44% of the deals, 39 of which did more than one acquisition.

Historically active buyers whose transaction count dropped below their five-year average included AssuredPartners, which reported 10 fewer; BroadStreet Partners and Arthur J. Gallagher & Co., both down by three; and World Insurance Associates LLC and reported two fewer.

The number of completed deals is on the rise across most segments, although the rise in large transactions — defined as targets with revenue greater than $25 million — has slowed the last two years, principally because inventory has shrunk. There were seven such large M&A transactions in the first half of 2021, and only one — Baldwin Risk Partners LLC's purchase of Westwood Insurance Agency — so far in 2022.

There were some notable private equity-related transactions announced in the first half of 2022. Peloton Capital Management acquired a significant minority position in Unison Risk Advisors, Carlyle Group Inc. announced the acquisition of NSM Insurance Group from White Mountain Insurance Group Ltd., and Aquiline Capital Partners announced the acquisition of a majority stake in Distinguished Programs Group LLC from management.

Tallies for deals so far in 2022 and conversations with buyers indicate that the second half of the year will be robust. The final tally may not be as high as in 2021, but it could prove to be close.

TOP BUYERS

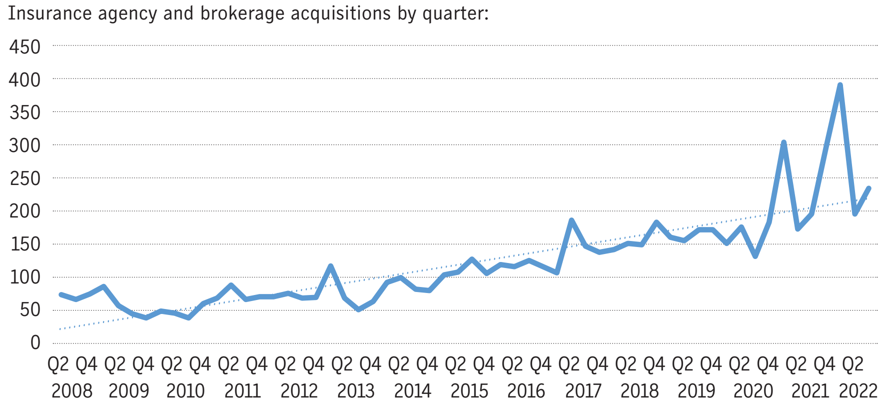
The top buyers during the first half of 2022 are shown below with comparable totals for 2018 through 2021:

Buyer	Company type	1st half 2018	1st half 2019	1st half 2020	1st half 2021	1st half 2022
PCF Insurance Services LLC	Private equity/hybrid	4	3	13	28	48
Acrisure LLC	Private equity/hybrid	42	39	39	30	43
Hub International Ltd.	Private equity/hybrid	33	26	28	25	35
High Street Insurance Partners Inc.	Private equity/hybrid	0	1	3	18	20
Inszone Insurance Services	Private equity/hybrid	0	2	4	3	20
BroadStreet Partners Inc.	Private equity/hybrid	14	17	30	19	16
Patriot Growth Insurance Services LLC	Private equity/hybrid	0	19	9	5	16
Relation Insurance Inc.	Private equity/hybrid	0	3	2	13	16
Integrity Marketing Group LLC	Private equity/hybrid	2	2	1	0	11
Keystone Agency Partners LLC	Private equity/hybrid	0	0	0	3	10
TOP 10 TOTALS		95	112	129	144	235
ALL OTHERS		205	215	178	225	192
TOTALS FOR 1ST HALF OF YEAR		**300**	**327**	**307**	**369**	**427**

