DEEPFAKES: Cybersecurity experts eye rise in AI-powered scams - PAGE 4

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SPECIAL REPORT

BROKER PROFILES & RANKINGS

PAGE 24

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As battle for talent rages, insurance industry rethinks recruitment strategies

PAGE 20


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COVER STORY

A surge in retirements is putting pressure on insurers and brokers to attract new talent, and they've responded with old tactics, such as paid internships, and new, including social media initiatives. Meanwhile, the sector faces calls to step up efforts to diversify its workforce. **PAGE 20**

INSIDE

SPECIAL REPORT: BROKER PROFILES & RANKINGS

Business Insurance's annual Broker Profiles issue details changes in the ranks of the top 10 largest insurance brokers worldwide and the top 100 brokers of U.S. business, highlights market trends and profiles the leading brokers. **PAGE 24**

NEWS ANALYSIS

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VIEW FROM THE TOP

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Deepfake threats emerge, but impact limited

BY MATTHEW LERNER
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Cyber fraud based on artificial intelligence-generated audio or visual reproductions, dubbed “deepfakes,” poses an emerging threat to organizations but has yet to lead to significant increases in commercial insurance claims or losses, experts say.

The expertise and computing resources needed to deploy deepfakes make the technology a less compelling choice for criminals, they say.

London-based Arup Group, a multinational design and engineering company, said recently that it was the target of a deepfake scam that led to one of its Hong Kong employees paying out $25 million to fraudsters, and confirmed that fake voices and images were used, according to news reports.

“This is clearly a new potential threat vector, but I think there are some significant limitations,” such as not being enormously scalable, said Mike Rastigue, vice president for cyber risk management with Aspen Insurance Holdings Ltd. Such limitations have restricted the scope of claims and losses.

Despite these limitations, Mr. Rastigue recommends businesses and other organizations update their security awareness training to incorporate deepfakes. (see related story)

“It’s certainly something that we are seeing more now than we (did) years ago, but I wouldn’t say that it’s so much more,” said Gwenn E. Cujdik, Exton, Pennsylvania-based manager-North America cyber incident response and cyber services for Axa XL, a unit of Axa SA. “It’s definitely on people’s minds because AI is on everybody’s minds.”

The expertise and technology required for deepfakes are a barrier to entry for widespread misuse, Ms. Cujdik said.

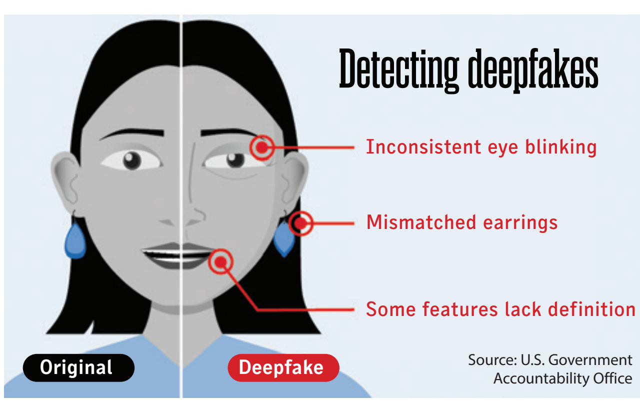
“Deepfakes are really something that require a level of sophistication, not just in the technology, but also the user. The technology right now is just not as user-friendly as people think it is,” she said.

Even as AI technology advances, the equipment required to deploy deepfakes will continue to pose an obstacle to some criminals, said Tiago Henriques, Zurich-based vice president of research for Coalition Inc.

“There’s still going to be a barrier on the computation piece because it still requires big (graphics processing units) to generate consistent video,” Mr. Henriques said. Criminals look at their “return on investment,” which does not yet justify using deepfake video technology in most cases, he said.

“Threat actors, unfortunately, are being successful enough with traditional methods that they don’t need to invest time and effort and energy into creating deepfakes,” said Raf Sanchez, London-based chief international officer for Beazley Security, part of Beazley PLC.

“We have not seen the proliferation of deepfakes the way we’ve seen ransomware in organizations around the globe. We’re not there,” said John Farley, New York-based managing director of Arthur J. Gallagher & Co.’s cyber practice.



Experts say video fakes often contain “tells,” features that betray their synthetic origins, such as displaying a hand with an inaccurate number of fingers or an arm missing a hand.

The technology does have the potential for misuse, Mr. Farley said.

“It’s something that’s technically here, and it will most likely become easier to access as technology evolves,” he said. “As technology evolves, these types of scams will most likely become easier to carry out.”

More people will be able to use these types of programs, and they will probably need less computing power to carry them out as well, he said.

Where criminals using AI are making headway is with “hyper-tuned” email phishing attacks and sometimes audio deepfakes, which are easier to perpetrate than video scams, Mr. Henriques said. “We see a higher quality of phishing, and we’re starting to see more scam calls using audio deepfakes as well,” he said.

With increased incidence and the pace of the technology’s evolution, deepfakes “should absolutely be part of the threat model” organizations use to evaluate risks and train employees, Mr. Henriques said.

“The big thing that they’re using large language models for in compromises is phishing. You can create a more realistic phishing email very quickly with AI,” said Mea Clift, St. Paul, Minnesota-based principal cyber risk engineer at Liberty Mutual Insurance Co.

“There is the capability for these deepfakes, especially video deepfakes and vocal deepfakes. We have not seen an extensive amount of it on the landscape yet,” Ms. Clift said. Given the threat capability, organizations should update cyber defense training, perhaps by simply identifying the most likely targets within a business for such an attack and making that group aware of the new technologies and potential exposures, Ms. Clift said.

“We’ve yet to see any material uptick in claims where deepfake leveraging generative AI technologies are concerned,” said Jaymin Kim, Toronto-based senior vice president, cyber risk practice, for Marsh LLC.

While the evolution of AI may further empower criminals, the technology is also being used to bolster cyber defenses and may generate countermeasures against the attacks, she said.

“It’s important to note that the same technology can and is being leveraged by the good actors as well,” to improve monitoring and detection systems to prevent fraud, for example, Ms. Kim said.

“AI technology presents an opportunity for the good actors to more efficiently detect and respond to vulnerabilities in ways that weren’t possible before,” Ms. Kim said.

TRAINING KEY TO SPOTTING AI-CREATED SCAMS

Cyber defenses must keep pace with evolving threats such as deepfakes that use artificial intelligence, experts say.

Organizations should continually review and update employee cyber training, in a similar way to their response to ransomware threats, they say.

“Employee training has to evolve to help our employees understand what a deepfake is and how to recognize one,” said John Farley, New York-based managing director of Arthur J. Gallagher & Co.’s cyber practice.

“It’s important to do it now rather than wait for the claims to occur, because that’s typically the way our industry has operated. They pay a lot of losses, and then they realize that certain goals need to be implemented to either prevent or mitigate those losses. I would rather take the position that this is emerging now,” he said.

Organizations should be proactive in improving their controls “instead of waiting to see what might happen,” said Jaymin Kim, Toronto-based senior vice president, cyber risk practice, for Marsh LLC.

“Collectively, everyone should be including this in their security awareness training: that deepfakes are a real risk out there now, and we need to start training our employees to spot a deepfake the same way that we have trained them to spot ransomware,” said Mike Rastigue, vice president for cyber risk management with Aspen Insurance Holdings Ltd.

Matthew Lerner

NY law could expand loss of profit cover

BY CLAIRE WILKINSON
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Legislation that would amend New York's insurance law to allow insurers to offer standalone business interruption coverage that isn't tied to physical damage could fill a gap in the market.

But insurers may be wary of writing business interruption policies without a physical damage trigger because of a lack of clarity over when coverage would kick in, some experts say.

A.B. 10342, is expected to be sent to Gov. Kathy Hochul for her signature soon, though the timing is unclear. The legislation, introduced at the request of the New York Department of Financial Services, passed both houses of the legislature in early June.

The bill defines business interruption insurance as "insurance against loss of use and occupancy, rents, and profits resulting from a business closure due to loss of or damage to insured or neighboring property; an act or threatened act of violence while the perpetrator is on the business premises; or a government order."

> "Is it a product that we would like? Yes, absolutely."
>
> Manny Padilla,
> MacAndrews & Forbes Inc.

Standalone coverage would most likely be offered through the excess and surplus lines market, sources said.

The legislation is a response to the COVID-19 pandemic and the perception that business interruption insurance failed to protect businesses because there was no physical loss, said Daniel Rabinowitz, New York-based partner at Kramer Levin Naftalis & Frankel LLP.

"Most of the cases asserting coverage under business interruption policies have failed in the courts because of the physical loss requirement," Mr. Rabinowitz said.

Standard business interruption policies typically are triggered when there is loss of business income as a result of direct physical loss of or damage to insured property caused by a covered peril, such as fire or theft.

Business interruption coverage is nuanced and expanding availability of coverage for losses that are not tied to physical damage would be welcomed by risk professionals, said Manny Padilla, New York-based vice president of risk management and insurance at MacAndrews & Forbes Inc., and a board member of the Risk & Insurance Management Society Inc.

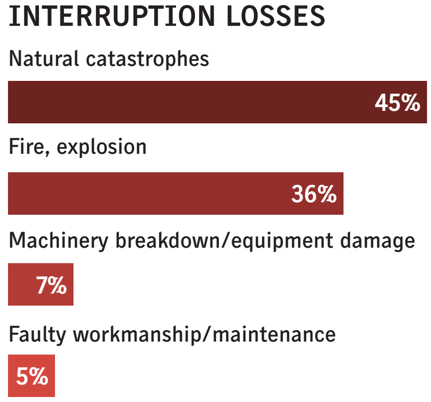
"Is it a product that we would like? Yes, absolutely," Mr. Padilla said.

The coverage could be useful for "those subtle issues where a road is closed and that triggers a loss even though you haven't had physical damage," he said.

"We have a business model where we have to deliver product from point A to point B. Once it's accepted at point B, which happens to be a U.S. post office, then that triggers our ability to bill our customer for the transaction," Mr. Padilla said.

However, in one instance during a widespread flood, roads were closed, and a product couldn't be delivered to the post office, which meant the transaction and request to bill couldn't be made, even though the post office was not physically damaged, Mr. Padilla said.

TOP CAUSES OF BUSINESS INTERRUPTION LOSSES



Source: Allianz Commercial

Tim Strong, London-based global head of crisis management for Aspen Insurance Holdings Ltd., said there's growing demand among businesses for non-physical damage business interruption coverage for active assailant attacks.

"Quite often, there might be a mass casualty event, an active assailant, active shooter event where there is no physical damage, but the client may still incur significant business interruption losses," he said.

Active assailant policies typically are designed so coverage begins if there is a bodily injury and/or physical damage, he said.

The legislation potentially fills a gap in the market, but various coverages, like cyber and event cancellation, already cover business interruption losses without any physical damage trigger, noted Robert Hartwig, clinical associate professor and director, Risk and Uncertainty Management Center, at the University of South Carolina's Darla Moore School of Business.

The Wimbledon Championships in the United Kingdom had purchased event cancellation coverage when the Grand Slam tennis tournament was canceled due to COVID-19 in 2020, he said. The policy payout was reported to be around £114 million ($149.4 million) at that time.

In the future economy, where there are fewer bricks and mortar and more virtual businesses, it's increasingly less likely that business interruption coverages will be tapped as a result of physical damage, Mr. Hartwig said.

The New York bill is a signal from the legislature that lawmakers would like more insurers to write this coverage, said Steve Clarke, vice president of government relations for Verisk Inc. in Jersey City, New Jersey.

There's no mandate for insurers to offer the coverage or that existing business interruption policies conform to include it, so no changes to Verisk's programs and policy forms are expected, Mr. Clarke said.

Verisk is conducting research around active shooter-type situations and possible effects, he said.

TRIGGER OFTEN UNCLEAR WITH BI POLICIES

Non-physical damage business interruption risks can be difficult to underwrite and price, some industry experts say.

There's unlikely to be "a stampede" of insurers into the market, said Robert Hartwig, clinical associate professor and director, Risk and Uncertainty Management Center, at the University of South Carolina's Darla Moore School of Business.

"There are a number of potential obstacles. For example, what would the trigger be?" Mr. Hartwig said.

When it comes to loss of attraction claims, there can be additional challenges in adjusting the claim, said Tim Strong, London-based global head of crisis management for Aspen Insurance Holdings Ltd.

If a hotel reopens but there's still a revenue shortfall for the next four or five months, it can be challenging to attribute the shortfall to one event and not a global pandemic or a downturn in the economy, for example, he said.

Critics of the New York legislation say non-physical damage business interruption coverage could be difficult to underwrite and price because it's hard to predict when government orders or other external events may lead to declines in business or cause businesses to close, said Daniel Rabinowitz, New York-based partner at Kramer Levin Naftalis & Frankel LLP.

"The counterpoint to that is that insurers will figure out how to write this coverage and they'll learn to price it correctly," he said.

The COVID-19 pandemic and period of quarantines and government orders highlighted the catastrophic potential of pandemic-related business interruption risks, said Steve Clarke, vice president of government relations for Verisk Inc. in Jersey City, New Jersey.

"The inability to really spread that type of risk across a broad population tends to make it an underwriting and pricing challenge," Mr. Clarke said.

Claire Wilkinson

NEWS ANALYSIS

AI shows promise in fighting comp fraud

BY LOUISE ESOLA
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Artificial intelligence that mines injured workers' medical and claims records is helping employers and insurers cut costs by spotting difficult or suspicious claims, but the technology remains a tool for claims handlers rather than a replacement.

By analyzing injury and claims handler notes, background reports, prognosis details, and emails and transcripts of phone calls, AI can help claims staff predict the trajectory of a claim and intervene.

Some experts say the technology, which has saved employers and insurers millions in workers comp costs, holds promise in uncovering workers comp fraud — both among claimants who fake or exaggerate injuries and medical providers who prescribe bogus or unrelated treatments, or charge for unfulfilled treatments.

The Coalition Against Insurance Fraud says that typically 1% to 2% of workers comp claims are fraudulent, and the organization published a report in 2023 that found that up to 16% of comp claims have some elements of fraud, accounting for $9 billion in losses for insurers and employers.

There is little, if any, available data on fraud uncovered with AI, but experts say the industry is poised to deploy the technology. Several companies have launched products in recent months or are in the process of developing the capabilities to find fraud patterns in claims data.

"We can use techniques like pattern recognition and predictive models, which can analyze historical claims data to identify any kind of patterns indicative of fraud," said Sam Krishnamurthy, Alpharetta, Georgia-based chief technology officer in digital solutions with Crawford & Co.

AI has been found to be "incredibly powerful in the extraction of information," said Jeff Gurtcheff, chief claims officer at CorVel Corp.

On the claims side, workers comp fraud often shows similar characteristics, and technology can aggregate details found in mounds of claims data. The reports generated can help uncover patterns such as exaggerated injuries, lack of proof that an injury occurred at work, and malingering, experts say.

For provider fraud, spotting similarities or, in some cases, anomalies in prescribing and treatment patterns among doctors could help uncover fraud rings, they say, adding there is also some promise in finding litigation patterns among plaintiffs attorneys.

$9 billion

Up to **16%** of comp claims have some element of fraud, accounting for **$9 billion** in losses for insurers and employers.

Source: The Coalition Against Insurance Fraud

"The more unstructured and structured data we have we can create a target data discovery model, which is a very powerful approach for detecting and mitigating fraudulent behaviors," Mr. Krishnamurthy said.

"We then use these advanced data analytics and machine learning techniques, not only to uncover the hidden patterns, but mainly to also detect these anomalies and prioritize them for investigation. And that will eventually lead to more efficient and effective fraud prevention strategies."

In June, Sunnyvale, California-based Clara Analytics Inc., which provides insurance technology services to insurers and employers, launched a fraud detection product that it says can leverage the company's AI platform and large workers compensation datasets "to increase visibility into suspicious claims."

Mubbin Rabbani, Clara's Medford, Massachusetts-based chief products officer, said the new capabilities are a natural progression from what Clara and many similar companies already do: provide data to help organizations manage claims.

"Throughout our engagement with our customers we have built a very large data set of performance data around providers, doctors, hospitals, etc., as well as attorneys, both defense counsel and plaintiff attorneys, on these claims," he said. "Using that allows us to now start to build on additional capabilities to what we currently offer, all in the spirit of deriving optimal claim outcomes, specifically now in fraud."

Tyler Kennedy, Boston-based lead developer for Gain Life Inc., which also provides AI services in the comp industry, said the capabilities show promise. "You've got this data and you're trying to search for anomalies, or you're trying to search for patterns, which is kind of what fraud is," he said.

Both Mr. Rabbani and Mr. Kennedy say the endeavor requires caution (see related story) and that a good AI fraud program won't investigate fraud — it just points out the possibility of fraud, given certain claim characteristics.

"It's not in our role to say (whether) it's fraud or not," Mr. Rabbani said. "What we are trying to do is refer (the information to a client), which will do that deeper investigation and take the corrective actions that may be needed if it is indeed fraud."

FALSE POSITIVES, BURDEN OF PROOF SLOW AI ADOPTION AMONG INSURERS

Companies looking at artificial intelligence as an avenue for uncovering workers compensation fraud should tread carefully, experts say.

AI is imperfect and can misrepresent findings and conclusions, finding coincidences instead of fraud and leading investigators astray, they say.

"This technology is not without its challenges," a spokesman for the Coalition Against Insurance Fraud wrote in an email. "It can produce false positives, leading to unnecessary investigations and customer dissatisfaction."

Jeff Gurtcheff, chief claims officer at CorVel Corp., said the challenge is not "the ability to identify lots of red flags through the use of AI" but whether insurers can "truly prove fraud or intent (to commit fraud) or persuade an administrative body."

Mr. Gurtcheff gave the example of a malingering workers comp claimant video-recorded on a golf course while attesting he still had a bad back. "You take that video in front of an administrative body, which then says maybe he was just having a good day. Therein lie some of the challenges in this space."

Brad Young, Chesterfield, Missouri-based member at Harris Dowell Fisher & Young LC, which represents employers, said workers comp fraud is "very difficult to prove" to begin with.

"The insurance carrier is going to have the burden of proof to demonstrate fraud," he said. Investigations often raise privacy concerns, and the process for prosecuting takes on "a general bias in favor of claimants."

"I've had numerous cases over the years where I've had clear and convincing evidence of claimant fraud," he said. "I had one where the claimant looked to his left, looked to his right, made sure no one was watching, laid down on the ground, and then started screaming. And I submitted that to the (state) fraud unit, and the fraud unit said that was insufficient evidence to demonstrate fraud."

Jeff Adelson, a partner with Irvine, California-based Bober, Peterson & Koby LLP, is also skeptical of what AI can do when it comes to fraud convictions.

In California, where regulators and researchers contend the Los Angeles area is a hotbed for suspicious workers comp claimant activity, it wouldn't be "fair" to investigate every claim as possibly fraudulent if it shares the same characteristics of another claim found to be fraudulent, Mr. Adelson said. His opinion aside, he said, the state limits the scope of some investigations.

California law requires that surveillance be supported by an "articulable suspicion of a fraudulent insurance claim" before an investigation is triggered, he said, adding that forgoing that burden could lead to civil liability.

