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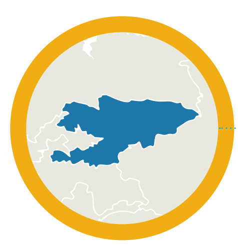
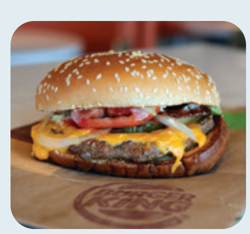


VIEW FROM THE TOP



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Bermuda weighs corporate income tax proposal

BY MATTHEW LERNER
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A proposal by Bermuda to institute a corporate income tax will have ramifications for companies on the island, but most observers don't expect the measure to undermine its status as an international insurance and reinsurance market.

The proposal, announced in August, came amid the Organization for Economic Co-operation and Development's years-long crackdown on tax havens, so the government is acting proactively to ensure that any taxes collected will benefit the British Overseas Territory, experts say.

Nevertheless, the proposal would restrict Bermuda's status as a tax-advantaged domicile, which has made it an attractive location for international businesses.

Planned to take effect by the 2025 tax year or after, the proposed corporate tax rate would be between 9% and 15% and is designed to bring the island into compliance with the OECD's Pillar II framework for a global minimum tax on corporate earnings, which was agreed to in 2021.

> "Bermuda's advantageous tax status will be reduced at the margin with the net profitability gap between Bermuda and non-Bermuda companies expected to narrow over time."
>
> Brian Schneider, Fitch Ratings

If Bermuda does not move into compliance with the OECD's tax plan, the island could be subject to taxation by other tax jurisdictions that are members of the framework.

Bermuda essentially had two choices when faced with the OECD's policy, said Sean Bray, Madison, Wisconsin-based director of European policy for the Tax Foundation, a Washington-based nonprofit. Leaving its taxation system as it is and not implementing Pillar II would leave the island open to top-off taxes by other jurisdictions, which would then collect and benefit from the funds.

The other option is the path the island is taking with its own implementation of a corporate income tax. "You can still be a competitive business environment even if you comply with Pillar II rate rules," Mr. Bray said.

"Bermuda had to do something," said Joseph B. Sieverling, Washington-based senior vice president, for the Reinsurance Association of America. "If Bermuda didn't implement some sort of income-based tax on corporations, then other countries could tax that Bermuda income."

The island currently derives revenue from various other taxes such as payroll tax, import duties and land tax.

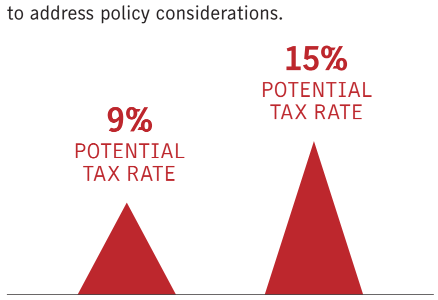
Most observers do not expect drastic changes given Bermuda's entrenched position as an insurance and reinsurance hub, but the island may see some marginal effects on business operations.

"Bermuda wants to make sure it continues to be fully compliant in a fully cooperative tax jurisdiction and maintain equivalency to the EU," said Brian Schneider, Chicago-based senior director and global head of reinsurance at Fitch Ratings Inc.

"Bermuda's advantageous tax status will be reduced at the margin with the net profitability gap between Bermuda and non-Bermuda companies expected to narrow over time. However, the overall benefits of maintaining a Bermuda market domicile and operations will likely endure," due to the robust underwriting expertise and strong and efficient regulatory regime, Mr. Schneider said.

POTENTIAL TAX RATE

The Government of Bermuda will conduct further analysis to determine the appropriate corporate income tax rate but currently believes a rate within a range of 9% to 15% may be appropriate to address policy considerations.



Source: Government of Bermuda Ministry of Finance

Bermuda's regulatory framework and commercial reputation will help it maintain its position as a significant international market, sources said.