Source: Optis Partners LLC

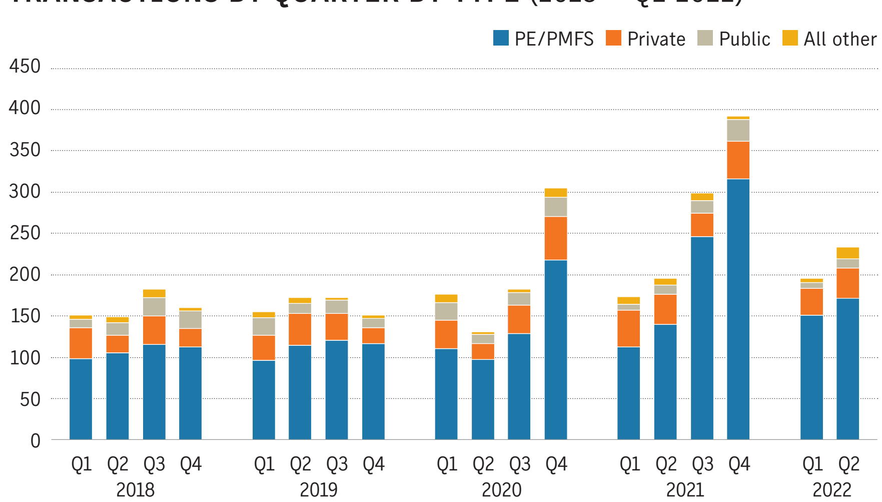
HISTORY OF DEALS TOTALS (Q2 2008 – Q2 2022)

Insurance agency and brokerage acquisitions by quarter:



Source: Optis Partners LLC

TRANSACTIONS BY QUARTER BY TYPE (2018 – Q2 2022)



Source: Optis Partners LLC

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OPINIONS

COMMENTARY

Disasters teach enduring lessons

There's nothing like experience to change perspectives. Individual and collective run-ins with catastrophes, in particular, can change how people and society respond to the potential for future threats.

It sometimes requires multiple close encounters, though, for the message to get through. While living in London — a city not known for its exposure to intense windstorms — I managed to sleep through the hurricane-force winds of 87J, also known as the great storm of 1987. The next day, after walking through the debris to work at a financial magazine, I was more focused on the tumult in the stock market than on the aftermath of what had been a deadly storm.

Gavin Souter
EDITOR

Eleven years later, staying south of Miami while Hurricane Georges hit southern Florida, the sheer power of a major storm was much more apparent. There wasn't much to do other than stay away from windows as torrential rain flooded streets and pieces of palm trees flew around outside.

A few years earlier, Hurricane Andrew had a huge effect on many people's understanding of storm risks and how they could be insured. As we report in our cover story, 30 years after Andrew, insurers and reinsurers are still operating in an environment that was shaped by the storm.

Improved building codes, the wide acceptance of computer models in the underwriting process, the expansion of reinsurance capital and the beginnings of an understanding of how climate change is transforming property risk management can all be traced back to Andrew.

And the experience of other storms since, in particular Hurricane Katrina in 2005 and Superstorm Sandy in 2012, has led to even more changes in how the industry manages natural catastrophe risks and how insurance policies are worded to cover or exclude the variety of different losses that are associated with severe windstorms.

But there is still more to be learned. As we report on page 4, safety experts have significant concerns over the adequacy of organizations' emergency action plans, and those concerns have only been heightened by recent disasters involving tornadoes.

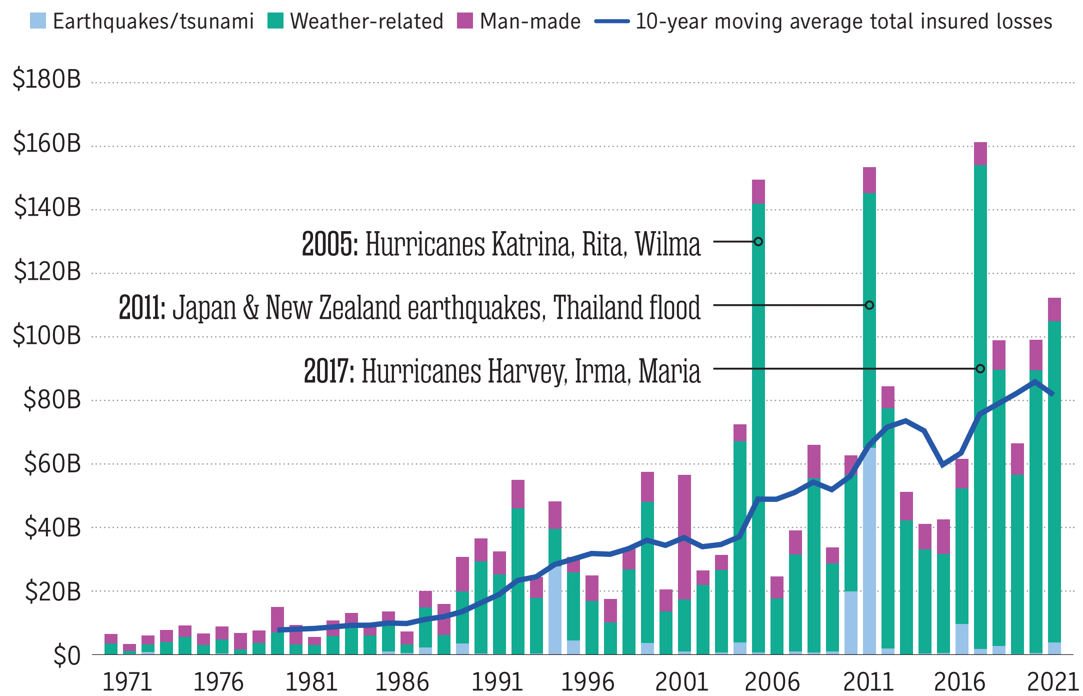
Less predictable and less effectively modeled than hurricanes, twisters require quick and flexible responses, but that does not mean that the various scenarios can't be simulated in table-top exercises at organizations of all sizes.