Louise Esola

NEWS ANALYSIS

Supreme Court ruling in asbestos case may draw out bankruptcy settlements

BY SHANE DILWORTH
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A recent U.S. Supreme Court ruling allowing insurers a seat at the table during Chapter 11 bankruptcy plan negotiations involving mass tort settlements is a big win for insurers but could prolong the process of reaching resolutions that satisfy all parties, experts say.

The justices unanimously ruled that a Farmers Group Inc. unit is a party in interest in construction products manufacturer Kaiser Gypsum's bankruptcy proceeding, and the insurer can voice its concerns about the establishment of a $50 million settlement trust to pay asbestos injury claimants.

The June 6 ruling in *Truck Insurance Exchange v. Kaiser Gypsum* is an "important victory" for insurers, said Scott M. Seaman, an insurance coverage attorney at Hinshaw & Culbertson LLP in Chicago.

"Asbestos and mass tort claims usually involve significant dollars and bankruptcy has the potential to impact insurers' rights and obligations substantially," he said.

"This decision will afford bankruptcy courts the benefit of important insurer insights about a proposed bankruptcy plan and enhance the fairness and effectiveness of bankruptcy proceedings."

Laura Foggan, Crowell & Moring

Insurers often play a significant role in bankruptcy cases, and their ability to voice concerns ensures a more comprehensive and just decision-making process, said Washington-based insurance coverage attorney Laura Foggan, a partner at Crowell & Moring LLP, which represented the American Property Casualty Insurance Association and Complex

Insurance Litigation Association, which filed amicus curiae in the case.

"This decision will afford bankruptcy courts the benefit of important insurer insights about a proposed bankruptcy plan and enhance the fairness and effectiveness of bankruptcy proceedings," she said.

Several bankruptcies have been driven by mass tort claims involving asbestos, talc, opioids and sexual misconduct, and the justices' ruling will affect how claims are administered and coverage disputes are resolved in the future, said Washington-based insurance recovery attorney Joseph Saka, a partner at Nossaman LLP.

Kaiser Gypsum filed for Chapter 11 bankruptcy protection in September 2016 as it faced 38,000 asbestos injury suits dating back to the 1970s. Truck Insurance Exchange Co., which issued commercial general liability policies to Kaiser Gypsum from the 1960s until 1983, attempted to intervene in the proceedings.

Both a federal judge in Richmond, Virginia, and the 4th U.S. Circuit Court of Appeals ruled that the insurer did not have standing to intervene because it was not a party in interest and because the settlement plan was "insurance neutral," or had no bearing on Truck's pre-bankruptcy insurance agreements.

Mr. Seaman said insurance neutrality provisions are acceptable when reorganization plans and proposed settlements are neutral because "they can add clarity and stave off some insurer objections."

Sometimes, however, the provisions are abused by debtors, claimants and courts when they are used to deny insurers the opportunity to be heard on issues that affect them, he said.

"An insurance neutrality provision does not justify denying an insurer party in interest status because other provisions of a plan and the bankruptcy process itself still may impair an insurer's interests," he said.

In seeking to intervene in Kaiser Gypsum's bankruptcy plan, Truck Insurance Exchange argued that the settlement fund included anti-fraud provisions only for uninsured claims that did not fall under its policies.

There are some drawbacks to allowing insurers to have a seat at the table, said Sacramento, California-based Christopher D. Hughes, a bankruptcy attorney at Nossaman.

Prior to the U.S. Supreme Court's decision, the 3rd U.S. Circuit Court of Appeals had allowed insurers to be a party in interest in bankruptcy proceedings, he said.

"It's also going to allow the insurance companies an opportunity to object to Chapter 11 plans in ways they haven't before, which could increase the administrative costs of bankruptcy cases going forward," he said.

John Koch, a Philadelphia-based policyholder attorney with Flaster Greenberg P.C., said the ruling will probably significantly affect the bankruptcy process rather than insurance coverage issues.

Mr. Seaman said that while the ruling is "not a panacea for all the ills potentially involved in bankruptcy," allowing insurers to be involved in negotiations will help in the formation of agreements that minimize fraud.

"A contrary ruling would have undermined confidence in the bankruptcy process, permitted insurer rights to be stomped on, and bankruptcy could be used as a superhighway for fraud," he said.

DOCTRINE OF INSURANCE NEUTRALITY FACTORS INTO HIGH COURT DECISION

A crucial aspect of the U.S. Supreme Court's ruling that an insurer can participate in a bankrupt debtor's reorganization plan is how the justices addressed the concept of insurance neutrality.

Prior to the high court's ruling in *Truck Insurance Exchange v. Kaiser Gypsum*, insurers could not object to a proposed Chapter 11 reorganization plan if it was neutral, that is, it would not increase or impair the obligations an insurer had before the company filed its bankruptcy petition.

Truck Insurance Exchange told the justices that contrary to rulings by the 4th U.S. Circuit Court of Appeals and a federal judge in Richmond, Virginia, that the plan resolving Kaiser Gypsum's asbestos injury claims was not insurance neutral because it only had antifraud provisions for uninsured claims.

Supreme Court Justice Sonia Sotomayor wrote that the insurance neutrality doctrine is "too limited in its scope."

"It zooms in on the insurer's prepetition obligations and policy rights. That wrongly ignores all the other ways in which bankruptcy proceedings and reorganization plans can alter and impose obligations on insurers," she wrote.

Laura Foggan, an insurance coverage partner at Crowell & Moring LLP in Washington, said the decision does not discard the importance of insurance neutrality but clarifies that neutrality alone is "too narrow a test" to determine an insurer's standing.

"Insurers' interests in policyholder bankruptcies go beyond preservation of their coverage defenses and insurance policy contractual rights. For instance, insurers' interests include how reorganization plans impact their policyholders' liabilities, claimants' rights and others' exposures to claims," she said.

Shane Dilworth

Police departments grapple with mental health

BY SHANE DILWORTH
sdilworth@businessinsurance.com

NASHVILLE, Tennessee — How police officers handle their own mental health and how they interact with individuals suffering from mental illness are the biggest concerns and risks for law enforcement departments, experts say.

Working conditions are becoming increasingly stressful for police officers as many departments are understaffed, they say.

And with shorter overall training periods, police officers need specific training on how to recognize when they are dealing with a person with mental health issues and how they should respond, they said during presentations at the Public Risk Management Association's annual conference last month.

The shortage of police staff has led to an increase in overtime, which has sometimes led to officers calling in sick to avoid being assigned overtime after a shift ends, said Saratoga Springs, New York-based Greg Veitch, a retired police chief and founder of the risk management consulting firm Noble Cause Training and Development.

"It is not a sustainable way to do policing," he said.

Longer shifts and more stressful working conditions are also driving up workers compensation claims. For example, the number of mental health workers comp claims for the Las Vegas Metropolitan Police Department filed since the beginning of 2024 are double the total amount filed in 2023, said Bernadine Welsh, the department's director of risk management.

Long shifts are detrimental to health, said Theron Bowman, president and CEO of Bowman Group, an Arlington, Texas-based police and public practices consultancy, who noted that the average life expectancy for a police officer is 58 years old.

In addition to being overworked, officers are facing increased resistance from communities following high-profile killings, including the death of Michael Brown, who was shot by a police officer in Ferguson, Missouri, in August 2014, and George Floyd, who was killed by a police officer in Minneapolis in May 2020, Mr. Veitch said.

The combination of the working conditions and the increasingly negative public perception are affecting how officers do their jobs. Since 2014, officers have become less proactive in making traffic stops for fear of being suspended or sued over their interaction with the public, Mr. Bowman said.

> The labor shortage is a "macroeconomic problem that won't be solved overnight."
>
> Theron Bowman, Bowman Group

Law enforcement agencies are starting to recognize that officers sometimes don't feel supported by supervisors after a complaint is received from the public and that investment is needed in officer wellness and support, he said.

The police labor shortage is forcing some departments to reduce hiring standards, putting officers on the street with less experience and training, the experts said.

The labor shortage is a "macroeconomic problem that won't be solved overnight," and departments need to develop solutions and workarounds, Mr. Bowman said.

Lowering hiring standards is not the answer to the problem, he said, noting that hiring a law enforcement officer is a roughly $2 million investment with all of the usual training.

A specific area in which officers need training is dealing with individuals who suffer from mental health issues, Mr. Bowman said.

The biggest trend in civil rights cases brought against police officers involves individuals with mental health issues, said West Chester, Pennsylvania-based David MacMain, managing partner at law firm MacMain Leinhauser P.C., which defends claims against law enforcement officers and municipalities.

Mental health disorders often trigger individuals to behave inappropriately, and officers don't typically know if a person is suffering from a mental illness at the time of an incident, he said.

Mr. Bowman said having police departments implement a training program that continually trains officers on their own mental health as well as how to deal with individuals suffering from mental illnesses would be beneficial.

"A lot of what we see is preventable," he said.

Labor market shortages, inflation pressure public entities

The shortage of qualified construction workers and the resulting inflation are affecting public entities' risks, according to a pair of experts.

The labor shortages are increasing the costs of repairing property damage caused by severe weather events, Lauren Tredinnick, president of public entity risk solutions at Munich Re Specialty Insurance, said during a session at the Public Risk Management Association's annual conference.

Ms. Tredinnick said Colorado State University's recent forecast of an extremely active Atlantic hurricane season and the widening of the "Tornado Alley" have insurers bracing for above-normal amounts of property damage.

While there is capacity for coverage, she said the forecast of an overly active hurricane season has sparked interest from some insurers outside the United States to offer coverage for property damage.

Ms. Tredinnick said the footprint of Tornado Alley has changed in recent years by shifting east and north and that the number and severity of tornadoes have increased dramatically.

> "If you don't have accurate property values, you're going to have a difficult conversation with your insurer if something happens."
>
> Wes Crago, Clear Risk Solutions

The risk of catastrophic losses used to be limited to the coasts but has spread, she noted. For example, claims for damage caused by hail and severe thunderstorms have increased dramatically over the past few years, and there aren't good models to predict convective storms, she said.

The increase in the number of catastrophic weather events occurring across the globe is affecting reinsurance markets, which in turn affects insurers for local entities.

As a result, it is important for public entities to ensure that their properties are accurately appraised, said Wes Crago, a program administrator for Clear Risk Solutions, a unit of Brown & Brown Inc.

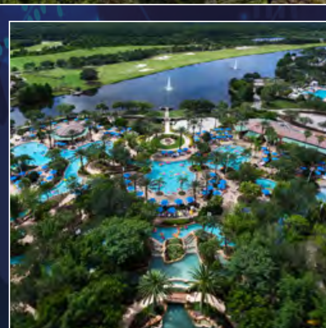
"You have to keep your property rates at market value. If you don't have accurate property values, you're going to have a difficult conversation with your insurer if something happens," he said.

In a positive development for public entities, the market for cyber coverage has improved with the entry of additional insurers, Ms. Tredinnick said.

Mr. Crago said it is imperative for public entities to guard against cyberattacks

by taking steps such as ensuring software is up to date and requiring multifactor authentication. He also said public entities should offer experiential training on handling a cyberattack.

Shane Dilworth



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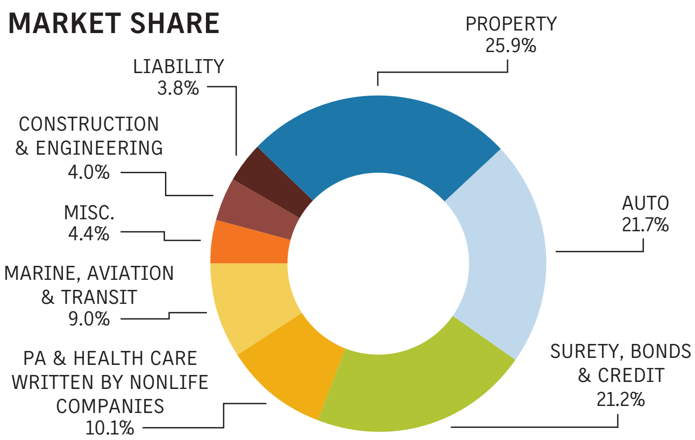
PROFILE: INDONESIA

32
GLOBAL P/C MARKET RANKING

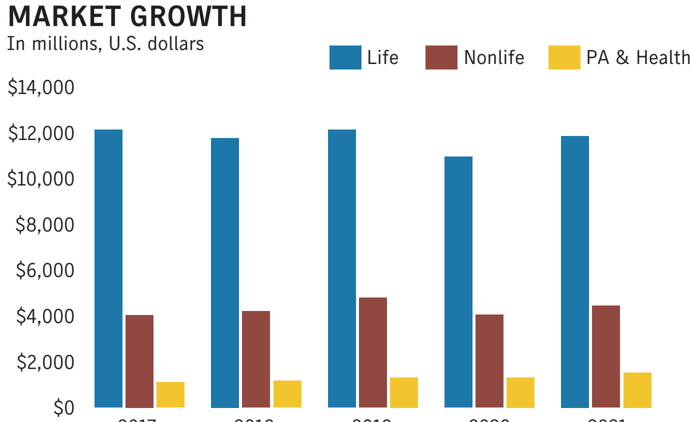
Given its large and increasingly affluent population, combined with relatively low levels of insurance penetration, Indonesia remains an attractive destination for foreign insurers and brokers, many of which foresee attractive future growth potential. This now looks to be a longer-term aspiration in light of the COVID-19 pandemic, particularly in terms of its impact on planned infrastructure projects. The implementation of the first stage of a natural disaster risk-financing scheme for government-owned assets should stimulate growth in the sector, although it is possible that this may be constrained by the government's revised spending priorities, again due to the economic impact of the pandemic. On the regulatory front, it will be interesting to see whether the provisions of a regulation related to the compulsory acquisition of financially distressed non-bank financial institutions are actually enforced.

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/industry associations and regulatory bodies

AREA

735,358

square miles

POPULATION

281.6

million

MARKET CONCENTRATION

34.75%

market share of top five insurers

2024 GDP CHANGE (PROJECTED)

4.96%

MARKET DEVELOPMENTS

Updated June 2024

- Nonlife premium income totaled IDR 81.60 trillion ($5.57 billion) in 2022, including personal accident and health care written by nonlife insurers of IDR 8.23 trillion.
- In December 2023, it was reported that the Financial Services Authority — Otoritas Jasa Keuangan, or OJK — had issued a regulation concerning the minimum paid-up capital required of conventional and sharia insurance and reinsurance companies. The minimum capital requirement will increase in a phased approach, with the first deadline being Dec. 31, 2026.
- In August 2021, it was announced that the Indonesian government had set up a disaster risk pooling facility, initially backed by a $500 million loan from the World Bank, while opening up the possibility of enabling transfer of the country's catastrophe risk to the capital markets. The government's target was to have a sovereign risk transfer or disaster insurance structure in place this year.
- In September 2020, the OJK issued a regulation that requires insurers to set up a risk committee to oversee their risk management strategy and policy, and also a risk management unit separated from their business process and operational teams.
- In June 2020, the OJK issued a controversial regulation allowing it to order a financially strong non-bank financial institution to merge, consolidate, acquire or integrate with a financially distressed peer NFBI.
- Also in June 2020, a regulation was approved allowing insurance and sharia insurance companies to store their data and locate their disaster centers offshore, subject to government approval.

COMPULSORY INSURANCE

- Personal accident insurance for road, rail, sea and air transport passengers (state fund)
- Workers compensation (state program)
- Professional liability coverage for insurance and reinsurance brokers
- Hull and liability insurance for aircraft operators
- Liability insurance for licensed drones
- Shipowners liability for marine oil pollution (financial guarantee or insurance).

NONADMITTED

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

INTERMEDIARIES

Brokers and agents are required to be locally licensed to do insurance business. Unregistered brokers are not allowed to canvass for business in Indonesia.

MARKET PRACTICE

Primary liability insurance and statutory coverages are customarily arranged in Indonesia. The regulatory authority will allow dispensation from the primary regulations only if it can be shown that no company in Indonesia has the capacity or the desire to accept such risks.

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LEGAL BRIEFS

Insurer must defend shooting range

■ A Delaware judge ruled that an insurer must defend a shooting range against a wrongful death suit stemming from a man's suicide using a rented firearm.

The judge in *Noble Eagle Sales LLC v. Mesa Underwriters Specialty Insurance Co.* found ambiguity in the rental of sporting equipment exclusion in the shooting range's general liability policy on whether guns are sporting equipment.

The judge concluded the exclusion did not relieve Mesa from defending Noble Eagle, stating guns are not reasonably considered sporting equipment.

"A gun or firearm is always a weapon; foundationally, elementally, *hoc est quod est* (it is what it is). A gun or firearm can morph into sporting equipment but does not cease to exist as a weapon — and certainly does not constitute sport equipment definitionally," the judge wrote.

Noble Eagle obtained a general liability policy from Mesa that was effective from April 2020 until April 2021 and paid a $13,502.27 premium for coverage, court records show.

On April 7, 2020, a man rented a gun from the Dover, Delaware-based shooting range and used it to commit suicide. His family later sued Noble Eagle, which sought a defense and coverage from Mesa.

The insurer refused the request, citing the rental of sporting equipment exclusion, prompting Noble Eagle's suit for a ruling that it was entitled to a defense and indemnification.

The parties filed competing summary judgment motions following discovery, and the trial judge ruled the exclusion's failure to clearly state that a firearm is sporting equipment made the provision ambiguous.

Restaurant company wins COVID ruling

■ A Nevada trial judge ruled that policies issued to the owner of restaurant chains including Bonefish Grill and Outback Steakhouse potentially cover losses caused by the COVID-19 pandemic.

The judge presiding over *Bloomin' Brands Inc. v. Ace American Insurance Co. et al.* said the policies included a provision that covers losses resulting from an "outbreak of infection or contagious disease manifested by any person while at an insured location including the expense of any necessary clean-up or decontamination."

The judge said the provision in policies issued to Bloomin' Brands by seven insurers, including units of Chubb Ltd., Liberty Mutual Holding Co. Inc. and Zurich Insurance Group Ltd., were different than those addressed by the Nevada Supreme Court in its September 2013 ruling in *Starr Surplus Lines v. Eighth Judicial District Court of State of Nevada*. In that case, the state's high court said the presence of the coronavirus did not cause covered physical loss or damage.

Tampa-based Bloomin' Brands purchased the policies in December 2019, and they were in effect when the COVID-19 pandemic began. The insurers denied coverage, prompting the restaurant holding company's lawsuit.

The insurers moved for partial summary judgment based on the *Starr* ruling and the presence of a contamination exclusion.

The judge said the contamination exclusion was inapplicable because it did not use the term virus to define its scope and because applying the exclusion would "swallow coverage that is expressly afforded under the 2020 policies."

Similarly, the judge said a loss of use exclusion in the policies was inapplicable.

Four insurers sue Norfolk Southern

■ Four insurers said in a federal lawsuit that Norfolk Southern Corp.'s negligence caused the February 2023 train derailment in East Palestine, Ohio, and that they should be reimbursed for claims they paid to property owners.