"The supportive regulatory framework and commercial stance the Bermuda Monetary Authority adopts will continue to encourage new start-ups to see Bermuda as an exciting place to launch. There is a significant amount of strong underwriting talent and leadership based here which cannot be dismissed when considering the longer-term appeal of this jurisdiction," said Ben Radford, head of Bermuda at Gallagher Re, the reinsurance brokerage unit of Arthur J. Gallagher & Co.

"The general sentiment is that it is manageable. Bermuda is more than just tax; Bermuda is a genuine market. The relationship between the industry and the regulator is unique, and the ability to raise capital and deploy quickly is a differentiator for Bermuda," said one senior reinsurance executive working on the island, who did not want to be identified.

He added that "this has been on the radar for a few years" and that the property/casualty industry has been "very engaged in the process. There's not a surprise factor here."

John Huff, president and CEO of the Association of Bermuda Insurers & Reinsurers, said the organization is part of the international tax working group set up by the Bermudian government and participated in the government's initial consultation period, which closed to comments Sept. 8.

The tax proposal likely won't cause "significant disruption" to the Bermuda market, he said.

In an email the Bermuda government stated: "Based on the preliminary feedback received and the collaborative approach taken, the Government of Bermuda believes key stakeholders support the policy proposals."

NEW APPROACH MAY BENEFIT DOMICILE

As Bermuda considers a proposal to implement a corporate income tax to bring it into compliance with Organization for Economic Co-operation and Development tax initiatives, observers say it may give the island an opportunity to craft a potentially improved tax structure.

"In many ways, this may be an opportunity to build from a clean slate an income tax-based regime which works better for the market," said John Huff, president and CEO of the Association of Bermuda Insurers & Reinsurers.

Bermuda currently derives government revenue from a mixture of consumption taxes, including payroll taxes, customs taxes and duties, he said.

Other observers agreed that while the new tax was largely foisted on the domicile, it could benefit from crafting a new taxation system.

"One of the advantages is that when you are starting with a clean slate, you may be able to design a system that is attractive" and less complex than other existing systems, said one senior Bermudian reinsurance executive, who did not want to be identified.

He noted that such a tax system would likely require the creation of a governmental revenue agency.

"There is no infrastructure in place to administer this," the executive said. "That will have to be carefully thought out" in a relatively short amount of time, he said.

Another part of the equation for an income tax is the lack of diversity between companies on the island, the executive said. The concentration of property/casualty insurers and reinsurers will form a very homogeneous tax base, and the companies essentially all earn or lose money on the same cycle, potentially leading to an uneven progression of tax windfalls and shortfalls.

"The Bermuda government is going to have to figure out how to solve for the inherent volatility of their corporate income tax payors," he said.

Matthew Lerner

Comp sector ponders ‘forever chemicals’ risks

BY LOUISE ESOLA
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Adverse health effects of so-called “forever chemicals” — an ongoing topic for general liability insurers — are making their way into discussions about potential claim activity in workers compensation, experts say.

Otherwise known as PFAS, an abbreviation for perfluoroalkyl and polyfluoroalkyl substances, the chemicals are used in manufacturing a wide array of everyday items and do not break down naturally. They have become problematic in recent years as science has exposed their dangers.

PFAS are almost everywhere — 97% of the U.S. population has the chemicals in their system — and can cause myriad health issues, including kidney disease, autoimmune disorders, effects on the reproductive system, birth defects and a variety of cancers, according to the U.S. Centers for Disease Control and Prevention.

The CDC named several occupations that are known to be exposed to PFAS more than the general U.S. population — chemical manufacturing workers and firefighters are the most affected — yet workers compensation experts say government policy changes and more attention in the media are raising concerns for workers in various other industries.

“They say it’s the next asbestos,” said Richard Czaplinski, Meriden, Connecticut-based senior loss control specialist with AmTrust Financial Services Inc., adding that it isn’t surprising that the issue is finding its way into comp. “It’s a chemical that’s been used for years in industries.”

In the federal government alone “there is a lot of scrutiny” concerning the current and historic use of PFAS, said Eduardo Benatuil, a Chicago-based broker in the umbrella and excess liability large and complex casualty practice for Willis Towers Watson PLC.