The experience of increased disasters over the past three decades has led to permanent changes in risk management practices but response plans need to continually evolve as we head into a period of potentially even more uncertainty.

Insurers and reinsurers started talking about the effects of climate change on their business long ago, and many in the industry must be frustrated that the evidence they see in their loss figures is still ignored or explained away by some who would rather just wish that the problem would disappear. Experience needs to triumph over hope when it comes to natural catastrophes.

INSURED LOSSES SINCE 1970

IN BILLIONS, U.S. DOLLARS (2021 PRICES)



Source: Swiss Re

VIEWPOINT

Tough choices after Roe

BY CLAIRE WILKINSON
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The U.S. Supreme Court decision to overturn *Roe v. Wade* leaves businesses and their leadership facing tough choices. Whatever an individual's point of view may be on the topic of abortion rights, there's no doubt that CEOs and their boards now find themselves having to navigate some complicated employment and benefits issues and the associated reputational and legal risks.

Following the leak of the draft opinion in early May and after the final Supreme Court ruling on June 24, some companies announced plans to provide expanded travel, lodging and other benefits to their employees seeking access to health care services that they may not be able to obtain in their own state. Others were cautious and remained silent. Still others decided not to publicly share changes to benefit plans but instead communicated directly with their workforce. A good number of financial and professional services companies were among the early responders. Several major insurance brokerages are understood to have sent internal memos to their employees, reassuring them that they would extend health benefits to include travel costs for out-of-state health care, including reproductive procedures.

In recent times, social justice concerns have become a priority for companies to address. Businesses, including brokers and insurers, are increasingly answerable to their employees, policyholders, shareholders and other stakeholders on a range of issues that fall under the environmental, social and governance umbrella. Robust discussions are being had and statements issued on various topics, including climate change, diversity and inclusion, racial justice and workplace conduct.

For example, the widespread protests that followed the killing of George Floyd in police custody in Minneapolis in May 2020 prompted senior executives at companies in numerous sectors, including insurance brokers, to issue statements deploring racism and committing to equality. Many brokers went further and implemented changes at their companies in the months that followed.

Instances like this show that the insurance industry, like other sectors, can step up not only to support the health and well-being of employees and their families but to lead the way. As companies look to attract diverse talent, the actions they take — or fail to take — on all sorts of difficult topics will be scrutinized. This is particularly true in a case that could so directly influence their ability to hire and retain women and which builds on their diversity, equity and inclusion efforts.

Of course, those actions don't come without risk. In the case of *Roe v. Wade,* businesses that take a stance could face a whole host of reputational and legal risks such as possible backlash from customers or employees, problems navigating patchwork state laws and the related political fallout, difficulties maintaining employee privacy and challenges in the form of shareholder proposals regarding reproductive benefits. Staying silent also presents risks.

There are no easy answers, and, as with other complex issues, companies will need to gauge the reaction of their employees, review their employment policies, closely monitor related laws and regulations, and be ready for possible lawsuits as they grapple with what is the best path forward for their organization and its employees as they look to do what they believe is the right thing.