The lawsuit, *Erie Insurance Co. et al. v. Norfolk Southern Corp. et al.*, was filed in federal court in Youngstown, Ohio. The insurers assert claims for negligence, negligence per se, strict liability, public nuisance, private nuisance and trespass.

The insurers contend Norfolk Southern Corp. and Norfolk Southern Railway Co. knew 45 minutes before the train derailed that a wheel bearing on one of the 149 railcars was in the final stage of overheating and that the crew failed to respond to an alarm message to slow and stop the train to inspect the hot axle.

The train, which was headed to Pennsylvania from Illinois, was carrying 1.6 million pounds of toxic substances such as vinyl chloride, butyl acrylate, benzene residue and monobutyl ether.

The derailment of 38 cars resulted in an explosion and fire that dispersed hazardous substances, debris and contaminants onto the property of the insurers' policyholders, the lawsuit says.

Erie, Pennsylvania-based Erie Insurance Co. and its subsidiary Erie Insurance Exchange say they paid claims filed by 19 policyholders in East Palestine.

Madison, Wisconsin-based American Family Insurance Co. and its Boston-based affiliate Homesite Insurance Co. of the Midwest, which were also plaintiffs bringing the suit, say they paid claims filed by three policyholders.

Coverage barred for meth damage

■ The Oregon Court of Appeals agreed with a lower court that a tenant's use of methamphetamine was not vandalism and that damage to a rental property caused by smoking the substance was not covered under the landlord's policy.

The three-judge appeals court panel in *William Lockner et al. v. Farmers Insurance Co. of Oregon* said that a contaminants exclusion in the landlord's policy barred coverage for any damage.

The panel said that even though a vandalism exclusion was in the policy, it only applied if the building owned by William Lockner was vacant for more than 30 days.

The appeals court was not persuaded by Mr. Lockner that the tenant's personal use of methamphetamine, which caused damage to the building's HVAC system, constituted vandalism.

The appeals court said, "There is no evidence that smoking methamphetamine was an act that plaintiff's tenant knew or should have known was likely to cause property damage."

It also ruled that the residue left behind by the tenant's use of methamphetamine was a contaminant and that any damage caused by it was not covered.

Mr. Lockner had sued Farmers after it refused to cover the costs of remediating damage caused by the tenant's use of methamphetamine. The parties filed competing motions for summary judgment, and the trial judge sided with the insurer.

DOCKET

STATE HIGH COURT REINSTATES COMP SUIT

The West Virginia Supreme Court of Appeals ruled that a group of chemical companies should not have been granted summary judgment in a lawsuit filed by a man who said he was injured through years of workplace exposure to toxic chemicals. The high court reversed a trial court's dismissal of a third-party lawsuit by Michael Ruble, who worked at a plant owned by Zinsser Co. Inc. and later by RPM International Inc. and its subsidiary, Rust-Oleum Corp. Mr. Ruble sued his current and past employers and chemical suppliers Bayer Corp., Bayer CropScience LP, E.I. du Pont de Nemours and Co., Matrix Chemical LLC, Monsanto Co. and Nouryon Chemicals LLC.

ASSUREDPARTNERS WINS INJUNCTION

A federal judge in South Carolina barred six former AssuredPartners Inc. brokers who joined Alliant Insurance Services Inc. from soliciting business from 64 active and 22 prospective clients. In the May 24 permanent injunction issued in *AssuredPartners of South Carolina LLC et al. v. Alliant Insurance Services Inc. et al.*, the judge said that an agribusiness brokerage leader and five brokers could not disclose their former employer's confidential information or attempt to solicit the listed clients until October 2025.

FOOD COMPANIES SETTLE EEOC CASE

A pair of affiliated California-based food companies agreed to pay $245,000 to settle a class action brought by the U.S. Equal Employment Opportunity Commission on behalf of men and women who said they were subjected to sexual harassment and retaliation. The agency said employees of Monterey Park-based Pacific Culinary Group Inc. and CB Foods Inc. who reported incidents of harassment were subject to retaliation, further harassment, discipline and, in some cases, termination.

Jay Krueger was named CEO of One Call Corp. in 2022, after a one-year stint as president of the company, which provides workers compensation services. He first joined the company as a board director in 2019. He began his career in health care and branched into workers compensation in 2008, including serving in leadership roles at pharmacy benefits manager OptumRx Inc. His pharmacy benefits background led him to One Call at a time when the industry was seeking alternatives to opioids for pain management. He spoke with *Business Insurance* Assistant Editor Louise Esola about those changes and other industry trends. Edited excerpts follow.

Jay Krueger

ONE CALL CORP.

Q The workers compensation industry has lauded the insurance segment's stability over the past few years. What does that mean for injured workers?

A I have the opportunity to talk to our new hires every two weeks. What I tell them is no one goes to work expecting to get hurt, and when they do get hurt, it can be life-altering. What I love about this industry is that companies help these individuals at a critical point in their lives. Stability in workers compensation is a good thing. It means that fewer people are getting hurt at work, and when they do get hurt they recover more quickly than they used to. I've been in this industry almost two decades now, and we as an industry have gotten much better at getting people back to work faster, in ways that are much less costly. Medical management across the industry has seen so many improvements with concepts such as early intervention, thinking about individuals holistically, and making sure individuals see the highest-quality providers.

Q How does your business fit in the advocacy approach to treating injured workers?

A Looking at the word advocacy in the dictionary, you see words like "serve" and "support." In our industry, we're in the business of serving. What we do, in honor of our clients' trust, is take care of injured workers. We're a service organization; our business approach is very focused on our purpose, which we describe as getting injured workers back to work and back to life. Oftentimes, we are one of the first points of contact in the workers compensation system for an injured worker. While points of entry for an injured worker vary, it's very common for physical therapy and diagnostic imaging to be among if not the very first services that an injured worker needs. PT and diagnostics together is the largest player in the industry; that really creates a unique opportunity for us to be an advocate very early on in the injury life cycle.

Q One of the biggest changes we've seen in the industry is the move away from opioids, which you have been witness to. Where does physical therapy fit in as an avenue to treat pain?

A I started in this industry on the pharmacy benefit management side, so something I know a lot about is the decline in opioid utilization. It's a very, very good thing and something we all should be very proud of as an industry. We have worked very hard to achieve these declines in opioid utilization.

Q&A

Of course, there are other effective ways to alleviate pain, physical therapy being one of them. Musculoskeletal injuries, such as ligament or muscle sprains, carpal tunnel, herniated discs, all of those very clearly respond very well to physical therapy. PT also provides a safe, drug-free method of treatment that allows us all as people to heal naturally and for individuals to learn self-management techniques to mitigate future painful episodes.

Q What are some effective ways to get workers involved in taking on physical therapy, which can be painful at first?

A Having the right provider is essential. We're very focused on trying to connect with injured workers quickly, and one of the nice things that we've done as an organization is develop a variety of different ways to interact with and communicate with injured workers. Some injured workers prefer phone calls or prefer texts. We've really tried to develop the communication mechanisms to meet people where they are and to interact with them in the ways that best connect with them.

Q What are some other challenges in the industry?

A Labor and labor market pressures. All of our clients are very focused on return to work. The quality of our provider network, as well as the investments we've made in our customer service platform, allow us to get injured workers the care they need, very quickly. Those two things are the biggest drivers in my mind of how quickly someone returns to work.

Q Where do artificial intelligence or similar technologies fit in?

A Carefully. We all recognize there is vast potential in next-generation technologies such as artificial intelligence, but we all also recognize the significant concerns and potential pitfalls. We're spending a lot of time on this area at One Call, and we're focused on two things: improving the efficiency and consistency of our customer service experience. We're in the process of automating part of the experience. It allows our colleagues to focus on the more important parts of the customer service experience. One example is appointment confirmation. How many times have you forgotten when an appointment is scheduled? By the end of this year we're offering that ability. Another example is on the consistency side, as it will allow us to measure the effectiveness of each of our phone calls through something called sentiment scoring. Sentiment scoring measures empathy and emotion during a customer service interaction, and each interaction is given a score. Now, depending on the score, steps are taken to help ensure a better customer experience in the future, such as care coordinator coaching or changes to underlying processes, or direct follow-up with a specific injured worker.

We as an industry have gotten much better at getting people back to work faster, in ways that are much less costly. Medical management across the industry has seen so many improvements with concepts such as early intervention, thinking about individuals holistically, and making sure individuals see the highest-quality providers.


RISK
strategies

INSURANCE SECTOR SEEKS NEW WAYS TO ATTRACT STAFF

Traditional recruitment methods supplemented by social media strategies, efforts to target underrepresented

BY JON CAMPISI
jcampisi@businessinsurance.com

As insurance industry retirements accelerate, experts say companies are deploying old and new tactics to address the projected talent gap, although past failures have prompted some to rethink talent acquisition strategies.

Established programs, such as paid internships and job fair participation, have helped draw interest in insurance careers over the years, but employers recognize the need to widen the scope.

Newer initiatives, such as apprenticeships that guarantee employment upon completion and building on diversity programs, are showing some promise.

In addition, some employers use social media for recruitment, both through established channels and newer platforms. Results, though, are mixed, experts say.

One major challenge companies face when seeking talent is the industry's reputation for homogeneity. The industry should diversify its workforce if it wants to be considered a worthwhile career path, experts say (see story page 22).

Apprenticeships

"At Zurich, we hire our (apprentices) from day one," said Al Crook, Schaumburg, Illinois-based head of HR business partners for Zurich North America, who heads the insurer's apprenticeship program.

Zurich apprentices — paid as full-time employees — enter the role for which they apprenticed after completing the two-year program (see story page 22).

"We purposely designed the apprentice program to bring in new talent to the industry, talent that prior to the apprentice program had been excluded from the organization because of the degree requirements or the nonexistent path for learn-while-you-earn," Mr. Crook said.

Other companies have also turned to apprenticeships for recruitment.

Liberty Mutual Insurance Co. hires about 40 apprentices annually with help from the Massachusetts Apprenticeship Network, said Maura Quinn, the insurer's Boston-based vice president of early career, DEI and talent acquisition. The two-year apprenticeships are paid, and participants are eligible for full-time employment upon completion, she said.

Many companies in the sector continue to use internships to recruit talent.

Milwaukee-based brokerage M3 Insurance Solutions Inc. aims to hire at least 75% of its interns for full-time positions, said Jake Cline, talent acquisition manager.

Once candidates receive job offers, they can participate in M3's business insurance associate program, where they undergo 36 to 48 months of training. In 2023, more than 200 of the company's top commercial property/casualty producers came out of the program, Mr. Cline said.

Arthur J. Gallagher & Co. has a longstanding internship program now in its 59th year, said Julia Szukala, the company's early talent program leader based in Rolling Meadows, Illinois.

Gallagher hires an average of 480 paid interns each year from across the U.S. and Canada, she said. More than 80% of the brokerage's entry level sales full-time hires come out of the internship program.

"Our intention of the internship is really to use that as a source for full-time hiring," Ms. Szukala said.

Gallagher has also embraced "persona marketing" as a recruitment tool, Ms. Szukala said. The process involves employers creating personas with characteristics and skills that make up an ideal hire and help direct outreach appropriately.

"We try to lead with some of those different characteristics when we're promoting our opportunities," Ms. Szukala said.

One such persona campaign involved "women in business," in which the brokerage segmented female college students who had declared business majors, such as finance and economics, she said.

Rethinking recruitment

Some new recruitment efforts have not been successful.

Liberty Mutual, for example, experimented with virtual career recruitment events, but the program wasn't well received because students appeared uninterested.

"We quickly realized that we had to pivot," Ms. Quinn said. She called the failed initiative a "learning opportunity" and a wake-up call to revise its recruitment practices.

Ms. Quinn said the industry has often placed too much emphasis on recruiting students with advanced business degrees.

Now, more companies are targeting students studying subjects such as data science to better address the needs of a changing industry, Ms. Quinn said.

"We have individuals who are primarily focused on the tech and analytic space right now that we're growing," she said.

Social media

Some companies have successfully recruited candidates through social media, even using newer platforms such as TikTok. But the strategy doesn't always work.

Organizations use video- and image-based platforms such as TikTok and Instagram to highlight a company's culture and tell its story in an attempt to make an insurance career appealing. Experts say viewers must feel a connection with these recruitment videos; otherwise, it's a wasted effort.

"Just seeing an insurance industry company pop up in social media, I'm hard-pressed to personally think that I would find a level of interest in that," said Nick Abraham, an executive vice president with Amwins Group Inc. in Atlanta.

Gallagher uses LinkedIn messaging to target candidates, Ms. Szukala said. Direct messaging enables potential hires to get a wider view of the industry.

"Students are receiving so many direct

See **RECRUITING** next page

RECRUITING

Continued from previous page

messages from employers that they're applying to a lot more roles, taking the initiative to apply to a bunch of positions as compared to maybe historically taking more time researching before actually submitting an application," she said.

This summer, interns with Marsh LLC will be creating "day in the life" video blogs about their 10-week internship experience and posting them to LinkedIn and other social media channels to help attract other candidates to the insurance sector, said Linda Foppiano, chief human resources officer for the brokerage.

Focused efforts

Successful recruitment strategies often include a personalized touch, experts say.

Sedgwick Claims Management Services Inc. runs an industry advancement program combining classroom learning with on-the-job mentoring for some new hires. The company averaged between 200 and 300 new hires per year through the program during the past four years, said David Reed, Sedgwick's Kansas City, Kansas-based global head of talent acquisition.

The program targets recent college graduates and instructs them on how to become claims adjusters within their first six to 12 months of employment.

A similar Sedgwick program targets high school and junior college students who can job-shadow field adjusters, Mr. Reed said.

Sedgwick retains about 90% of participants as employees following the first year of the industry advancement program, but that figure drops to 70% in the second year and 55% in year three, he said.

"Obviously, we'd like that to be a little bit better, but it's still actually pretty high," Mr. Reed said.

Attracting candidates with expertise in insurance can be difficult because fewer students are enrolling in insurance coursework in college, said Brian Fritz, a Lewes, Delaware-based senior executive recruiter with Key Strategies LLC.

That trend, however, isn't consistent across colleges.

"Our experience this year is that we've seen growth in the number of students that we've had and that we'll actually produce a record number of graduates in this academic year," said Rob Hoyt, professor of risk management and insurance for the Terry College of Business at the University of Georgia.

Students graduating from insurance and risk management college programs may find a tougher job market, Mr. Fritz said.

"One of the big things that we're noticing is that companies are slowing down their hiring, and … hires now are intentional, purposeful hires to meet the needs and the demands of today's business," Mr. Fritz said.

WOMEN IN INSURANCE

Women make up about 60% of the U.S. insurance industry workforce.

In 2023 women comprised:

- **59.4%** of all insurance workers.
- **56.9%** of underwriters.
- **80.1%** of claims and policy processing clerks.
- **22%** of executive positions.

Sources: U.S. Bureau of Labor Statistics; Insurance Information Institute

CULTIVATING DIVERSITY SEEN AS KEY IN ATTRACTING TALENT

Insurance sector employers must diversify their workforce to be considered a viable career option for younger generations, experts say.

"There is a lot of talk about DEI, but we don't always see the action that is necessary to move the needle forward," said Grace Grant, executive director of Powell, Ohio-based Gamma Iota Sigma, a nonprofit student organization that collaborates with the insurance industry.

"Gamma Sigma has always taken diversity very seriously and has been in a unique position to observe how the industry is approaching it," she said.

The organization is active at historically Black colleges and universities, Hispanic-serving institutions, women's schools and community colleges.

Some employers are equally as focused on diversity in their hiring strategies, experts say.

"We're entirely focused on equitable gender representation among our workforce," said Afiong Ekong, an HR director with Atlanta-based Crawford & Co.

Crawford uses platforms such as Circa, a diversity recruitment and HR compliance technology company, and it shares career opportunities on job websites catering to veterans, disabled workers, minorities and women. The company also has an internal employee resource program focused on promoting "the professional growth and empowerment of women," which helps with employee retention, Ms. Ekong said.

Company figures show that in 2023, women held 24.1% of senior-level roles and 27.5% of executive positions at Crawford. Women comprise 56.8% of its global workforce.

"We leverage all of the opportunities we can to focus on women," Ms. Ekong said.

While female representation has risen in the insurance industry, there's still a concern that too few women serve in higher-paid leadership roles and that pay discrepancies between genders continue.

In March, the Insurance Information Institute reported that while women comprise 80% of claims and clerical roles, they only comprise 22% of executive-level positions.

Companies also are focusing on other underrepresented communities.

"We want to move the needle in a meaningful and impactful way," said Lilian Vanvieldt, executive vice president, chief diversity and inclusion officer, for Alliant Insurance Services Inc. in San Diego.

She recalled her own plans to enter the field of financial planning after leaving college and how she encountered difficulties in finding companies in the sector willing to hire someone who was both Black and female.

Ms. Vanvieldt ultimately landed an insurance internship and learned about different roles within the industry. She soon learned, however, that many Black women were only offered claims positions.

"Within the rest of the offices — underwriting, sales — they (were) all white males," Ms. Vanvieldt recalled.

A hiring strategy that remains common in the industry — relying heavily on employee referrals — won't help with diversification, and companies should expand their outreach to minorities and first-generation students, experts say.

Some companies have broadened their recruitment efforts by partnering with historically Black colleges and universities.

Liberty Mutual, for example, provides internships to students attending Messina College at Boston College's Brookline, Massachusetts, campus, which has an associate's degree program designed for first-generation students.

Today, there's greater recruitment focus on diversity than in prior years, experts say.

"You will be left in the dust if you are not focusing on DEI, especially with the generation of students who are graduating from college now and will be graduating," said Jessie Walsh, vice president for talent acquisition at brokerage Conner Strong & Buckelew in Camden, New Jersey. "Diversity, equity and inclusion accessibility programs have been taught to these people since they were in grade school."

Ms. Walsh said her company has increased its diversity hiring "year over year."

At Liberty Mutual, a 2023 report showed demographic shifts at the insurer. Black employees represented 8.6% of the workforce in 2019 and 11% in 2023. Women made up 53% of the workforce in 2019 and 54.7% last year.

The U.S. Bureau of Labor Statistics said Black employees comprised 13.2% of the insurance industry workforce in 2021, while women comprised 58.9%.

While M3 Insurance Solutions Inc. doesn't specifically partner with HBCUs, it has engaged in diverse hiring. M3's 2023 internship class comprised 23% minorities, said Jake Cline, talent acquisition manager.

Jon Campisi

NOVICES GET TO KNOW INDUSTRY BEFORE JOINING

Uncertainty over her career direction led Danielle Polk to learn about an apprenticeship with Zurich American Insurance.

"I learned that I was able to get my associate's degree while working full time and learning more about the insurance business," said Ms. Polk, an international services specialist with Zurich.

She started the apprenticeship in 2019. After two years, she was able to apply for different positions at Zurich and landed a role.

Ms. Polk credits the program with familiarizing candidates, especially women and minorities — of which she is both — with job opportunities in the insurance industry.

"People don't really understand insurance," she said. "That kind of deters them from applying to these positions."

Ray Ripplinger, an associate with M3 Insurance Inc. in Wauwatosa, Wisconsin, has been employed full time at the brokerage since February. He came to M3 following a post-college internship last summer.