Caught in the crossfire: How will the war exclusion affect commercial policyholders?

The war exclusion has received a lot of attention over the past year, particularly since Russia invaded Ukraine in February. Policyholders' concern that insurers will assert the exclusion as a basis to deny coverage is increasing in light of recent coverage litigation and the potential that cyberattacks emanating from Russia would have serious financial consequences. The war exclusion is in a moment of possible flux, as insurers consider changes that could increase its scope.

The exclusion has been common in property/casualty policies for decades and is also in almost every cyber insurance policy. It typically eliminates coverage for losses caused by "hostile or warlike action" from a nation state or its agencies, or by military forces. The war exclusion in cyber insurance policies often includes an exception that restores coverage for "cyberterrorism."

Insurers have recently invoked the exclusion to attempt to avoid providing coverage for losses under property insurance policies arising from Russia's 2017 NotPetya cyberattack against Ukraine. That attack spread beyond Ukraine's borders and caused widespread damage to computer systems.

A New Jersey state court recently rejected an insurer's reliance on a war exclusion in a property insurance policy, under which the insured had sought coverage for losses caused by the NotPetya cyberattack in *Merck Co. Inc. et al. v. ACE American Insurance Co. et al.*

Pharmaceutical giant Merck alleged that it suffered over $1.4 billion in losses because of the NotPetya attack, which it contends affected over 40,000 of its computers worldwide and hit its production. Insurers and reinsurers on its $1.75 billion property policies denied coverage for the losses based on the war exclusion, alleging that the attack was carried out by Russian agents intending to cripple Ukraine's financial sector and then spread worldwide. They argued the attack was carried out while Russia and Ukraine were engaged in war, and as such, it was an act of war. Merck countered that the attack was a form of ransomware, which was not excluded by the policy. Although the United States and the United Kingdom accused Russia of being involved in the attack, the Russian government has called the accusation groundless.

The court agreed with Merck that the term "hostile or warlike action" means a traditional war between two or more nations involving "hostilities between armed forces." The court also noted that "[n]o court has applied a war (or hostile acts) exclusion to anything close to" a malware attack. Ruling for Merck on a motion for partial summary judgment, the court concluded that the insurers did nothing to change the language of the exemption to reasonably put the insured on notice that they intended to exclude cyberattacks.

While Merck might be appealed, it raises the question of how courts will interpret war exclusions found in cyber insurance policies, which are expressly intended to cover losses resulting from cyberattacks. There is almost no case law on this topic. To date, cyber insurers have assured policyholders that they intend to narrowly construe the war exclusion, as they are required to do. However, Russia's war against Ukraine may bring the issue to the fore if it leads to another event like NotPetya.

A few months before Russia invaded Ukraine, the Lloyd's Market Association introduced four model clauses designed to exclude, to a greater or lesser extent, coverage for war risks from cyber policies.

Clause 1 is the most restrictive and would exclude losses directly or indirectly occasioned by, happening through, or in consequence of war or a cyber operation. "War" is defined as the use of physical force by a sovereign state against another sovereign state, and "cyber operation" is defined as the use of a computer system, by or on behalf of a sovereign state, to disrupt, deny, degrade, manipulate or destroy information in a computer system of or in another sovereign state. In other words, it purports to exclude coverage for losses "indirectly" caused by either a physical war or cyberattack "by or on behalf of" a sovereign state.

Clause 2 is the next most restrictive and would allow coverage, subject to sublimits, for losses due to cyber operations that: (1) are not retaliatory operations between China, France, Germany, Japan, Russia, the U.K., or the U.S.; and (2) do not have a "major detrimental impact" (not a defined term) on a sovereign state's security, defense or essential services.

Clause 3 provides the same coverage as Clause 2, but without the sublimits.

Clause 4, which provides the most coverage, offers the same coverage as Clause 3 and also covers the effects on "bystanding cyber assets" — defined as a computer system used by the policyholder or its third-party service providers, that is not physically located in an impacted sovereign state but is affected by a cyber operation.

One aspect of all these exclusions that is particularly worrisome is that they would give the insurer the right to determine whether a cyber operation was "indirectly" carried out "by or on behalf of" a sovereign state. The language potentially could result in exclusion of coverage for attacks in which the victim was not the intended target and the actor merely claims to be acting for the benefit, or in support of, a state rather than being directed by the state.