"I absolutely loved it," Mr. Ripplinger said. "M3 gives you the tools and the techniques to really succeed in the roles that they put you in and the roles that you want to achieve in your career."

Jon Campisi

Brokers thrive in evolving insurance market

BY GAVIN SOUTER
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INSIDE

The brokerage sector has continued to perform well over the past year, with robust organic growth, as clients expanded operations and insurance rates increased in many lines, driving up commission revenue.

Growth through acquisitions slipped for some private-equity-backed brokerages, but several big deals were completed, including Aon PLC's purchase of NFP Corp.

The world's 10 largest brokerages reported a combined $79.7 billion in revenue in 2023, up 13.2% over 2022. However, their ranking had several changes, including Arthur J. Gallagher & Co. moving past Willis Towers Watson PLC to take the No. 3 spot (see chart page 26).

The sector's outlook remains favorable, though observers say an economic slowdown and a drop in the pace of rate hikes may put more pressure on some companies.

Market

The commercial property/casualty market has continued to see rate increases in most lines over the past year, but the changes varied significantly by line, brokerage executives said.

Property pricing is flattening and directors and officers liability and cyber liability rates are decreasing, but general liability is still a challenging line for policyholders, said Eric Andersen, president of Aon PLC.

"It depends on the industry, it depends on the product, but it is definitely a market that's not moving in unison up anymore," he said.

With a lack of new entrants in the market, though, future decreases may be limited, Mr. Andersen said.

"I think you're going to see more of a stabilization and then some competitiveness on the edges than you will see a full-on give all the money back in two years type of thing," he said.

While the market is stabilizing and rates vary significantly by client, those seeing rate decreases may not reduce their overall insurance spending, said Greg Zimmer, CEO of Alliant.

> "It depends on the industry, it depends on the product, but it is definitely a market that's not moving in unison up anymore."
>
> Eric Andersen, Aon

"In a hard market, clients oftentimes only have so much they can afford to spend on insurance, so they increase deductibles, lower limits, maybe even remove certain coverages, and then, as the market stabilizes or even softens, often they will take those deductibles back down, take those limits back up, perhaps buy coverage that they elected not to purchase," he said.

M&A

While mergers and acquisitions among brokerages have come down from the highs of 2021 and 2022, there were still a significant number of deals over the past year. In the first half of 2024, 299 deals were announced, a 23% decline from the same period last year (see story page 37).

Aon's $13 billion purchase of NFP was the biggest deal of the past 12 months, but several other Top 100 brokers were also bought, including Cadence Insurance and Eastern Insurance Group LLC, which were bought by Arthur J. Gallagher & Co., and Graham Co. and Fisher Brown Bottrell Insurance Inc., which Marsh LLC purchased. And TIH Insurance Holdings LLC was sold to private-equity investors.

Despite the slowdown in deals, brokerage valuations remain high, with some getting close to 20 times earnings before interest, taxes, depreciation and amortization, said J. Paul Newsome Jr., managing director with Piper Sandler & Co. in Minneapolis.

"That's a very heady price. You start having trouble making the math work with those kinds of multiples, even though brokerage businesses are oftentimes very profitable businesses," he said.

Broker valuations vary depending on performance, said John Wepler, chairman and CEO of Woodmere, Ohio-based Marsh, Berry & Co. Inc.

Brokers with high "quality of growth," or systems and policies in place to generate consistent expansion, see high valuations and stable terms, but lower-performing brokers may have to take more of their consideration in earnouts that depend on future revenue, he said.

But the pace is unlikely to let up significantly.

"I don't see a material drop-off happening in 2024. There are still a lot of targets out there," said Julie Herman, a director at S&P Global Ratings, a division of S&P Global Inc.

"This consolidation story has been going on for well over a decade, and I don't see it ending," she said.

"There's no question that consolidation will continue," said Gregory L. Williams, CEO of Acrisure. "There is so much capital invested in the brokerage space, and that capital is going to continue to fuel consolidation."

> "There is so much capital invested in the brokerage space, and that capital is going to continue to fuel consolidation."
>
> Gregory L. Williams, Acrisure

The rhythm of private-equity ownership will also drive deals, said Carl Hess, CEO of Willis Towers Watson PLC. Private-equity firms often target three- to five-year investments in brokerages before either selling or recapitalizing.

"There's a number of properties that have been owned by their current owners on the private equity side for enough time that the cycle is going to just work its way through, which means continued consolidation," he said.

Outlook

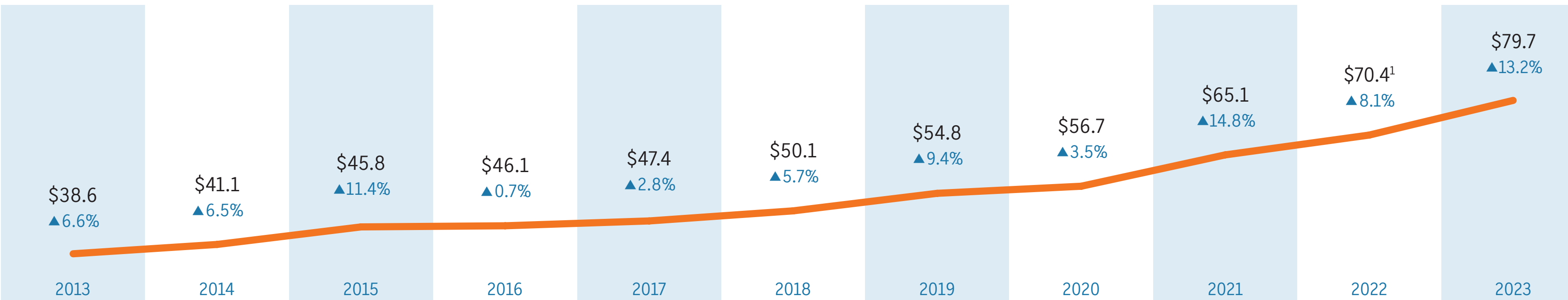
Brokers continued to report strong organic growth rates in the first quarter of this year, but they may be headed to a slightly more challenging business environment if the economy slows, observers said.

See **BROKERS** page 30

A DECADE OF GROWTH*

The world's 10 largest brokers posted a combined revenue gain of $9.3 billion, or 13.2%, in 2023.

*IN BILLIONS OF DOLLARS



[1]Restated.
Source: *BI* survey

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2023 brokerage revenue

2024 rank	2023 rank	Company/headquarters/website	Officers	2023 brokerage revenue	2022 brokerage revenue	% increase (decrease)	Employees	Offices	PERCENTAGE OF REVENUE*							
									Commercial	Wholesale	Reinsurance	Personal lines	Employee benefits	Services	Investments	Other
1	1	Marsh & McLennan Cos. Inc. New York www.marshmclennan.com	John Q. Doyle, president-CEO	$22,345,000,000	$20,664,000,000	8.1%	85,000	691	49.9%	0%	9.9%	0%	24.5%	13.7%	2.3%	(0.3%)
2	2	Aon PLC[1] Dublin www.aon.com	Gregory C. Case, CEO	$15,275,000,000	$12,403,000,000	23.2%	60,000	N/A	50.1%	0%	15.9%	0%	22.3%	0%	1.9%	11.7%
3	4	Arthur J. Gallagher & Co. Rolling Meadows, Illinois www.ajg.com	J. Patrick Gallagher Jr., chairman-CEO	$9,704,600,000	$8,377,600,000	15.8%	52,118	890	37.3%	11.1%	11.5%	4.4%	18.1%	14.0%	3.6%	0%
4	3	Willis Towers Watson PLC London www.wtwco.com	Carl Hess, CEO	$9,304,000,000	$8,726,000,000	6.6%	48,000	N/A	32.0%	0.4%	0%	1.0%	57.2%	7.6%	0%	1.9%
5	5	Hub International Ltd. Chicago www.hubinternational.com	Marc Cohen. president-CEO	$4,264,423,000	$3,758,202,000	13.5%	18,390	548	47.3%	9.7%	0%	13.2%	28.1%	0.8%	0.9%	0%
6	7	Brown & Brown Inc. Daytona Beach, Florida www.bbinsurance.com	J. Powell Brown, president-CEO	$4,199,396,503	$3,563,192,314[2]	17.9%	16,152	500	38.0%	27.1%	0%	16.4%	17.2%	0%	1.2%	0.1%
7	6	Acrisure LLC Grand Rapids, Michigan www.acrisure.com	Greg Williams, chairman-CEO	$3,886,926,462	$3,619,152,426	7.4%	17,121	638	77.9%	3.6%	3.5%	0%	10.6%	2.5%	1.8%	0%
8	9	Alliant Insurance Services Inc. Irvine, California www.alliant.com	Thomas W. Corbett, executive chairmen; Greg Zimmer, CEO	$3,864,154,324	$3,199,376,174	20.8%	12,221	1,266	48.5%	12.5%	0.2%	14.3%	21.1%	1.9%	1.1%	0.3%
9	10	Lockton Cos. LLC[3] Kansas City, Missouri www.lockton.com	Ron Lockton, chairman-CEO	$3,499,132,000	$3,049,717,000	14.7%	11,920	135	56.3%	5.3%	8.8%	0.7%	27.5%	0%	1.5%	0%
10	8	TIH Insurance Holdings LLC[4] Charlotte, North Carolina www.tihinsurance.com	John Howard, CEO	$3,391,521,258	$3,086,801,509[2]	9.9%	9,879	208	23.1%	61.4%	0%	2.0%	11.6%	0%	1.9%	0%

*Percentage of revenue may not add up to 100% due to rounding. [1]Pro forma reflecting acquisition of NFP Corp., April 24, 2024. [2]Restated. [3]Fiscal year ends April 30. [4]Formerly Truist Insurance Holdings Inc. N/A = not available.
Source: *BI* survey

100 LARGEST BROKERS OF U.S. BUSINESS*

Ranked by 2023 brokerage revenue generated by U.S.-based clients

2024 rank	2023 rank	Company	2023 U.S. brokerage revenue	% increase (decrease)
1	1	Marsh & McLennan Cos. Inc.[1]	$10,725,600,000	5.9%
2	2	Aon PLC[1,2]	$7,744,425,000	37.5%
3	3	Arthur J. Gallagher & Co.[1]	$6,210,944,000	14.1%
4	4	Willis Towers Watson PLC	$4,931,120,000	4.6%
5	8	Alliant Insurance Services Inc.[1]	$3,833,241,089	21.1%**
6	6	Brown & Brown Inc.[1]	$3,673,632,061	10.3%**
7	5	TIH Insurance Holdings LLC[3]	$3,391,521,258	9.9%**
8	7	Acrisure LLC	$3,381,626,022	1.6%**
9	9	Hub International Ltd.[1]	$3,368,894,170	14.9%
10	10	USI Insurance Services LLC[1]	$2,652,631,318	8.2%
11	11	AssuredPartners Inc.[1]	$2,486,072,001	9.1%**
12	12	Lockton Cos. LLC[1,4]	$2,344,418,440	8.3%**
13	14	BroadStreet Partners Inc.	$1,490,315,760	14.4%
14	15	Accession Risk Management Group, dba Risk Strategies Co. & One80 Intermediaries[1,5]	$1,451,295,418	23.6%**
15	16	Alera Group	$1,290,000,000	12.4%
16	18	The Baldwin Group[6]	$1,218,555,000	20.1%
17	17	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants[1]	$1,149,103,000	11.7%
18	19	Digital Insurance Inc., dba OneDigital[1]	$874,153,911	16.5%
19	20	PCF Insurance Services[1]	$798,642,000	9.4%
20	21	Higginbotham[1]	$749,175,000	30.0%
21	22	IMA Financial Group Inc.[1]	$686,681,840	23.1%
22	24	Foundation Risk Partners Corp.	$609,300,000	22.8%
23	23	The Hilb Group LLC[1]	$597,714,352	19.2%
24	26	Patriot Growth Insurance Services LLC[1]	$491,880,000	27.2%
25	27	High Street Insurance Partners Inc.	$474,019,000	23.2%
26	25	Leavitt Group	$463,376,000	10.8%
27	28	World Insurance Associates LLC[1]	$460,000,000	32.5%
28	29	Automatic Data Processing Insurance Agency Inc.[7]	$334,012,038	5.2%
29	31	Cottingham & Butler Inc.	$327,431,000	10.7%
30	30	CBIZ Benefits & Insurance Services Inc.[1]	$317,417,300	5.4%**
31	32	Insurance Office of America Inc.	$315,993,440	12.5%**
32	35	Cross Financial Corp., dba Cross Insurance[1]	$287,639,000	7.1%
33	36	Relation Insurance Inc.	$278,500,000	7.1%
34	37	Paychex Insurance Agency Inc.[8]	$256,300,000[9]	2.8%
35	34	Holmes Murphy & Associates Inc.	$249,704,000	11.4%**
36	38	CAC Group	$248,784,666	36.0%
37	33	Woodruff Sawyer & Co.	$242,859,000	(12.3%)
38	46	Keystone Agency Partners LLC[1]	$229,954,000	66.8%
39	43	Newfront	$208,400,000	34.5%
40	39	Hylant Group Inc.	$205,505,077	14.4%
41	40	Unison Risk Advisors[1]	$195,618,714	20.7%
42	41	Heffernan Group	$188,119,613	13.6%**
43	44	The Liberty Co. Insurance Brokers LLC[1]	$179,526,440	16.4%**
44	45	Insurica Insurance Services LLC[1,10]	$174,285,923	14.2%
45	48	Sunstar Insurance Group	$146,000,000	20.7%
46	50	TrueNorth Cos. LC[1]	$122,634,886	12.2%
47	51	M3 Insurance Solutions Inc.[1]	$121,860,546	11.9%
48	49	Marshall & Sterling Enterprises Inc.[1]	$119,555,998	6.9%
49	55	Alkeme Inc.[1]	$114,000,000	21.3%
50	65	Inszone Insurance Services	$111,462,137	61.4%
51	58	Sterling Seacrest Pritchard Inc.	$110,759,408	22.9%**
52	47	AmeriTrust Group Inc.	$110,300,000[9]	(18.8%)
53	53	Lawley LLC[1]	$109,219,224	12.0%
54	57	Towne Insurance Agency LLC	$108,879,428	19.0%
55	54	The Horton Group Inc.[1]	$107,484,702	10.2%
56	69	Oakbridge Insurance Agency LLC[1]	$100,097,000	56.4%
57	60	James A. Scott & Son Inc., dba Scott Insurance	$99,342,066	11.9%
58	59	Houchens Insurance Group Inc.[1,11]	$96,940,418	8.4%
59	56	Insurors Group LLC	$95,380,000	2.6%
60	62	Shepherd Insurance[1]	$86,041,267	14.0%
61	61	Starkweather & Shepley Insurance Brokerage Inc.	$85,191,291	9.1%
62	68	Robertson Ryan Insurance[12]	$76,631,778	15.8%
63	66	Sterling & Sterling LLC, dba SterlingRisk	$75,028,148	11.9%
64	70	Bowen, Miclette & Britt Insurance Agency LLC	$71,373,518	15.5%**
65	64	Huntington Insurance Inc.	$70,660,000	(0.5%)**
66	67	Moreton & Co.	$67,445,216	1.2%
67	73	Christensen Group Inc.	$62,766,269	14.5%
68	71	M&O Agencies Inc., dba The Mahoney Group	$60,074,901	7.0%
69	76	Frost Insurance Agency Inc.	$59,252,047	9.3%
70	NR	Crest Insurance Group LLC[1]	$59,124,699	11.1%
71	75	The Partners Group LLC[13]	$58,498,241	7.7%
72	74	Panorama Insurance Associates Inc.[1]	$56,709,463	4.0%
73	78	First Insurance Group LLC	$56,133,121	19.5%
74	77	MJ Insurance Inc.[14]	$55,836,171	16.5%
75	81	LP Insurance Services LLC[1]	$52,512,889	13.0%
76	79	Charles L. Crane Agency Co.	$50,567,902	7.6%
77	87	Ansay & Associates LLC[1]	$49,923,341	6.0%**
78	85	Rich & Cartmill Inc.	$48,986,588	18.0%
79	94	King Insurance Partners	$48,401,415	42.1%
80	82	Reliance Partners LLC	$48,000,000	6.0%
81	88	Tricor Insurance[1]	$47,676,136	17.4%
82	80	The Loomis Co.	$47,520,000	2.1%
83	89	OneGroup[1]	$47,316,504	17.9%
84	84	R&R Insurance Services Inc.[1]	$46,226,000	9.2%
85	NR	Choice Financial Group[1]	$45,417,947	23.5%
86	83	Buckner Co.	$43,331,203	1.8%
87	90	Kapnick Insurance Group[1]	$42,905,112	10.3%
88	97	Swingle, Collins & Associates	$42,642,180	29.9%
89	86	James G. Parker Insurance Associates[8]	$41,000,000[9]	(0.8%)
90	93	Ross & Yerger Insurance Inc.[1]	$40,829,043	15.5%
91	99	Commercial Insurance Associates LLC	$40,396,479	26.9%
92	91	The Plexus Groupe LLC	$40,286,022	9.4%
93	NR	Hotchkiss Insurance	$40,250,000	17.3%
94	100	Gibson Insurance Agency Inc., dba Gibson[1]	$37,877,000	22.1%
95	92	Tompkins Insurance Agencies Inc.	$37,800,000	3.0%
96	96	Pacwest Alliance Insurance Services Inc.	$37,415,604	11.6%
97	98	Unico Group Inc.[11]	$35,612,087	11.3%
98	NR	Brightline Insurance Group	$34,512,802	23.8%
99	103	The Cason Group	$31,752,719	19.1%
100	101	Engle-Hambright & Davies Inc.	$31,344,978	8.0%

*Companies that derive more than 49% of their gross revenue from personal lines are not ranked. **2022 revenue restated. NR = Not ranked. [1]Reported acquisitions. [2]Reported pro forma reflecting acquisition of NFP Corp., April 24, 2024. [3]Formerly Truist Insurance Holdings Inc. [4]Fiscal year ending April 30. [5]Formerly RSC Insurance Brokerage Inc., dba Risk Strategies Co. [6]Formerly Baldwin Risk Partners LLC. [7]Fiscal year ending June 30. [8]Fiscal year ending May 31. [9]*BI* estimate. [10]Formerly Insurica Inc. [11]Fiscal year ending Sept. 30. [12]Formerly Robertson Ryan & Associates Inc. [13]Formerly The Partners Group Ltd. [14]Fiscal year ending Aug. 31.