The exclusions state that the primary factor the insurer will use in making this determination is whether the government of the sovereign state in which the affected computers are physically located attributes the cyber operation to another sovereign state or those working on its behalf, which is obviously subject to political pressures or whims. Prior to a state making such an attribution, the insurer may draw an "objectively reasonable" inference as to whether the cyber operation was carried out by or on behalf of a sovereign state.

> When the war exclusion was first developed, it was obvious which country ... dropped the bomb that caused physical damage. These days ... it is often unknown.

As a result, whereas the law generally provides that exclusions are to be construed narrowly and the insurer has the burden to prove they apply, these changes would effectively reduce the insurer's burden to drawing a mere "objectively reasonable inference" that the exclusion applies.

When the war exclusion was first developed, it was obvious which country fired the bullet or dropped the bomb that caused physical damage. These days, as revealed by LMA's struggle to reduce the insurers' burden of proof, it is often unknown who conducted the attack and/or what their motive was.

Tyler C. Gerking is a partner and member of the insurance recovery group at Farella Braun + Martel LLP in San Francisco. He can be reached at tgerking@fbm.com.

Questions of identity and motive are irrelevant to the cyber policy's insuring agreement. The policies are supposed to pay for losses policyholders suffer as a result of a cyberattack, regardless of who did it and why. From a policyholder's perspective, a ransomware attack launched by a group that claims to support Russia's war in Ukraine is no different than an attack by a group that claims no affiliation or motive. In both cases, the policyholder must figure out how to unlock its machines and keep its business operating.

This was the animating rationale of *Queen Insurance Company v. Globe & Rutgers Insurance Company*, dating back to World War I. The case arose out of the collision of two merchant ships traveling at night without lights because of submarine attacks. The U.S. Supreme Court reasoned that the collision could have happened at any time, not just as a result of war, even though the ships were blind to each other because of prior submarine attacks. Subsequent cases have picked up on this rationale in rejecting insurers' reliance on the war exclusion.

Such reasoning should have even more force today, when often the only known fact is that there was an attack, but the identity of the attackers and their motives remain shrouded in mystery or are at best uncertain. The policyholder's experience of the attack and losses stemming from it will remain the same, whether the attack was done to support a war, merely conducted during a war, or was simply the work of thieves.

MARKET PULSE

Beazley rolls out D&O policy for crypto firms

Beazley PLC introduced CryptoGuard, a directors and officers liability insurance policy for crypto companies.

The policy offers up to $10 million in coverage for public companies and up to $5 million for private companies.

Beazley said the policy offers coverage for every phase of an organization's life cycle, from emerging startup and high growth business to established organization.

The main covers available are for claims against directors and officers who are not indemnified by the organization; for when an organization is required to indemnify its directors and officers; and for claims brought against the organization by its security holders, the insurer said.

U.S. Securities and Exchange Commission Chair Gary Gensler recently said investors should beware of promised returns from crypto lending platforms and products that seem "too good to be true."

Insurtech offers cover for real estate risks

Jason Mezyk, former vice president of risk and insurance at Revantage Corporate Services, a Blackstone Inc. unit, has joined RiskRelease, an insurtech focused on coverage of multifamily real estate units, as CEO.

Dallas-based RiskRelease, which has been in development for about a year, offers compliance and insurance services to property managers related to compulsory renters insurance.

The company's systems can track renter insurance policies to ensure they are purchased, maintained and renewed, and provide insurance where it is required, Mr. Mezyk said.

"What we have identified is that 40% to 50% of renters have compliant renters insurance as required by their lease agreement," he said. "That's a big problem when it comes to being an owner/operator of a multifamily community because if you have a loss and the renter doesn't have insurance, it impacts your net operating income."

The company offers a rental insurance waiver program, which for a monthly fee automatically enrolls renters who elect not to purchase their own coverage. The program provides up to $100,000 of renters legal liability insurance. RiskRelease uses a captive to support its ability to offer the waiver program, Mr. Mezyk said.

"Then every renter is compliant, and should the renter choose to purchase their own renters insurance, RiskRelease will review it for compliance, document it and monitor it on a day-to-day basis," he said.