Source: *BI* survey

LEADING U.S. COMMERCIAL RETAIL BROKERS

Ranked by 2023 commercial retail brokerage revenue from U.S. offices*

Rank	Company	2023 revenue	% increase (decrease)
1	Marsh & McLennan Cos. Inc.	$6,262,000,000	8.1%
2	Aon PLC[1]	$4,066,000,000	33.4%
3	Acrisure LLC	$2,601,898,062	10.0%
4	Arthur J. Gallagher & Co.	$2,418,421,000	14.1%
5	Alliant Insurance Services Inc.	$1,893,263,999	19.1%
6	Hub International Ltd.	$1,651,159,000	13.9%
7	Lockton Cos. LLC[2]	$1,533,814,000	10.3%
8	AssuredPartners Inc.	$1,333,931,000	15.7%
9	Brown & Brown Inc.	$1,254,618,614	6.6%[3]
10	Willis Towers Watson PLC	$1,237,000,000	5.5%[3]

*Excludes revenue from placement of employee benefits. [1]Acquired NFP Corp. April 24, 2024. [2]Fiscal year ending April 30. [3]Restated 2022 revenue.
Source: *BI* survey

LARGEST BENEFITS BROKERS

Ranked by 2023 global benefits revenue

Rank	Company	2023 employee benefits revenue	% increase (decrease)	% of 2023 gross revenue
1	Marsh & McLennan Cos. Inc.	$5,587,000,000	4.5%	24.5%
2	Willis Towers Watson PLC	$5,424,000,000	6.3%	57.2%
3	Aon PLC[1]	$3,476,000,000	56.3%	22.3%
4	Arthur J. Gallagher & Co.	$1,820,389,000	22.7%	18.1%
5	Hub International Ltd.	$1,208,120,000	12.3%	28.1%
6	USI Insurance Services LLC	$1,172,292,323	8.2%	43.2%
7	Lockton Cos. LLC[2]	$977,035,000	15.8%	27.5%
8	Alliant Insurance Services Inc.	$826,286,230	25.4%	21.1%
9	Brown & Brown Inc.	$733,891,286	7.2%[3]	17.2%
10	Alera Group	$631,000,000	11.1%	44.8%

[1]Acquired NFP Corp. April 24, 2024. [2]Fiscal year ends April 30. [3]Restated.
Source: *BI* survey

LARGEST PRIVATELY OWNED BROKERS*

Ranked by 2023 brokerage revenue

Rank	Company	2023 brokerage revenue	% increase (decrease)
1	Hub International Ltd.	$4,264,423,000	13.5%
2	Acrisure LLC	$3,886,926,462	7.4%
3	Alliant Insurance Services Inc.	$3,864,154,324	20.8%
4	Lockton Cos. LLC[1]	$3,499,132,000	14.7%
5	TIH Insurance Holdings LLC[2]	$3,391,521,258	9.9%
6	USI Insurance Services LLC	$2,652,631,318	7.2%
7	AssuredPartners Inc.	$2,555,511,000	12.1%
8	BroadStreet Partners Inc.	$1,896,800,000	45.7%
9	Accession Risk Management Group, dba Risk Strategies Co. and One80 Intermediaries[3]	$1,465,954,968	23.6%
10	Alera Group	$1,290,000,000	12.4%

*Companies that derive more than 49% of revenue from personal lines are not ranked. [1]Fiscal year ending April 30. [2]Formerly Truist Insurance Holdings Inc. [3]Formerly RSC Insurance Brokerage Inc.
Source: *BI* survey

BROKERS

Continued from page 25

"We think we will see things start to slow down as we get into the second half of this year," said J. Powell Brown, president and CEO of Brown & Brown Inc.

Brown & Brown clients continue to feel good about their businesses, but companies may be more cautious about making large investments, he said.

While higher interest rates hit some brokers with high debt levels over the past two years, they were fortunate because insurance rates, and therefore their commission revenue, rose at the same time, Mr. Wepler said.

"In a flat market and a flat economy, the average growth rate would have been less than the cost of capital," he said.

While insurance rate increases are easing in some areas and the economy may slow, Mr. Wepler said interest rates are also expected to decrease, easing the pressure on brokers.

In the changing business environment, brokers' organic growth rates will likely also slow, Mr. Newsome said.

"And an outstanding question is, can they continue to improve their margins, given how high they are already?" he said.

Brokers have benefited from years of rising premiums, but declining rates will likely restrain their growth, said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

"Those tailwinds are going to fade. This is still a cyclical industry," he said.

Organic growth levels may come down from the double-digit percentage growth that some saw last year, said Evelyn Ocas Salazar, assistant vice president-analyst at Moody's Investor Service Inc. in New York.

"This year, it's going to be a little lower, in the mid-single digits, maybe some in the upper single digits," she said.

"You're going to start seeing some tailwinds moderate over time, but we're talking from high levels," said Ms. Herman of S&P. "Mid-single-digit organic growth would still be a robust organic growth trajectory," she said.

One economic trend that has not held back brokers is elevated inflation levels, said J. Patrick Gallagher Jr., chairman and CEO of Arthur J. Gallagher.

Insurance brokerage is one of the few business sectors that benefits from inflation, providing it does not cause a recession, because it drives up the cost of goods, which results in increased premiums, he said.

It also benefits brokerages with alternative risk transfer capabilities, Mr. Gallagher said.

It "helps us work with clients that would like to reduce (costs) through the use of self-insurance," he said.

Michael Bradford and Claire Wilkinson contributed to this report.


SKYE

1 Marsh McLennan

2023 brokerage revenue: **$22.35B**
Percent increase: **8.1%**

Marsh & McLennan Cos. Inc. delivered solid revenue growth last year, as it spent $1.6 billion on acquisitions and expanded its middle-market business in the U.S. and Australia.

The company, which had aligned its workforce across its four businesses and streamlined technology as part of a restructuring program announced last year, saw growth in its U.S. middle-market sector and in its international business, said Martin South, president and CEO of Marsh LLC, its main brokerage arm.

More recently, Marsh stepped up its direct involvement in the wholesale brokerage market by launching Victor Access, a wholesale brokerage unit of Victor, its managing general underwriter. The move marked Marsh's reentry into a market sector it exited 20 years ago after then-New York Attorney General Eliot Spitzer's investigations into the brokerage sector.

The company completed 14 acquisitions last year including the purchase of Philadelphia-based brokerage Graham Co. — a former top 100 brokerage of U.S. business with about $74 million in annual revenue — by Marsh McLennan Agency, the small and midsized brokerage unit of Marsh.

Marsh also acquired Australian middle-market brokerage Honan Insurance Group Pty. Ltd., adding more than 400 employees across Australia, New Zealand, Singapore and Malaysia.

Despite continued high valuations for brokerages, Marsh McLennan remains an active acquirer, spending a further $347 million on six acquisitions in the first quarter of this year.

In April, Marsh McLennan Agency added Jackson, Mississippi-based Fisher Brown Bottrell — another top 100 brokerage with about $55 million in annual revenue — marking its entry into the Mississippi market.

The deals helped Marsh McLennan grow its brokerage revenue to $22.35 billion in 2023, an 8.1% increase over 2022. It retains its No. 1 position in *Business Insurance*'s ranking of the world's largest brokerages.

Acquiring companies is a core part of Marsh McLennan's growth strategy, Mr. South said.

Marsh McLennan Agency, launched in 2008, accounts for around half of Marsh's U.S.-Canada segment and $3 billion in annual revenue, according to the brokerage's investor presentation in the fourth quarter of 2023.

"We're always going to have a lot of one-off consulting and risk advisory work, but in MMA a very high volume of the business is recurring. It's a different mix of business," Mr. South said.

Rival Aon PLC's purchase of middle-market brokerage NFP Corp. won't have a significant impact on Marsh, analysts say.

"What NFP gives to Aon is kind of what Marsh already has with their agency business. It's a platform to expand within the middle market," said J. Paul Newsome, managing director with Piper Sandler & Co. in Minneapolis.

The deal theoretically could add greater competition from Marsh's perspective, "but the middle market is such a huge market, with so many players, I'm not sure it really makes much difference," Mr. Newsome said.

Marsh McLennan posted 10% consolidated revenue growth and 9% organic revenue growth in 2023. Its results benefited from the accelerated hiring of recent years, Mr. South said.

Martin South

Marsh McLennan has delivered consistent results in terms of its top line growth, said Elyse Greenspan, managing director, equity research, insurance, at Wells Fargo Securities LLC in New York.

Marsh's brokerage business has performed strongly in the past couple of years, she said. After slightly weaker-than-expected results in the fourth quarter of last year, results bounced back in this year's first quarter.

Even in its consulting businesses Mercer and Oliver Wyman LLC, which are more sensitive to the state of the economy, results have been "pretty good," she said.

A restructuring program — announced in January last year and involving reducing headcount, consolidating real estate and streamlining technology — is "broadly done," Mr. South said.

The program, which is expected to deliver around $400 million of total savings, commissioned Marsh McLennan's four businesses to work together for greater impact on clients, Mr. South said. "The culture is not about cross-selling, but the effect can look like that," he said.

Among executive changes at the brokerage, Pat Donnelly took over as president of Marsh Specialty and global placement, in July of last year, succeeding Lucy Clarke, who joined Willis Towers Watson PLC, and Michelle Sartain became president of Marsh U.S., succeeding Mr. Donnelly.

Claire Wilkinson

2 Aon

2023 brokerage revenue: **$15.28B**
Percent increase: **23.2%**

Aon PLC further cemented its position as the world's second-largest brokerage this year by purchasing NFP Corp., significantly increasing its middle-market business.

The $13 billion acquisition of what was the 13th-largest brokerage of U.S. business, which closed in April, is expected to lead to more middle-market acquisitions by Aon and could boost its organic growth, observers say.

Aon announced the deal Dec. 20, near the end of a sometimes challenging year for the brokerage as it dealt with the fallout of alleged fraud at an obscure reinsurance brokerage it did business with.

Aon reported $15.28 billion in brokerage revenue in 2023, including NFP revenue on a pro forma basis, up 23.2% from the prior year. The brokerage reported 7% organic growth for 2023 and about 5% in the first quarter of this year, trailing some of its competitors.

The previous lack of a significant middle-market unit affected organic growth in North American property/casualty, and a stagnant market for transactional risk insurance also restricted growth, said Eric Andersen, president of Aon.

The NFP deal, completed a year earlier than initially forecast, added about $2.2 billion in mainly middle-market annual revenue to Aon.

Eric Andersen

NFP will be "independent and connected," to Aon, maintaining the NFP name while having access to Aon's specialty expertise and international reach and support, Mr. Andersen said.

"It's independent on the front end for the clients. It's opening the Aon portfolio of capabilities to those clients and then trying to find synergies where it makes sense in the back office," he said.

In addition, Aon will continue to make middle-market acquisitions through NFP, Mr. Andersen said.

The NFP deal also brings Aon a small amount of wholesale business. Aon and other large brokers exited the wholesale business 20 years ago. Over the past year, speculation about large brokers returning to the booming sector has increased.

"It's less about, do we open a wholesaler or buy a wholesaler, as much as it is, 'How do we actually think about that market, and how do we use it in a way that is better for our clients than we do today?' So, we're looking at it," Mr. Andersen said.

When Aon announced the NFP purchase, it estimated it would pay 15 times earnings before interest, taxes, depreciation and amortization, but the early closing affected that calculation, and some observers suggest it paid several points more.

"We paid a fair price for a great asset," Mr. Andersen said.

"The price was high, but I think that, for better or for worse, insurance investors tend to ignore that," said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

"If NFP can bring to bear not just its own strengths but the strengths of the Aon organization, then they'll win more business," he said.

Investors viewed the NFP deal as expensive, said J. Paul Newsome Jr., managing director with Piper Sandler & Co. in Minneapolis. Strategically, however, it gives Aon a stronger foothold in the middle market, where acquisitions of smaller companies can be cheaper, and growth rates often are stronger.

Among other developments, in October, Aon announced its "3x3" restructuring plan, including technology investments, real estate consolidation and staff cuts. The company expects to incur $1 billion in costs related to the program.

Last summer, Aon revealed its exposure to the Vesttoo scandal, which involved allegedly fraudulent letters of credit purportedly issued by China Construction Bank Corp. An Aon unit worked with Tel Aviv, Israel-based intermediary Vesttoo Ltd. on various reinsurance deals. In the fourth quarter of 2023, Aon took a $197 million charge for settlements related to the scandal.

The Vesttoo scandal spotlighted a risk management mistake at Aon, but most large brokers occasionally encounter such issues, Mr. Newsome said.

"There's all sorts of crazy, unusual situations that happen all over the place, and that's just sort of the nature of risk," he said.

"It was a mistake, and it cost them, and then you move on," Mr. Shields said.

Aon also announced a significant management change this year, with long-time Chief Financial Officer Christa Davies announcing her retirement. Last month, Aon named Edmund Reese, chief financial officer of financial technology company Broadridge Financial Solutions Inc., as her successor.

Gavin Souter

3 Arthur J. Gallagher

2023 brokerage revenue: **$9.7B**
Percent increase: **15.8%**

Arthur J. Gallagher & Co.'s continued appetite for acquisitions helped push the brokerage further up the ranks of the world's largest brokers in 2023, with three sizeable deals completed last year expected to significantly expand the company's capabilities.

"We had a terrific year last year," said J. Patrick Gallagher Jr., chairman and CEO of the brokerage. In addition to 51 acquisitions in 2023, Gallagher picked up several books of business and recruited producers that he said would help further boost revenue.

Gallagher's 2023 brokerage revenue of $9.70 billion marked a 15.8% increase over the prior year. Gallagher overtook rival Willis Towers Watson PLC to take the No. 3 position in *Business Insurance*'s ranking of the world's largest brokers.

The brokerage's gross revenue reached $10.07 billion last year, up 17.8% from 2022.

Gallagher's $660 million acquisition of BCHR Holdings L.P., which does business as Buck, in April 2023 "was a transformational deal for us," Mr. Gallagher said. "It really expanded our retirement, benefits and HR consulting services. This gave us tremendous scale in those practices and at the same time expanded us globally."

In October, the brokerage paid $510 million for bank-owned Eastern Insurance Group LLC in a deal that Mr. Gallagher said was a "classic example of finding something that was a tremendous fit." The deal will allow Gallagher to expand in several areas, including life sciences and hospitality, he said.

In another deal with a bank, in November Gallagher acquired the insurance brokerage unit of Cadence Bank for $904 million. The move will broaden Gallagher's presence in the southern U.S. where "we're already very strong," Mr. Gallagher said.

In the first quarter of this year, Gallagher recorded 12 acquisitions, representing a total of $69.2 million in annualized revenue.

Mr. Gallagher said there remains a rich pool of acquisition targets, but there aren't many with the attractiveness of the major buys the brokerage made in 2023. "If there are bank opportunities, we clearly will be on the list of people they want to talk to," he added. "We like that aspect of the business, and we probably would be very competitive if the opportunity arose."

Outside the U.S., Gallagher is looking to India, Europe, the Middle East, Africa and Asia for future deals, Mr. Gallagher said. In continental Europe, "we've had our toes in the water there for 20 years," he said, and expansion in that part of the world is expected.

Gallagher doesn't rely on debt to fund its acquisitions in the way private-equity firms that compete for deals often do, Mr. Gallagher said.

"We don't carry that kind of leverage," he said. "We have a lot of dry powder, and we're focused on using that cash to do acquisitions and to invest in making the company better. … That separates us into a very, very small group of people with the size, scale, depth of capabilities and the money to invest."

Last year's acquisitions followed the 2022 purchase of the treaty reinsurance operations of Willis Towers Watson PLC, a move that significantly boosted Gallagher's reinsurance brokerage business.

J. Patrick Gallagher Jr.

"Generally speaking, there are three primary reinsurance brokers in the world and one of them was the one they acquired," said J. Paul Newsome, managing director with Piper Sandler & Co. in Minneapolis. "That's worked out quite well," he added, with the acquisition coming at a time when firm reinsurance prices meant higher commissions.

Gallagher's reinsurance revenue climbed to $1.16 billion in 2023, compared with $1.01 billion the previous year.

Strong organic growth that neared 10% in 2023 was better than most of Gallagher's large competitors saw, according to C. Gregory Peters, managing director-equity research at Raymond James & Associates Inc. in St. Petersburg, Florida. That's "a very positive reflection of good, strong momentum inside an organization," he said.

Organic growth is expected to moderate as brokerages see insurance rate increases decelerate, Mr. Peters said. "It's not a principal driver of organic growth, but it's also not an insignificant component," he said.

Gallagher is in a good position to continue its middle-market growth, Mr. Newsome said. "It's a bigger market with less concentration of competitors, and that has allowed them over a long period of time to grow faster than companies that are dominant in the large-account business," he said.

Michael Bradford

4 Willis Towers Watson

2023 brokerage revenue: **$9.3B**
Percent increase: **6.6%**

Willis Towers Watson PLC delivered improved revenue growth last year, driven by strong organic growth in its risk and broking business as its specialization strategy yielded new business and hiring efforts paid off.

The brokerage, which has rebuilt its talent base since its failed sale to Aon PLC in 2021, continued to add to its senior leadership team and completed the restructuring of its North American corporate risk and broking arm into 12 industry verticals. It also realized greater operational efficiencies through its transformation program.

Despite the rebound, WTW slipped to No. 4 from its longheld No. 3 position in *Business Insurance*'s ranking of the world's largest brokerages, as Arthur J. Gallagher & Co. posted more robust growth last year.

Lucy Clarke, former president of Marsh Specialty, part of Marsh LLC, is expected to join WTW on July 22 as head of its risk and broking unit. She will succeed Adam Garrard, who will become chairman, risk and broking.

Michael Chang, formerly with Sompo International Holdings Ltd., joined as head of WTW's North American corporate risk and broking arm in 2022.

Employee growth slowed last year from the levels seen in 2022, but WTW added more than 140 staff to client-facing roles in risk and broking.

Carl Hess

"The rebuild is done, but we'll continue to hire," said WTW CEO Carl Hess. Given Ms. Clarke's following, WTW's attractiveness as an employer should increase, he said.

WTW reported $9.3 billion in brokerage revenue in 2023, a 6.6% increase from the prior year.

Organic revenue growth accelerated last year, reflecting the efforts of WTW's management to "right size" the company, said C. Gregory Peters, managing director-equity research, at St. Petersburg, Florida-based Raymond James & Associates Inc.

"In 2022, organic revenue growth was 3.9%, which was the lowest of any of the publicly traded brokers. By 2023, it was north of 7% and very respectable in the context of some of their peers," he said.

"These are people businesses, and once we had attended to that, the results followed," Mr. Hess said. WTW's specialty business has been growing at twice the rate of the rest of the business, and client retention has stabilized at around mid-90%, he said.

Growth has been "across the board," except for financial lines "where rates have not been anybody's friend, ours included," he said. Activity has also slowed in transactional risk business due to rising interest rates and muted private-equity activity, he said.

Analysts say the growth outlook for WTW's risk and broking business should improve under Ms. Clarke's leadership.

"Our expectation is that WTW continues to show good growth within risk and broking, comparable to peers," said Elyse Greenspan, managing director, equity research and insurance, at Wells Fargo Securities LLC in New York.

One difference is that WTW does not have a reinsurance broking presence, unlike rivals Marsh & McLennan Cos. Inc., Aon PLC, and Arthur J. Gallagher & Co., Ms. Greenspan said. WTW sold its reinsurance business to Gallagher in 2021.

Reinsurance has been one of the strongest growth areas for other brokerages, and "assuming it continues to show good growth, there's always going to be some shortfall," she said.

WTW sees the merits of its remaining reinsurance capabilities and remains in the facultative reinsurance business, Mr. Hess said. "Whether we re-enter or not will be treated as a synergistic and capital allocation decision, much like we look at expanding anything else," he said.

WTW is more focused on share buybacks than acquisitions, Mr. Hess said. But "if everybody else in the industry is growing inorganically and organically and we just grow organically, eventually we'll have a relevance issue for WTW, so that strategic consideration has to be factored in," Mr. Hess said.

Last year, WTW acquired AIMUW SpA, a specialist managing general agent based in Rome, with about 40 staff, but there were no large deals.

WTW's transformation program, launched in 2021, is due to sunset by the end of this year.

WTW's margins have improved, but they're still not where they could be, especially compared with those of other brokers, Mr. Hess said. "How we continue to generate margin and free cash flow improvement in the organization post-transformation is top of mind," he said.

Claire Wilkinson

5 Hub International

2023 brokerage revenue: **$4.26B**
Percent increase: **13.5%**

Another year of multiple acquisitions and solid organic growth helped push Hub International Ltd.'s revenue past the $4 billion mark in 2023.

The brokerage was the largest acquirer of smaller brokers last year and has maintained its pace in 2024.

"We target acquisitions that are strong operators with a sales-centric culture that we benefit from when adding them to the Hub organization, and, equally important, they benefit from taking advantage of our investments in resources and services to help them grow even more after joining Hub," CEO Marc Cohen said.

Hub reported $4.26 billion in brokerage revenue in 2023, remaining No. 5 in *Business Insurance*'s ranking of the world's largest brokerages.

Hub made 65 acquisitions in 2023, compared with 68 in 2022, according to Chicago-based Optis Partners LLC. In the first half of this year it was again among the top acquirers with 20 deals announced.

The brokerage has matured into a very stable and diverse company over the past 15 years, said Timothy J. Cunningham, managing partner at Optis.

"It's more of a strategic acquirer today than it was 10 years ago," he said, noting that Hub has expanded its breadth of acquisitions to include wealth management brokers.

The most significant acquisitions last year included Cincinnati-based Horan Associates Inc. and Horan Smart Business LLC and Columbus, Ohio-based Overmyer Hall Associates, Mr. Cohen said.

"Those were very strategic acquisitions which allowed us to enter into a region where we didn't have a platform and create a new one, which became our 35th regional hub," Mr. Cohen said.

The purchase of Lafayette, Louisiana-based Dwight Andrus insurance Inc. was also notable, he said.

Higher interest rates, which have forced some highly leveraged brokers to cut back their mergers and acquisitions activity, and continued consolidation within the broker market, are not negatively affecting Hub, Mr. Cunningham said.

"Hub is able to finance its deals out of its ongoing cash flow and does not need to be a borrower to do its bread-and-butter deals," he said.

Hub is benefiting from the reduction in competition to buy other brokers, but less competition has not resulted in lower valuations of potential targets, Mr. Cohen said.

"The fact that there are less buyers only helps us because it gives us more time to spend with the seller, allowing us to tell our story and ultimately win more deals," he said.

Mr. Cohen said he expects Hub to continue its acquisition trend the rest of this year and to make a similar number of purchases as it did in 2023. While it has historically focused on purchases in the United States and Canada, buying brokers overseas is not out of the equation, Mr. Cohen said.

"The door is open. If the right opportunity was to present itself, we could see ourselves moving down that path,' he said.

Regardless of the market, Hub is focused on what it can control: new business, retention and quality, accretive M&As, Mr. Cohen said.

Marc Cohen

"Managing those measured levers drives results on a consistent basis and enables us to perform despite rate cycles," he said.

In addition to its growth through acquisitions, Hub is focused on organic growth through expansion of new business and retention of existing clients, Mr. Cohen said. The brokerage achieved 8% organic growth last year, he said.

The hard market has led to clients assuming more risk by taking on higher deductibles, increasing self-insured retentions, looking into captive insurance and lowering limits, Mr. Cohen said.

"It's our responsibility as insurance brokers to educate clients on market dynamics and present ways to mitigate or eliminate risks and provide insurance solutions," he said.

Evelyn Ocas Salazar, assistant vice president at Moody's Ratings in New York, said Hub performed as expected in 2023 and that the credit rating agency has a positive outlook for the broker.

She said Hub has succeeded by taking advantage of its ability to draw expertise from various business segments to generate more business.

In January, the brokerage launched a North America property practice, headed by Blake Giannisis, who joined last year from Aon PLC.

Shane Dilworth

6 Brown & Brown

2023 brokerage revenue: **$4.2B**
Percent increase: **17.9%**

Brown & Brown Inc.'s strong organic growth and many acquisitions, including several in the United Kingdom, combined to produce solid revenue gains in 2023.

The brokerage's organic growth reached 10.2% last year and gross revenue grew 19.1%, said J. Powell Brown, president and CEO. "It's a pretty healthy mix," he said.

That trend is continuing, Mr. Brown said. "We believe there will be a lot of consolidation in the insurance brokerage, underwriting and wholesale spaces. We are actively participating in all three areas," he said.

In this year's first quarter, revenue was up 12.7% to $1.26 billion, and organic growth reached 8.6%.

Brown & Brown's 2023 performance was outstanding, said C. Gregory Peters, managing director-equity research at Raymond James & Associates Inc. in St. Petersburg, Florida. "Another success story," he said of last year's growth.

Brown & Brown has benefited from high insurance prices in property and other lines, Mr. Peters said. In addition, the brokerage's national programs and wholesale operations have grown steadily over the past year. "That's lifting not only their top line but their margins, too," Mr. Peters said.

J. Powell Brown

Brown & Brown's 2023 brokerage revenue of $4.2 billion, an increase of 17.9% from the prior year, moved the company up one spot to No. 6 in *Business Insurance*'s ranking of the world's largest brokerages.

The 2023 performance marked a milestone for the company. "Last year, we crossed our intermediate goal of $4 billion in revenue," Mr. Brown said. "Our new goal is $8 billion," he added, declining to predict how long that might take to reach.

"Brown & Brown has done well, consistently, quarter after quarter," said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

The brokerage has benefited partly from the hard-market trend of coverage moving to the excess and surplus lines market as admitted-market insurers focus more heavily on profitability than growing premium volume, Mr. Shields said. That helps brokers with large wholesale operations, he added.

Brown & Brown completed 33 acquisitions last year, with annualized revenue of $162 million. That compared with 30 deals in 2022, with combined annualized revenue of $435 million. One of those 2022 purchases, Global Risk Partners Ltd., represented $340 million of the total for the year.

Five acquisitions were completed during this year's first quarter.

Expansion in the United Kingdom continues for Brown & Brown, with acquisitions in 2023 that included Belfast, Northern Ireland-based claims management company Davison & Associates Ltd. and its affiliate insurance consultancy Davison Lamont Ltd. Among its deals in England, the brokerage acquired London-based managing general agent Occam Underwriting Ltd. and Leicester-based Berkeley Insurance Group (UK) Ltd., a brokerage whose specialties include commercial property, cyber and financial risks.

"We are extremely pleased with the teammates that have joined us in those two geographies," Mr. Brown said.

Brown & Brown does not have an extensive operation in continental Europe, he said, but would consider acquisitions there if they were a "cultural fit."

"That's the next chapter for the company because they've got such a successful footprint in North America and making a logical leap overseas into the European and U.K. market makes a lot of sense," Mr. Peters said.

Brown & Brown has "small operations" in Hong Kong, Singapore and Dubai, Mr. Brown said. Earlier this year, the brokerage agreed to buy Singapore-based Acorn International Network Pte Ltd.

"They're very profit-oriented," Mr. Peters said of Brown & Brown. "If they are contemplating entering a new market … one of their principal parameters has to be the growth opportunities and margin opportunities."

In 2023, Brown & Brown's adjusted earnings before interest, taxes, depreciation and amortization margin was the highest among publicly traded brokerages in the U.S., Mr. Peters said. The metric, a measure of operating profit as a percentage of revenue, is a marker that allows the comparison of a company's performance against its peers.

Brown & Brown's high EBITDA margin indicates that the brokerage is "doing an excellent job" of converting high levels of revenue into free cash flow, Mr. Peters said.

Michael Bradford

7 Acrisure

2023 brokerage revenue: **$3.89B**
Percent increase: **7.4%**

Acrisure LLC eased its traditionally torrid acquisition pace in 2023, focusing instead on its reorganization into a regional structure and a brand strategy that will have all offices operating under the corporate name.

Much of the work to create 11 regional platforms and eight specialty programs is done, said Gregory L. Williams, CEO of the Grand Rapids, Michigan-based brokerage. "The brand launchings have all been completed" in North America, and "we'll be done with the system conversions in 2024," he said.

"Globally, we'll be operating under one flag next year," Mr. Williams said.

The brokerage completed 47 deals last year, down from 116 in 2022. As of mid-June this year, Acrisure had closed on or signed letters of intent on 30 acquisitions.

"That was intentional," Mr. Williams said of the shift to focus less on acquisitions and more on reorganizing. "That might be the same posture next year, but it's too early to say," he added, with expectations that more deals will be made outside North America than within.

Acrisure's appetite for acquisitions is expected to remain "diminished" in the near future, according to Joseph Marinucci, director at S&P Global Ratings, a unit of S&P Global Inc., in Princeton, New Jersey. "Much more tuck-in oriented," he said of the type of deals the brokerage will eye as it prioritizes its work on reorganizing.

The brokerage's 2023 gross revenue rose 8.5% to $3.96 billion. Brokerage revenue climbed 7.4% to $3.89 billion, significantly down from the acquisition-driven growth rates of the past several years. The company slipped one spot to No. 7 in *Business Insurance*'s ranking of the world's largest brokerages.

Organic growth slipped to 4% last year, down from 10% in 2022. But that number is expected to surge, Mr. Williams said. "It's likely going to be a record organic growth year," he said of 2024.

Last year's organic growth was diluted by the performance of Acrisure's mortgage origination and title business, which is sensitive to economic conditions, said Julie Herman, director at S&P Global Ratings in New York. Excluding that business, organic growth reached 9%, she said.

"But that drag has diminished materially," Ms. Herman said. "We're expecting organic growth of around 10% for 2024."

Acrisure is poised to benefit from last year's work to reshape the company, said Evelyn Ocas Salazar, assistant vice president-analyst at Moody's Investor Service Inc. in New York. She expects the brokerage to focus on "crystallizing the synergies they've gained with that consolidation. … Overall, they are well-positioned."

In June, Acrisure announced plans to offer $1.38 billion in secured senior notes and $500 million in unsecured notes that will be used to refinance around $2 billion in debt and repay the $825 million balance on a revolving credit facility.

Gregory L. Williams

"We're focusing on de-levering the company," Mr. Williams said. Surging organic growth "allows us to accelerate our de-levering ambitions and objectives. At the end of the day, we will be less of a consumer of debt than we have in the past," he said.

Less borrowing for future acquisitions will help Acrisure reduce debt, Mr. Marinucci said. "But that's going forward. Right now, there's quite a bit of leverage in our view," he said.

Speculation continues as to whether Acrisure will hold an initial public offering. While Mr. Williams said that it won't happen this year, an IPO is likely "sooner as opposed to later."

Acrisure's implementation of artificial intelligence is "never-ending," Mr. Williams said. "What we have in terms of capability today is significantly different from what we had at the beginning of this year."

"They have direct access to the customer who is making decisions," Ms. Ocas Salazar said of the brokerage's small-market clients, and "their AI capabilities could give them a little edge."

Acrisure sales professionals who use Auris, the company's technology platform, experience business growth of 340% more than those who aren't yet using it, Mr. Williams said.

"When Auris makes predictions around who's likely to buy what products and services," he added, they generally prove to be accurate.

Michael Bradford

8 Alliant Insurance Services

2023 brokerage revenue: **$3.86B**
Percent increase: **20.8%**

Alliant Insurance Services Inc. expanded its range of specialist businesses in 2023 by purchasing health care brokers and launching its reinsurance brokerage division.

The brokerage made several other deals and continued to aggressively hire experienced brokers and well-established teams from across the industry.

The various efforts helped it report another year of more than 20% revenue growth.

The company also made some executive changes. In January, Greg Zimmer, its longtime president and chief financial officer, was named CEO, taking over the position from Tom Corbett, who moved to executive chairman.

Alliant reported brokerage revenue of $3.86 billion last year, a 20.8% increase over 2022. The brokerage moved up one position to No. 8 in *Business Insurance*'s ranking of the world's largest brokerages.

While Alliant made about 20 acquisitions over the past year, more than two-thirds of the revenue growth was organic, Mr. Zimmer said.

Alliant is mainly focused on specialty lines, and the construction, energy and real estate sectors have helped propel growth over the past year, Mr. Zimmer said.

Greg Zimmer

Alliant remains well-positioned in the market in large part because of its long-time focus on specialties, its consistent private-equity support, its attractive employee-equity program and a diversified book of business, said John Wepler, chairman and CEO of Woodmere, Ohio-based Marsh, Berry & Co. Inc.

"They're flirting with what we call the perfect score, the 'rule of 50,' that's 35% (earnings before interest, taxes, depreciation and amortization) margin and 15% organic growth," he said. "Extremely strong organic growth and a strong margin is a discipline that very few have."

"They have a more specialty-oriented book that, in general, they've been successful in generating a lot of new business from," said Julie Herman, a New York-based director at S&P Global Ratings, a division of S&P Global Inc.

Alliant grew strongly in its managing general agency business, she said. In addition, its personal auto book, which had been a drag over the past few years, was turned around, she said.

Ms. Herman said Alliant has also benefited from its strategy of hiring teams of producers rather than purchasing numerous smaller brokers.

"That's been successful for them and a big growth contributor as well," she said.

Over the years, the strategy has also led to numerous lawsuits against Alliant and some of the brokers it hired by rivals alleging breach of nonsolicitation agreements. Many of the lawsuits are settled.

Several of the acquisitions Alliant made over the past year enabled the brokerage to enter the Affordable Care Act-related insurance sector, Mr. Zimmer said.

"We made a number of acquisitions within the ACA space, which have done unbelievably well," he said.

Alliant also formed a reinsurance brokerage last year.

"We see it as a growing market for a variety of reasons, one of which is simply looking internally at our current business and determining where we can act as the reinsurance broker," he said.

Alliant Re focuses on facultative reinsurance rather than the larger treaty reinsurance market.

Treaty reinsurance "requires a larger platform than what we have in place today, so it's not to say that we won't be investing in that platform," he said. "As we sit here today, what we have on our plate is more than filling our time."

Alliant announced the new division in April 2023 and reported about $8.5 million in reinsurance brokerage revenue last year.

The vast majority of Alliant's clients are based in the United States, and it handles international placements primarily through relationships with other brokers.

"There is no direct line of sight, at least at this stage, in terms of having boots on the ground on an international basis," Mr. Zimmer said.

With the appointment of Mr. Zimmer as CEO, the brokerage made several related promotions, including naming Ralph Hurst president; Peter Arkley president, national brokerage; and Sean McConlogue, president of Alliant Underwriting and Consumer Solutions.

Mr. Wepler said that the changes at the top should not lead to any significant changes at Alliant because Mr. Zimmer and Mr. Corbett have been working together for more than 25 years.

"It's more of the same in a good way," he said.

Gavin Souter

9 Lockton

2023 brokerage revenue: **$3.5B**
Percent increase: **14.7%**

Lockton Cos. LLC saw nearly 15% revenue growth in 2023, mainly from existing operations.

The brokerage also saw a change at the top, with former CEO Peter Clune leaving the company.

Mr. Clune had been CEO of the brokerage since 2019, when he succeeded Ron Lockton in the position. When Mr. Clune left in February — "by mutual agreement," according to the company — Mr. Lockton reassumed the title and retained his existing title of executive chairman.

Lockton reported $3.5 billion in brokerage revenue in 2023, a 14.7% increase from the prior year. It moved up one position to ninth in *Business Insurance*'s ranking of the world's largest brokerages.

Of Lockton's $476 million in growth last year, 51% came from U.S operations, 38% from international and 11% from its reinsurance brokerage, launched in 2020, Mr. Lockton said.

The international business is organized across regions, and the brokerage has plans to "continue to invest and grow across every one of those regions," Mr. Lockton said.

The integration of Sao Paulo, Brazil-based insurance and reinsurance broker THB Group Brazil, purchased in May 2023 from Amwins Global Risks Group Ltd., is part of its plans to expand that business further.

"We are opportunistic when it comes to acquisitions and view acquisitions as a platform for future growth," Mr. Lockton said.

Lockton is a selective acquirer of other brokerages, said Timothy J. Cunningham, managing partner at Optis Partners LLC, an investment banking and financial consulting firm in Chicago.

"They've been a very strategic acquirer, mostly to expand their global reach," he said.

Lockton's long-term growth strategy has focused more on recruitment than mergers and acquisitions, analysts said.

"Lockton has been built on talent acquisition. They're a producer- and employee-driven company," Mr. Cunningham said.

The headcount at Lockton increased by 750 employees last year to 11,920, the majority of whom, some 60%, are U.S.-based, according to company data.

"Lockton is highly focused on trying to attract, develop and retain competitive producers that can utilize extensive risk mitigation resources to write large and extremely complex accounts," said John Wepler, chairman and CEO of Woodmere, Ohio-based mergers and acquisitions consultancy MarshBerry & Co. Inc.

"They would rather solicit the best talent and write target jumbo accounts than try to acquire, integrate and retrofit an acquisition into their culture," he said.

Lockton competes successfully with larger businesses or organizations with a formal risk management practice and in specific sectors, Mr. Cunningham said.

"They're going to be strong in construction and surety; they're going to be strong in manufacturing, nonprofit, large institutional. You can't be a company of that size without being strong in niches," he said. Lockton began as a surety brokerage.

The reinsurance business, launched four years ago, grew to $311.84 million in 2023. "We looked at the marketplace and felt there was an opportunity there," Mr. Lockton said. "Four years ago, we were looking at broker consolidation, which meant reinsurance consolidation. The marketplace was getting smaller," he said.

Ron Lockton

Before the formation of Lockton Re, the broker's reinsurance activities were mainly in the United Kingdom, Mr. Lockton said.

In primary commercial insurance markets, Mr. Lockton said, "The major shift we have seen in 2024 is an easing of rate increases across property coverages," he said.

Workers compensation, directors and officers, and cyber remain competitive, he said. At the same time, liability lines still pose a challenge to clients, some of whom have "materially changed their buying philosophy and use of alternative products," he added.

Across the broader primary insurance market, Mr. Lockton said that rate increases in some lines, such as property, are easing. Workers compensation remains profitable, but casualty and auto liability lines continue to be challenging for buyers, some of which have "adjusted their programs accordingly," he said.

Lockton added several senior executives over the past year, including former Aon PLC executive Steven Goldenberg, who joined as executive vice president, operations, in February; former Marsh & McLennan Cos. Inc. managing director Manpreet Gill, who joined as executive vice president of the broker's global technology risk practice group; and former Guy Carpenter & Co. LLC executive Greg Spore as U.S. financial services markets leader.

Matthew Lerner

10 TIH Insurance

2023 brokerage revenue: **$3.39B**
Percent increase: **9.9%**

TIH Insurance Holdings LLC, formerly Truist Insurance Holdings Inc., announced its new name and rebranding in early May after its former bank parent sold the unit to private-equity investors.