PRODUCTS & SERVICES

Axa to develop climate-focused digital platform

Axa SA, Paris-based parent company of Axa XL, said it will develop a digital commercial platform featuring risk management and climate functionality.

The platform will initially include Axa Smart Services, a network providing risk insights, risk management capabilities and other services to support commercial policyholders. Axa did not provide a timeline for the launch.

The platform will also host Axa Climate, providing services such as a climate school, a digital learning platform to help large companies inform employees and prepare their business for a sustainable transition.

The platform will also include time data and analytics collected through satellites, drones and sensors, Axa said.

Verisk unveils mapping, analytics platform

Verisk Analytics Inc. said its Respond MAP mapping and analytics platform is included as part of the Respond weather data package.

Respond MAP allows users to combine weather data with locations of interest, such as policies-in-force, to evaluate the impact of weather events such as hail, wind, wildfires, tornadoes and hurricanes, Verisk said in a statement.

The platform updates data as frequently as every five minutes and allows users to view both pre-catastrophe and post-catastrophe imagery as well as damage estimation analytics for major weather events such as hurricanes, significant tornadoes and wildfires.

Insight Risk introduces builders coverage

Insight Risk Technologies LLC has launched Insight Risk builders risk coverage.

Limits of up to $30 million are available. The company will also deploy risk control services for U.S. mainland fire-resistive construction projects with construction values between $25 million and $125 million, the managing general agent said.

Once a building is enclosed, Insight Risk will install water-, temperature- and humidity-monitoring sensors that send an alert to the project team when irregular conditions are detected.

Insight Risk is licensed in 48 states and backed by Munich Re Specialty Group Insurance Services. Initial distribution is through Marsh & McLennan Agency LLC, American Global LLC and Holmes Murphy & Associates LLC.

Amwins, FusionMGA partner on cyber cover

Amwins Group Inc. said it is partnering with FusionMGA, a Kansas City, Kansas, cyber insurtech managing general agent, to provide cyber liability coverage for accounts without minimum security controls in place.

The business is being written on an admitted basis, with no multifactor authentication requirements, and the program offers insureds cyber-risk assessment and analytic tools.

FusionMGA offers up to $1 million in limits with plans to expand limits to $5 million in this year's third quarter, according to an Amwins spokeswoman.

Woodruff Sawyer unit rolls out MGA

Woodruff Sawyer & Co. said that its Nomadx subsidiary has introduced a managing general agent, Nomadx Trustee Liability MGA, offering trustee liability limits up to $5 million.

The broker said it is partnering with Beazley Group on the program. The program, which is available for trusts administering assets of more than $5 million, includes coverage for fiduciary and non-fiduciary roles; blanket coverage for trucks; cyber and general liability and advancement of defense costs.

DEALS & MOVES

BMS buys Australian retail brokerage

London-based insurance broker BMS Group Ltd. said it has acquired Australian retail brokerage SRG Group Pty Ltd.

Terms of the deal were not disclosed.

Founded in 2005 and based in Perth, Australia, SRG has 32 employees, all of whom are joining BMS.

This is the seventh acquisition by BMS in the past two years, CEO Nick Cook said in a statement.

Gallagher acquires regional UK broker

Arthur J. Gallagher & Co. acquired Erimus Group Ltd. of Stockton-on-Tees, England.

Terms of the transaction were not disclosed.

Erimus, which has about 40 employees, serves a mainly regional commercial client base in the northeast of England, offering commercial combined, business interruption, commercial property, cyber, directors and officers, and employers liability insurance.

Howden agrees to buy broker TigerRisk Partners

London-based insurance and reinsurance broker Howden Group Holdings Ltd. said it has acquired U.S. reinsurance brokerage TigerRisk Partners LLC.

Sources close to the deal said the purchase price was $1.6 billion.

The combined reinsurance business will have close to $400 million in reinsurance brokerage revenue and employ about 450 people, a Howden statement said.

Marsh unit acquires Maine agency

Marsh McLennan Agency, a unit of Marsh LLC, said it has bought Portland, Maine-based Clark Insurance.

Terms of the deal were not disclosed.

Clark Insurance has 135 employees and five additional offices in Maine, Massachusetts and New Hampshire. The agency places commercial and personal lines insurance and employee benefits.