The sale by Truist Financial Corp. will lead to significant changes to the brokerage's positioning in the market, its top executive and other experts say.

An investor group led by private-equity firms Stone Point Capital LLC and Clayton, Dubilier & Rice LLC bought the brokerage in two stages. Twenty percent was sold for $1.95 billion in February 2023, and the remainder was sold for $10.1 billion this year.

Truist said the all-cash deal valued the brokerage at $15.5 billion, or 18 times TIH's core 2023 earnings before interest, taxes, depreciation and amortization, a standard metric for brokerage valuations.

Dan Glaser, former CEO of Marsh & McLennan Cos. Inc. and operating partner at Clayton, Dubilier & Rice, was named chairman of TIH.

The deal is "transformative" for the brokerage, said John Howard, CEO of Charlotte, North Carolina-based TIH.

"It dramatically improves our positioning," he said. "It means that we have more agility than we had in the past. We're no longer subject to the risk appetite and regulatory requirements of a bank. We're able to focus all of our time, energy, and resources on insurance."

John Howard

"It's going to be interesting to see how they evolve from this kind of highly regulated environment to now being set free," said Timothy J. Cunningham, managing partner at Optis Partners LLC, an investment banking and financial consulting firm in Chicago. "What's going to emerge from the cocoon? What kind of butterfly might it be?"

The broker may undergo a cultural shift away from its former owner, Mr. Cunningham suggested. "They've been bank-owned for so long; are they in a position to make that shift so they're managed in a little bit more entrepreneurial style?" he said.

"They've become liberated," said John Wepler, chairman and CEO of Woodmere, Ohio-based mergers and acquisitions consultancy Marsh, Berry & Co. Inc.

"They have a national platform. They have a portfolio approach with all these distinctive brands. They know how to acquire and integrate. They've got a really strong wholesale operation. They've got a diversified line of business, from retail and commercial to sophisticated employee benefits with actuarial compliance," he said.

TIH will benefit from an employee ownership structure and compensation incentives and can be more flexible with potential acquisition structures, Mr. Wepler said.

TIH has 1,500 employees with equity in the company and has launched an equity program to enhance compensation, Mr. Howard said. The program will help recruitment efforts, he said.

TIH reported $3.39 billion in brokerage revenue in 2023, a 9.9% increase over 2022, which was restated to exclude revenue from those businesses that remained with the bank following the 2023 minority stake sale. The brokerage slipped two positions to No. 10 in *Business Insurance*'s ranking of the world's largest brokerages.

TIH reported organic growth of 6.9% in 2023, which was due to a combination of exposure increases and new producers and teams joining the company, Mr. Howard said.

Exposure increases may slow as overall economic growth slows, Mr. Howard said, "so you're seeing less of a tailwind in those areas than what we've seen in recent years."

The TIH deal came on the heels of Aon PLC's $13 billion purchase of NFP Corp.

More large deals among brokerages may follow, Mr. Howard said.

"Do I think it's possible that you could see combinations amongst some top 20 brokers? Yes, I do. In fact, I'll be surprised if it doesn't happen," Mr. Howard said.

TIH also announced several senior executive hires and restructurings at a couple of its units over the past 12 months.

Last month, TIH named former Brown & Brown executive Mike Conway as chief financial officer and former Piper Sandler & Co. managing director Chris Grady as executive vice president and head of strategy and corporate development.

In December, it reorganized McGriff Insurance Services LLC, its retail commercial insurance unit, into three geographic regions and restructured its wholesale operations into two divisions, one focused on wholesale broking and the other on underwriting.

Matthew Lerner

Broker M&As slow further in 2024 first half

BY STEVE GERMUNDSON,
TIMOTHY CUNNINGHAM
& DANIEL MENZER

Mergers and acquisitions activity among North America's insurance agents and brokers continued to slow in the first half of this year, matching levels last observed in 2017.

The marketplace is a mixture of buyers. Some have slowed their M&A activity to focus on integration or strengthening their balance sheets, while others have picked up the pace. This is the natural progression of a consolidating industry where the supply is shrinking and demand remains high for those still looking to amass volume.

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 fell 23% to 299 from 384 during the same period last year and was 21% below the previous five-year average.

On a quarterly basis, there were 146 transactions during the second quarter, down 26% from the 196 reported in the same period in 2023. On a trailing 12-month basis, the latest deal count was 736, significantly lower than the 821 reported for all of 2023 and the 940 reported for the prior trailing 12-month period.

Among the sellers in the first half, 63% were retail property/casualty agencies and 12% were employee benefits specialists, while 11% were classified as selling both. The remaining 14% of sellers comprise those on the wholesale side of distribution, third-party administrators, life insurance agencies, financial products sellers, and a variety of consulting businesses related to insurance distribution.

Private-equity-backed companies continue to dominate the deal-making landscape, and we don't see this changing for many years ahead. These buyers accounted for 74% of the transactions so far this year, which is similar to past experience. Those companies categorized as privately owned accounted for 15%.

BroadStreet Partners Inc., Inszone Insurance Services, and Hub International Ltd. continue to be the frontrunners, reporting first-half deals of 46, 28 and 26, respectively. While Hub's pace continued to slow somewhat — down off 10% compared with the comparable 2023 period — BroadStreet increased its activity by 77% and Inszone was up 47%. Each of the remaining top 10 most-active buyers nearly matched their pace from the prior year period with one exception: PCF Insurance Services, which had largely sat out the M&A market for more than a year, has begun making acquisitions again, recording eight transactions so far this year. This puts them in the eighth spot on the active buyer list.

In total, the top 10 most-active buyers — and ties — booked 65% of the announced transactions so far in 2024, and 49 buyers booked the remaining 35%. In total, 28 buyers did more than one transaction in the first half, and 12 reported making their first acquisition.

Historically active buyers whose transaction count dropped below their five-year average included Acrisure LLC, PCF and Hub. At the other end of the spectrum, BroadStreet, Inszone and Keystone Agency Partners LLC doubled or more their previous five-year average pace.

So far in 2024, large transactions include the completion of Aon PLC's acquisition of NFP Corp., and TIH Insurance Holdings LLC's sale of the remaining 80% equity held by Truist Financial Corp. to a consortium of private-equity investors led by Stone Point Capital. In April, Marsh McLennan Agency acquired a top 100 agency, Fischer Brown Bottrell, from Trustmark National Bank.

The industry is clearly in a state of change regarding the M&A landscape. A large amount of capital continues to pursue investment opportunities in this sector, reflecting the number of buyers making their first acquisition.

As the supply continues to shrink, several things are likely to happen. One is that the relatively high value of businesses will continue to be supported, particularly for the better companies. The second is that the number of large transactions should rise as the largest organizations look for opportunities to continue strong revenue growth. Lastly, though not reflected in these numbers, multiple organizations have indicated that they are working on initial public offering initiatives.

We anticipate deal activity picking up somewhat in the second half, though at a lower level than in recent years. Looking out longer term, industry M&A activity is likely at a new normal pace.

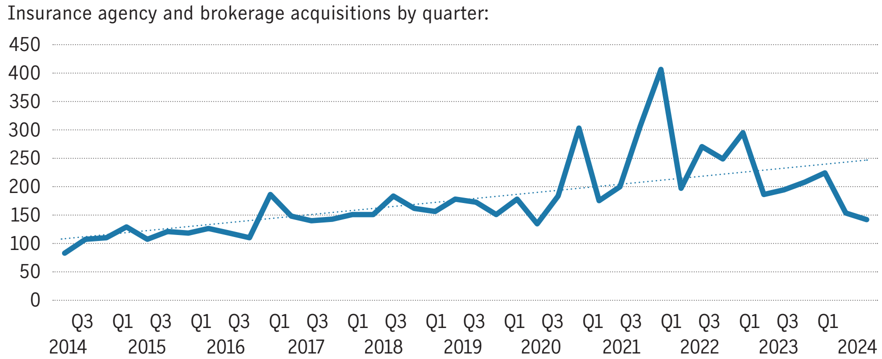
TOP BUYERS

The top buyers during the first half of 2024 are shown below with comparable totals for 2020 through 2023:

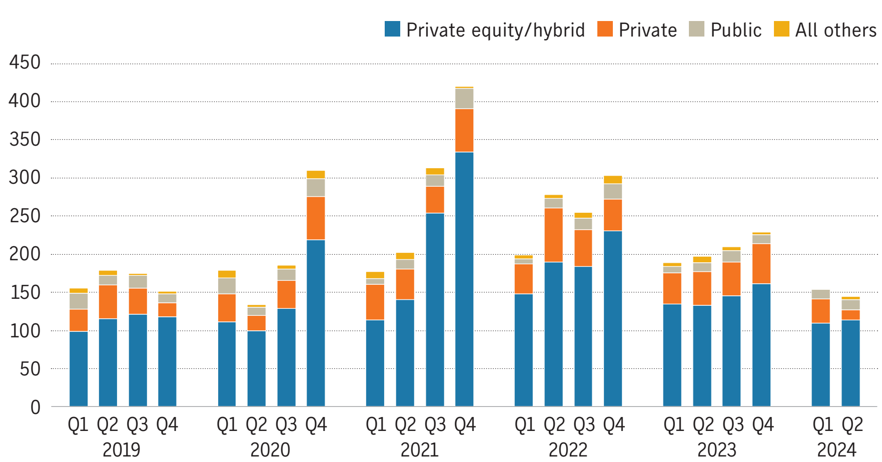
Buyer	Company type	1st half 2020	1st half 2021	1st half 2022	1st half 2023	1st half 2024
BroadStreet Partners Inc.	Private equity/hybrid	30	19	16	26	46
Inszone Insurance Services	Private equity/hybrid	4	3	21	19	28
Hub International Ltd.	Private equity/hybrid	28	25	34	29	26
Keystone Agency Partners LLC	Private equity/hybrid	1	3	11	14	14
Leavitt Group	Private	4	8	11	14	13
Arthur J. Gallagher & Co.	Publicly held	9	10	9	14	13
OneDigital Health and Benefits	Private equity/hybrid	9	10	12	9	9
PCF Insurance Services LLC	Private equity/hybrid	13	28	49	1	8
Alkeme Inc.	Private equity/hybrid	0	0	8	6	9
Acrisure LLC	Private equity/hybrid	39	30	38	10	7
Risk Strategies Co. Inc.	Private equity/hybrid	5	2	7	13	7
Alliant Insurance Services Inc.	Private equity/hybrid	1	10	5	10	7
Higginbotham	Private equity/hybrid	3	4	7	0	7
TOP 10 TOTALS		146	152	228	165	194
ALL OTHERS		165	225	247	219	105
TOTALS FOR 1ST HALF OF YEAR		**311**	**377**	**475**	**384**	**299**

HISTORY OF DEALS TOTALS (Q3 2014 – Q2 2024)

Insurance agency and brokerage acquisitions by quarter:



TRANSACTIONS BY QUARTER BY TYPE (2019 – Q2 2024)



Source: Optis Partners LLC

Steven E. Germundson, Timothy J. Cunningham and Daniel P. Menzer are principals at Optis Partners LLC, an investment banking and financial consulting firm in Chicago and Minneapolis that serves the insurance distribution sector. Mr. Germundson can be reached at germundson@optisins.com or 612-718-0598; Mr. Cunningham can be reached at cunningham@optisins.com or 312-235-0081; Mr. Menzer can be reached at menzer@optisins.com or 630-520-0490.

COMMENTARY

AI poses threats, offers benefits

Manipulated videos and audio recordings, or deepfakes, are moving up the list of concerns for cybersecurity professionals.

These can range from the frivolous, like swapping out celebrity faces in iconic movie scenes, to the sinister, like creating racist rants in an unsuspecting person's voice. This latest use and abuse of new technology is likely only in its infancy.

Often created with the help of artificial intelligence, some of the attempts to fool viewers are easily identifiable. Photos and videos with extra fingers, smudged faces or disproportionately large heads abound on the internet. But you only need to take a few of the "deepfake or real" quizzes online to see that some images are uncannily convincing.

The technology is also being used to execute serious financial crimes. In one widely reported incident, a Hong Kong employee of a British design and engineering company was allegedly duped into paying $25 million to fraudsters after he participated in a video call with deepfake creations of people he thought were in his finance department.

Gavin Souter
EDITOR

As we report on page 4, a mitigating factor that cybersecurity and risk management professionals can be grateful for is that deepfakes are time-consuming and require relatively sophisticated expertise to pull off convincingly.

But it's tough not to think that expensive scams will proliferate as the technology and unscrupulous people's mastery of it mature. We can all think of promised technological innovations that never materialized — how much longer do we all have to wait for a flying car, for example? — but deepfakes have already hit the information superhighway, and newer and better models are constantly being rolled out.

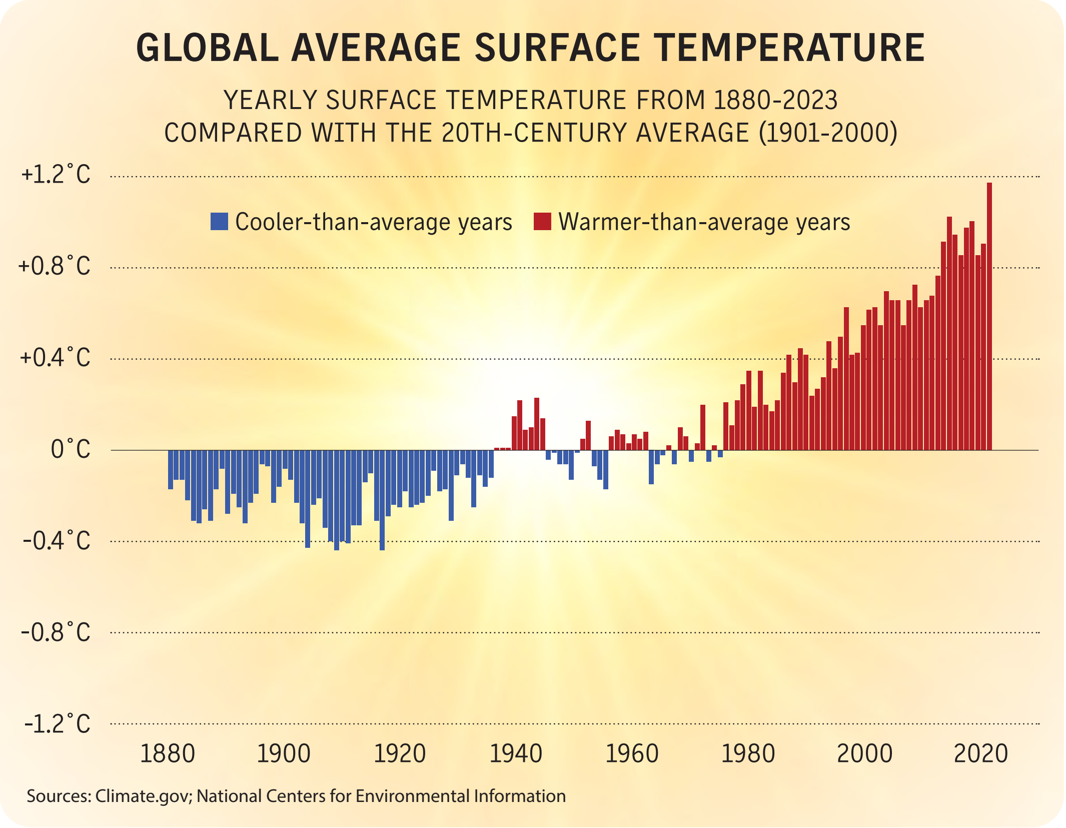
But it's not all bad news on the AI front. As we report on page 8, the technology is increasingly being used to combat fraud in workers compensation claims.

While claims professionals often know what to look for to identify bogus or inflated claims, sifting through mounds of potential evidence in reports, emails, and other documents can be immensely time-consuming. To speed up investigations and oversight, companies are deploying AI to focus on fraudulent or troublesome claims.

Again, the use of the technology is just beginning; there are teething problems to overcome and limitations to its use, but by embracing AI, claims staff should be able to reduce the billions that are thought to be lost to fraud each year.

So, while AI can threaten personal privacy and the integrity of information and expose companies to significant financial perils, it can also be used as a sophisticated tool to mitigate threats and reduce costs.

As criminals refine their use of AI, ethical use of the technology must develop on an alternative track to ensure that risk management efforts keep pace in the evolving digital environment.



VIEWPOINT

Need for heat safety rising

BY CLAIRE WILKINSON
cwilkinson@businessinsurance.com

Whether you were in the Midwest, the South or even the Northeast, you probably felt the effects as a climate change-fueled heat wave spread across large parts of the U.S. last month, bringing record-high and high-low temperatures. Forecasters pointed to a weather phenomenon called a "heat dome," where a stalled high-pressure system in the upper atmosphere trapped warm air beneath.

The arrival of intense heat so early in the summer was a surprise to some, but forecasters have said that July is likely to bring more of the same and that such heat waves are part of a "new normal" as climate change brings more extreme weather events. In New Jersey, where I live, train lines ground to a halt as a brush fire and strained infrastructure combined to disrupt service, leaving commuters stranded. Meanwhile, heat-related visits to emergency rooms spiked.

The U.S. wasn't the only country affected, as parts of Canada, Mexico, India and Saudi Arabia were also hit by heatwaves, leading to many reports of heat-related illnesses and fatalities. In Paris, athletes have been warned to expect intense heat at the Summer Olympics, which begin in a few weeks. Risks range from sunburn and heat cramps to heat exhaustion and even collapse from heatstroke, which is life-threatening.

High temperatures kill hundreds of people every year, according to the Centers for Disease Control and Prevention. More than 2,300 people in the U.S. died of heat-related illnesses last year — the highest number in 45 years of recordkeeping, an Associated Press analysis of CDC data found. That was up from about 1,700 heat-related fatalities in 2022 and 1,600 in 2021. Older adults, young people, and those with pre-existing health conditions are particularly vulnerable. Heat-related illnesses such as heat exhaustion or heatstroke happen when the body cannot properly cool.

For employers and insurers, the effects of rising heat-related illnesses and claims are a growing concern. California's insurance department reports that in the past decade, extreme heat waves have cost the state at least $7.7 billion in lost labor productivity, costs related to power outages, infrastructure repairs and premature deaths. In the workplace, the probability of work-related accidents increases by 5% to 6% when the temperature rises above 90 degrees compared with 65 to 70 degrees, according to the Workers Compensation Research Institute. The effect of workplace heat is stronger in the southern U.S. and on workers in the construction industry, WCRI found.

As regulators intensify their focus on workplace heat safety practices, and the Occupational Safety and Health Administration works toward a standard to protect workers in outdoor and indoor settings from the risk of heat illnesses, employers need to be prepared. Though workers can adapt or acclimatize to excessive heat, and many employers take precautions in summer months to provide hydration stations, modify shifts and monitor employees, heat protections for workers are all over the map; clearly, more needs to be done. With a changing climate, hot temperatures aren't about to let up, and more safeguards will be needed. While the proposed OSHA regulation will face opposition, preventing work-related deaths, injuries and illnesses caused by excessive heat exposure is critical. Insurers and risk managers have a key role in promoting heat safety.