Tokio Marine selling construction division

Tokio Marine Kiln Group Ltd. said it will sell Tokio Marine Highland's U.S. construction division to Intact Insurance Group USA LLC.

Terms of the transaction, expected to close in the second half of 2022, were not disclosed.

“Personnel acquisition, leadership development and training are the biggest challenges facing every company big or small. The companies able to tackle this challenge and excel will have above-average productivity and profitability.”

UP CLOSE

Daniel Dias

NEW JOB TITLE: San Clemente, California-based risk adviser, Cavignac.

PREVIOUS POSITION: Irvine, California-based managing director, Travelers Cos. Inc.

OUTLOOK FOR THE INDUSTRY: The insurance industry is continuing to evolve, and clients are becoming more selective when selecting company partners. Brokers with a complete service offering — risk control, claim management and human resources expertise — will be able to select the best long-term partners.

GOALS FOR YOUR NEW POSITION: My goal is to bring my large-account expertise to help and guide the risk management of large national and construction accounts to better achieve their goals of lowering their total cost of risk.

CHALLENGES FACING THE INDUSTRY: Personnel acquisition, leadership development and training are the biggest challenges facing every company big or small. The companies able to tackle this challenge and excel will have above-average productivity and profitability.

FIRST EXPERIENCE: CNA Corp.’s major market division, where I worked with many Fortune 100 customers’ insurance programs. Early in my career, I learned the value of listening to the client’s needs so I could offer solutions pertinent to their challenges.

ADVICE FOR A NEWCOMER: Take time to hone your craft. Becoming a trusted adviser to your clients because you are solution-oriented is very rewarding.

DREAM JOB: If I could not play volleyball professionally — that ship has sailed — I think I would love to own a small shop near the beach, where clientele could come and enjoy a great cup of coffee, buy plants and flowers and other specialty items to brighten their household.

COLLEGE MAJOR: At UC San Diego, I majored in economics and Asian history.

LOOKING FORWARD TO: Working with the Cavignac people the most, as I have found them to be an amazingly supportive work team. I have admired the Cavignac culture for many years and how active they are in the community. I could not wait to be part of this team.

FAVORITE MEAL: Sushi or Mexican food are my favorites.

FAVORITE BOOK: “The California Nutrition Book,” which I read in college, dispelled so many of the myths about nutrition. It set me on a life of exercise and moderate eating.

HOBBIES: I love to play grass volleyball, cook and garden. Also, as many people will suggest, I love to eat out at new restaurants and enjoy a good bottle of wine.

FAVORITE TV SHOW: Anything with “Star Trek” in its name will get most of my attention.

ON A SATURDAY AFTERNOON: I like to play volleyball, and if it can be followed by eating at a nice restaurant, all the better.

SEE MORE ONLINE

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ON THE MOVE

Liberty Mutual Insurance Co. named **Timothy M. Sweeney** CEO, succeeding David H. Long, who will retire as CEO at the end of 2022. Mr. Long will become executive chairman of the company’s board of directors. Previously, Mr. Sweeney was president.

Lockton Cos. Inc. named **Machua Millett** chief innovation officer and alternative investment practice leader in its financial services group. Mr. Millett, based in Boston, was previously chief innovation officer, FINPRO U.S. at Marsh LLC.

Partner Re named London-based **Sima Ruparelia** chief actuarial and risk officer. Previously, Ms. Ruparelia was the chief actuary and portfolio manager for the U.K., Europe, global specialty, and Talbot, the European legal entity for American International Group Inc. She was among the *Business Insurance* 2018 Women to Watch EMEA.

Chubb Ltd. named **Leigh Anne Sherman** specialty officer for North America middle market. Ms. Sherman succeeds Joseph Clabby, who will retire in July. New York-based Ms. Sherman had led ESIS Inc. She was named one of the *Business Insurance* Women to Watch in 2017.

Hartford Financial Services Group Inc. said **David DeSilva** has been promoted to head of construction for middle and large commercial. Based in Washington, he was most recently regional vice president, construction casualty for the mid-Atlantic, Northeast and North Central regions.

Axis Capital Holdings Ltd. named London-based **Ann Haugh** CEO of the reinsurance unit, replacing Steve Arora, who will leave the company Dec. 31. Previously, Ms. Haugh was president of Axis’ global property division.