Improving workers compensation claim outcomes through data-driven reviews

Dennis Tierney is a managing director and national director of workers compensation claims at Marsh Advisory's Workers Compensation Center of Excellence. He can be reached at dennis.p.tierney@marsh.com

Work-related injuries or illnesses can be devastating for the employees involved and their families and may in some cases prevent injured workers from returning to their job or working altogether. For employers, a workers compensation claim can have significant financial and operational consequences.

Many organizations carry out claim reviews to help identify potentially problematic claims, allowing them to focus on managing them effectively. However, the practice of reviewing all open claims, especially for large organizations, often means they spend time discussing claims that ultimately result in minimal, if any, impact. This may be because the path and the overall cost of the claim will not change significantly, which could be due to the permanent status of the injured worker's medical condition and treatment, along with findings made by a specific state's workers compensation board.

Today, more organizations recognize the importance of focusing on claims where they can make a difference and reduce their workers compensation total cost of risk while helping injured employees recover and return to work, whether to their original jobs or modified or light-duty positions.

Early intervention can be instrumental in reducing the risk of problematic claims becoming even more challenging. However, organizations, especially those with many open claims, sometimes struggle to identify the specific claims that would most benefit from being addressed promptly.

Organizations seeking to resolve claims and help their people recover and return to work should consider the following actions to streamline the process and improve outcomes.

1. Take a data-focused approach

Analytic tools can help identify those claims that would most benefit from early intervention, providing organizations and their third-party administrators with a more targeted list of claims for resolution. Artificial intelligence and predictive modeling are already used to parse data and identify these claims more quickly and effectively. Programs that use AI can help with the early identification of potentially problematic claims in between claim reviews, allowing an organization to intervene more quickly than it typically would. Analytics-based platforms can alert employers and their TPAs when new information could make a claim more costly. Analytic tools can also help identify claims that have the potential of being settled, allowing organizations to focus their efforts there.

Take the example of a large retailer that was concerned it was not discussing the claims that required the most attention at claim review meetings. The organization's claims team focused on claims with high total incurred values, leading to the same cases being discussed during consecutive meetings with minimal results. The retailer decided to change its selection process and work to identify the most complex claims at different points in the claim life cycle. Using an AI-driven program, they could select cases whose outcomes could be significantly improved through early intervention and ensure that there was a well-defined action plan to resolve the issue as quickly as possible and improve the outcome for the injured workers.

2. Extract the relevant insights

Analytic tools can provide significant amounts of information about claims. To use this data effectively and drive positive claim results, though, organizations should extract relevant insights that can help them identify the claims that require intervention. For example, the claim outcome may be affected if an employee is out of work for a prolonged period or has retained legal representation. Critical information is often raised during claim reviews, underscoring the importance that key participants — including the policyholder, the claim provider, and the broker's claim advocate — are present to discuss the claims.

This process can also help uncover any areas of opportunity that might impact claim-related costs and identify actions that can address these issues. It is also important that claims are not reviewed in isolation and to consider any possible issues that could keep an injured individual from returning to work, such as related comorbidities or psychosocial barriers.

In another example, a logistics company was experiencing a rise in workers compensation cases that took longer to process and were more expensive to resolve. The organization reviewed its data through a dashboard that enabled risk managers to determine that several open lost-time cases involved representation by an attorney and that these cases typically took longer to resolve and involved increased costs. Based on these insights, the risk management team decided to increase the focus on injured workers soon after an incident, setting up a process of open communication, providing them with needed education and ensuring transparency about their cases and the process. This program led to expedited claim resolution and a corresponding reduction in cases involving legal representation.

3. Make actionable decisions

The most effective claim reviews identify problematic claims and internal processes and procedures that may negatively affect their resolution and determine opportunities for improvements that can benefit both the organization and its workers. It is also essential to decide on the next steps required to help resolve them — for example, assigning a nurse to oversee a worker's recovery or pricing a claim for settlement. Having a plan and assigning individuals to take ownership of each action is critical. Advanced tools can create checklists that allow organizations and their TPAs to keep track of actions required and flag the need for follow-ups.

As organizations take action to improve their claims outcomes, they should also consider how their response and communication might affect open claims. For example, is there a company-wide policy on communications with injured employees before and after they have filed a claim?

In a final example, a financial institution was concerned that action items discussed during claim review meetings were not being followed up on since the status of the files remained the same from one review to the next. Notes were taken, but there was no consistent process to ensure the agreed-upon actions were being taken to resolve open cases. The organization implemented a digital claim review process that automatically generates action items and notes following each claim review meeting. This information was shared with the TPA, which worked with the risk manager to establish time frames for each action item. This allowed the team to ensure the agreed-upon tasks were completed and communicated to the relevant stakeholders as needed. The more streamlined process created by the digital tool helps ensure that needed follow-ups occur within the approved timeline to advance or fully resolve open cases, leading to more positive outcomes for both the organization and impacted workers.

Adopting an analytics-driven approach to managing open workers compensation claims can help organizations improve claim outcomes. Prioritizing early intervention, leveraging data-driven insights, and implementing innovative solutions can help optimize workers compensation processes and reduce the total cost of risk.

MARKET PULSE

Insurtech MGA adds management liability cover

Insurtech managing general agent Counterpart Inc. said it has partnered with insurer Westfield Specialty to launch an admitted management liability policy for nonprofits and small to medium-sized businesses.

Up to $5 million in limits is available, and coverage is already offered in 35 states, Los Angeles-based Counterpart said in a statement.

The MGA, launched in 2019, offers various coverages to businesses with less than $350 million in revenue or fewer than 500 employees.

Vantage offers US primary cyber capacity

Vantage Group Holdings Ltd., a Bermuda-based insurer and reinsurer, said it will offer up to $10 million in U.S. primary cyber insurance capacity through its U.S. insurance subsidiaries.

Coverage is for both first- and third-party costs, including technology errors and omissions, media, network security, privacy liability, data breach notifications and credit monitoring, forensics and investigations, business interruption, data recovery and repair, regulatory fines and penalties, and extortion threats, Vantage said in a statement.

Vantage introduced excess cyber insurance capabilities in the U.S. and Bermuda in 2022.

Vantage was launched in late 2020 and has continued to add coverages since, including surplus casualty and large property lines.

Aon adds government contracting practice

Aon PLC said it has launched a U.S. government contracting practice headed by Michal Gnatek, a former risk manager and broker, and has added former Marsh LLC broker Allison Fogarty to lead the practice's risk and insurance team.

The practice will service accounts previously handled by other Aon practices and offer insurance placement, benefits consulting and other services.

Mr. Gnatek joined Aon as a managing director last year after spending six years as an enterprise risk manager at Mitre Corp., a nonprofit operating federally funded research and development centers. Before Mitre, he worked at Marsh and Lockton Cos. LLC.

Ms. Fogarty, who joined Aon as a managing director last month, was previously a senior vice president at Marsh.

Both executives are based in Washington.

PRODUCTS & SERVICES

One80 policy aimed at chief restructuring officers

Specialty intermediary One80 Intermediaries Inc. said it has launched a liability insurance policy for chief restructuring officers.

The policy includes coverage for restructuring companies as an additional insured and provides up to $30 million in limits. Lexington Insurance Co. and W.R. Berkley Corp. are the insurers for the program, a One80 spokeswoman said in an email.

Chief restructuring officers are typically responsible for the restructuring process of a distressed company and often cannot access directors and officers liability coverage because it is often exhausted when a company is in distress, the statement said.

Guy Carpenter introduces Capital & Advisory group

Guy Carpenter & Co. LLC, the reinsurance brokerage business of Marsh & McLennan Cos. Inc., named former Teneo Holdings Inc. executive Alexander Schnieders to lead Guy Carpenter's new Capital & Advisory group, part of its Global Capital Solutions unit.

The group will raise capital for clients, advise on capital and M&A transactions, create new market capacity, and support new company formation, Guy Carpenter said in a statement.

Mr. Schnieders, who was most recently head of the financial institutions group and co-head of mergers and acquisitions for Teneo, will report to Laurent Rousseau, CEO of Europe, IMEA and Global Capital Solutions, the statement said.

Emerald Bay launches earthquake facility

Specialty insurer Emerald Bay Risk Solutions LLC said it is launching a commercial earthquake facility with Arrowhead General Insurance Agency Inc., a subsidiary of Daytona Beach, Florida-based Brown & Brown Inc.

Arrowhead EQ DIC will provide difference in conditions insurance policies for medium to large businesses, primarily in California and the Pacific Northwest, offering more than $250 million in capacity.

The facility is backed by a group of undisclosed primary reinsurers rated A- or better by A.M. Best Co. Inc.

Emerald Bay launched earlier this year with a strategic investment from Bain Capital Insurance, the insurance investing unit of Bain Capital LLC.

AI developer unveils comp fraud platform

Clara Analytics Inc., a Sunnyvale, California-based developer of artificial intelligence technology for the insurance industry, said it has released Clara Fraud, a platform designed to increase visibility into suspicious workers compensation claims.

The AI product helps claims professionals uncover fraudulent activity and provides alerts to enable insurers to refer suspicious claims for investigation, according to the company.

Clara Fraud analyzes factors including servicing locations, claimants having multiple claims open simultaneously, attorneys working similar cases and exaggerated workers comp claims.

The company said the product examines detailed claims documents to try to uncover suspicious fraud markers using supervised and unsupervised learning to enhance accuracy.

Sentry offers marine cargo capacity

Sentry Insurance said it has partnered with Falvey Insurance Group to offer admitted and nonadmitted marine cargo capacity.

Stevens Point, Wisconsin-based Sentry joins Falvey's existing capacity partners: Lloyd's of London, Chubb Ltd., Beazley PLC, Ascot Group Ltd., Starr Insurance Cos., Accredited Surety and Casualty Co. and Great American Insurance Group Inc.

Sentry launched its specialty lines division in 2022.

DEALS & MOVES

Liberty Mutual agrees to buy surety provider

Liberty Mutual Insurance Co. said it has agreed to acquire Bogota, Colombia-based surety provider JMalucelli Travelers Seguros.

Terms of the transaction were not disclosed. The deal is subject to regulatory approval, Liberty Mutual said in a statement.

JMalucelli has more than 50 employees, who will join Liberty Mutual when the deal closes, and the business will become part of Liberty Mutual Surety, the statement said.

Ambac Financial acquires 60% stake in Beat Capital

Ambac Financial Group Inc. said it signed a definitive agreement to acquire a 60% stake in Beat Capital Partners Ltd., a London-based venture capital company, for $282 million in a cash and stock deal.

Up to $40 million will be paid in shares of Ambac common stock and the remainder in cash, subject to closing adjustments.

The deal is expected to close in the third quarter.

Hilb Group buys German American Insurance

German American Bancorp Inc., a financial holding company based in Jasper, Indiana, said it has completed the sale of the assets of its wholly owned subsidiary German American Insurance to Hilb Group LLC in an all-cash $40 million deal.

The purchase price represents approximately four times 2023 GAI revenue and approximately 24 times after-tax earnings, German American Bancorp said in a statement.

PCF purchases four brokerages

PCF Insurance Services, based in Lehi, Utah, has acquired four brokerages, one each in Iowa, Mississippi, North Carolina and Pennsylvania.

The acquisitions are: The Sinnott Agency, based in Waterloo, Iowa; Roseberry Insurance Agency LLC, based in Hattiesburg, Mississippi; The Brady Agency LLC, based in Sparta, North Carolina; and Ignitist Inc., based in Harleysville, Pennsylvania.

"The commercial insurance landscape will remain challenging in the months ahead. I believe that as we move into the second half of the year, more favorable conditions will present themselves. Yet, some coverage segments, including property and auto, will remain difficult to navigate."

UP CLOSE

Deepak H. Davé

NEW JOB TITLE: Woodbury, New York-based vice president, sales, SterlingRisk

PREVIOUS POSITION: Jericho, New York-based vice president, GP Insurance Agency

OUTLOOK FOR THE INDUSTRY: The commercial insurance market has continued to show volatility. Some sectors have seen decelerated price increases, while other coverage segments are seeing double-digit rate jumps. Considering these inconsistencies, the commercial insurance landscape will remain challenging in the months ahead. I believe that as we move into the second half of the year, more favorable conditions will present themselves. Yet, some coverage segments, including property and auto, will remain difficult to navigate.

GOALS FOR YOUR NEW POSITION: My goals are to increase sales revenue and significantly improve client retention and satisfaction. With the newfound support and resources at SterlingRisk, I am better suited to provide personalized insurance solutions and exceptional post-sales support, fostering long-term client relationships.

CHALLENGES FACING THE INDUSTRY: In the upper middle-market space, we are faced with a myriad of challenges including an evolving regulatory landscape, continued economic uncertainty, competition and market consolidation, client expectations and customization, and talent acquisition and retention.

FIRST EXPERIENCE: One of my first experiences in the insurance field was with a small food delivery company based in Long Island City, New York. I helped them manage various risks as they grew, and it was rewarding to see them eventually go public on an overseas stock market.

ADVICE FOR A NEWCOMER: Be curious and always eager to learn. The industry is complex and ever-evolving, so staying informed about the latest trends and regulations is crucial. Build strong relationships with mentors and colleagues, as their guidance and experience can be invaluable.

DREAM JOB: Racing factory-backed race cars at Le Mans.

COLLEGE MAJOR: I chose to dive straight into the business world instead of attending college. This decision allowed me to gain invaluable hands-on experience in multiple fields. I had the unique opportunity to learn not only about insurance but also real estate development and small-business operations.

LOOKING FORWARD TO: I am excited about the opportunity to connect with a more diverse set of clients and help them navigate their insurance needs. Building strong relationships, staying ahead of industry trends, and continuously learning are all aspects I find particularly rewarding.

FAVORITE MEAL: My favorite meal must be buffalo wings. I was a vegetarian until I was 21, but that changed when I was living in Texas.

FAVORITE BOOK: "Atomic Habits" by James Clear.

HOBBIES: Cars. I come from a multigenerational family of automobile enthusiasts. The passion began with my father when he arrived from India in the early '70s and has been passed down.

FAVORITE TV SHOW: HBO's "The Wire."

ON A SATURDAY AFTERNOON: Watch Formula 1 qualifying with my two boys.

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ON THE MOVE

Willis Towers Watson PLC named **Tia Wilson** deputy regional leader and global client advocate, corporate risk and broking, North America. Ms. Wilson, based in Philadelphia, had been senior managing director within Aon PLC's reinsurance solutions business.

CNA Financial Corp. said **Doug Worman** will become CEO and president Jan. 1, 2025, succeeding Dino Robusto, who will become executive chairman. Mr. Worman is currently executive vice president and global head of underwriting.

Hiscox Ltd. said **Mary Boyd**, formerly CEO of the independent agency business at Plymouth Rock Assurance Corp., was named CEO of Hiscox USA. She replaced Kevin Kerridge, who stepped down to pursue other opportunities. Mr. Kerridge joined Hiscox in 1996 and was named U.S. CEO in 2021.

Gallagher Re, the reinsurance broking unit of Arthur J. Gallagher & Co., promoted Minneapolis-based **April Engelman** to chief operating officer, North American region. She succeeded Mark Hansen, who was promoted to COO, Gallagher Re. Ms. Engelman had been executive vice president and operations director for North America.

NFP Corp., a unit of Aon PLC, hired **Jim Merrill**, former American Global LLC senior vice president, surety, as senior vice president, construction and infrastructure. Mr. Merrill is based in New York.

Markel Group Inc. named **Kyle McGrath**, formerly with American International Group Inc., as head of fine art, North America. New York-based Ms. McGrath previously was vice president, head of fine art and collections, for AIG's private client group.

Neighbors want doggone plant gone

While Purina's slogan says, "Every pet deserves the best life," residents in a neighborhood north of downtown Denver say a pet food plant operated by Nestle Purina Petcare Co. robs them of theirs.

After years of complaints about the smell coming from the plant, area residents are suing, alleging that 2,000 households near the facility have consistently been hit with "rancid" and "noxious" odors, according to 9 News.

"Plaintiffs and members of the putative class suffer serious discomfort because of Defendant's noxious odors that interfere with their use and enjoyment of property," according to the lawsuit, which the television station accessed.

The suit claims the plant has "failed to install, maintain, operate, develop and/or implement adequate odor mitigating strategies" and wants it declared a nuisance.

Madonna concert like porn show: Suit

Madonna and concert promoter Live Nation are facing another lawsuit over the infamously risqué singer's Celebration tour: this time alleging that the March 7 Los Angeles show was "pornography without warning" and that the plaintiff "was forced to watch topless women on stage simulating sex acts."

In the lawsuit, the plaintiff contends that the show started too late — mirroring a separate lawsuit filed and later dropped in New York this year — and that the temperature inside Kia Forum was "uncomfortably hot as required by Madonna who refused to allow the air conditioning to be turned on."

The plaintiff was "profusely sweating and became physically ill as a result of the heat. When fans complained about the heat, Madonna unreasonably told them to take their clothes off," the suit states.

NATIONWIDE NOT ON YOUR PET'S SIDE

Nationwide Mutual Insurance Co. announced that its pet insurance business is taking "underwriting actions" to "maintain long-term viability and profitability" by not renewing about 100,000 policies through mid-2025.

"As pet lovers ourselves, we understand the emotions connected to the protection of our family pets" yet "inflation in the cost of veterinary care and other factors have led to recent underwriting changes and the withdrawal of some products in some states — difficult actions that are necessary to ensure a financially sustainable future for our pet insurance line of business," the insurer said.

The cancellations will "comply with the law and our contracts, and are not associated with the pet's age, breed or prior claims history," the insurer said.

Getting creamed over pistachios

Cold Stone Creamery has been sued over alleged deceptive advertising after a Long Island woman discovered its pistachio ice cream may not actually contain pistachios, USA Today reported.

Jenna Marie Duncan of Farmingdale, New York, claims she purchased pistachio ice cream from a Cold Stone location in Levittown in July 2022 and "reasonably believed that the pistachio ice cream she purchased from defendant contained pistachio," according to the class-action lawsuit accessed by the news outlet.

Ms. Duncan said she learned on the company's website that there were no pistachios in the ice cream, but rather "pistachio flavoring" consisting of water, ethanol, propylene glycol, natural and artificial flavor, Yellow 5 and Blue 1, according to the lawsuit.

Fairytale ending spoiled for workers

Villains. Faraway lands. Promises. Hopes dashed. All the makings of a sappy Disney film have made their way into a lawsuit filed by two members of Walt Disney Co.'s product design team.

According to The Washington Post, the two employees, who filed their lawsuit in Los Angeles County Superior Court, say the company pressured them and several others to relocate from swanky Southern California to Orlando, Florida, where they had purchased new homes after selling their West Coast digs to join a new venture — plans that were squashed following battles with Florida Gov. Ron DeSantis.

Disney employees Maria De La Cruz and George Fong said the company in 2021 dazzled them with the opportunity to relocate to Lake Nona, a planned community in Orlando, under the promise of affordable housing, strong schools and a new office with extensive amenities, according to the lawsuit.