Pickleball lands in different court

With a much smaller court and a short, underhand swing, proponents of Pickleball say everybody loves this easier-than-tennis alternative. Unless you happen to live near a court.

Among a string of complaints popping up around the country, the mayor of Mission Woods, Kansas, and his wife have filed a lawsuit against the Mission Hills Country Club after hearing what they describe as the persistent pop of pickleball — a sport that has exploded in popularity in recent years — being played near their home, according to local news channel KCTV. Similar issues have been raised in communities in Philadelphia, Denver, and Newport Beach, California.

As reported, the Kansas couple say the noise coming from the nearby courts has "severely disrupted" their "tranquil and peaceful environment."

Digital cover can't hide rate hikes

The streamlined user experience, seamless customer support and improved navigation that were supposed to define the digital transformation of the property/casualty insurance industry — and improve customer satisfaction — have been overpowered by rising rates, according to the J.D. Power 2022 U.S. Insurance Digital Experience Study.

The study showed that overall customer satisfaction with the property/casualty insurer digital shopping experience is just 499 on a 1,000-point scale, down 16 points from last year. This, despite significant investments in customer-facing websites and mobile apps.

"Improvements are being offset by frustration among customers who are going online to shop for a better rate — and not finding one," Robert M. Lajdziak, director of insurance intelligence at J.D. Power, said.

VEGAS CHAPELS ALL SHOOK UP OVER LAWSUIT

According to the company that has trademarked everything Elvis, the King might have to leave the lucrative and kitschy Las Vegas wedding chapel business.

As reported by the Las Vegas Review-Journal, Authentic Brands Group, which licenses Elvis Presley-related merchandise, issued a cease-and-desist letter dated May 19 to several Las Vegas chapels that use the rock 'n' roll legend's likeness in ceremonies and photos.

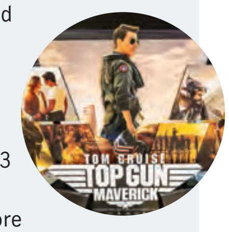
The issue, for chapel owners, is that Elvis-themed weddings are king when it comes to business.

"This couldn't hit at a worse time. It's not a good thing," Clark County Clerk Lynn Goya, who has presided over Las Vegas' wedding marketing campaign, told the newspaper. "It might destroy a portion of our wedding industry. A number of people might lose their livelihood."

According to the article, ABG intends to stop the unauthorized use of "Elvis Presley's name, likeness, voice image, and other elements of Elvis Presley's persona in advertisements, merchandise, and otherwise." ABG has specified that "Elvis," "Elvis Presley," "and "The King of Rock and Roll" are all protected trademarks.

Not so fast, Maverick!

The family of the author whose article inspired the 1986 Tom Cruise movie "Top Gun" has sued Paramount Pictures for copyright infringement over this year's blockbuster sequel "Top Gun: Maverick," according to Reuters.



The complaint, filed in federal court in Los Angeles, claims the studio failed to reacquire the rights to Ehud Yonay's 1983 article "Top Guns" from the family before releasing the "derivative" sequel.

The lawsuit by Shosh Yonay and Yuval Yonay, who live in Israel and are, respectively, Ehud's widow and son, seeks unspecified damages, including profits from "Top Gun: Maverick," and to block distribution of the movie or further sequels.

Paramount said in a statement: "These claims are without merit, and we will defend ourselves vigorously."


CARMEN ELECTRA

Strip club stripped of its insurance

Hoping a photo of the voluptuous "Baywatch" star Carmen Electra in its advertisements would spark the interest of potential customers in the DiCarlo Gentleman's Club in Colonie, New York, the owners now say the fallout of a lawsuit filed by the actress and two other women has caused it to lose insurance.

As reported by the Times Union newspaper in Albany, the strip club had to temporarily zip up its operations pending the outcome of an insurance debacle.

After the club lost the 2020 lawsuit in U.S. District Court in Syracuse, its insurer declined to renew its coverage, and it has been unable to find a new provider, according to the article. "For right now we cannot operate as an uninsured entity," the owner wrote on the club's Facebook page. "We will be working on the situation and upgrading the club in the meantime."

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