There’s also an active plaintiffs bar that has seen PFAS-related property/casualty lawsuits settled for undisclosed sums, causing some to compare them to tobacco settlements, experts say.

“From a brokerage standpoint it’s something we are keeping a very close eye on,” Mr. Benatuil said.

For employers and workers compensation insurers, widespread awareness may lead to claim activity.

Claim disputes will be costly, experts say, as PFAS face a question common in comp with cancers and other ailments with dormancy periods: Was the worker exposed enough to connect an illness to the chemicals?

“Workers compensation claims still need to be evaluated like they are for any type of alleged injury; we need to determine if the alleged injury or exposure occurred while the employee was in the course and scope of their employment,” said Dennis Tierney, Norwalk, Connecticut-based national director of workers compensation claims for Marsh LLC. Much will depend on medical evidence, he added.

> “When it comes to workers compensation and forever chemicals, it is an area that’s very murky.”
>
> Haytham Zohny,
> Arthur J. Gallagher & Co.

The prevalence of PFAS in the environment “is going to make it harder for an injured worker to prove that (their illness) is causally related. They would have to give a specific connection to how they were exposed … and how that’s connected to their job,” Mr. Tierney said.

The science is also unclear, said Haytham Zohny, New York-based senior vice president, complex risk and casualty practice, for Arthur J. Gallagher & Co.

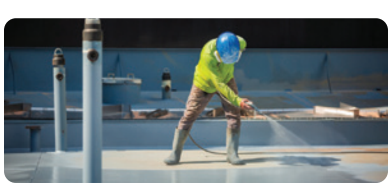
“When it comes to workers compensation and forever chemicals, it is an area that’s very murky,” he said. “Going back to asbestos, there’s a direct connection usually shown between asbestos and the cancer mesothelioma,” Mr. Zohny said.

With PFAS, it’s “hard to trace” a clear connection between exposure, illness and causation in some cases, said Christopher Garrabrant, Naperville, Illinois-based senior principal risk engineer for Zurich North America, who also compared PFAS with asbestos.

“There have been studies that show the connection between exposure and some types of illnesses, but those types of illnesses could be caused by numerous other factors,” Mr. Tierney said. “What we’re starting to see in the workers compensation space is concern around whether (PFAS) can be covered … or whether it can be determined that the cancer or illness was caused by another type of exposure.”

Repeated exposure to the toxin must also be factored in, said Mr. Czaplinski, who compared PFAS exposure to work-related hearing loss: How often the worker was exposed to the hazard will be a factor.

“It’s the long-term exposure,” he said. “You have an employee that works in a metal shop who one day is exposed to the noise level at or above 90 (decibels),” which is considered loud. “It’s not going to really injure the employee; he might have some ringing in the ear but the next day he’s going to be fine. It’s the five to 10 years’ exposure (to that sound) that will cause injury,” he said.



PFAS IN CONSTRUCTION

While the manufacturing industry has long been linked to “forever chemicals” exposure, widespread use of products containing PFAS has put other industries on notice. For example, in construction, PFAS have been found in:

- Roofing materials: from coatings on metal roofs to prevent corrosion and scratches and reflect solar rays to roofing nails and asphalt shingles
- In paints with certain resistant properties, wood sealers and metal coatings used for bridges and industrial construction
- In grout, concrete sealers, O-rings, caulk, adhesives and electrical wiring, as well as in glass to make it more durable and prevent dust buildup, including in solar energy panels

Source: Zurich North America

STRONGER SAFETY MEASURES HELP CUT CHEMICAL EXPOSURES

As the workers compensation industry grapples with the possibility of claim activity stemming from alleged exposure to “forever chemicals,” experts say enhanced safety protocols help with managing the risk.

“Even though it’s an emerging and difficult, complex issue, basic risk management tells us that we want to evaluate what the risk is, evaluate what our exposure is, and then start taking steps to engineer it, replace it, eliminate it, reduce exposures to it so that we can protect customers, employees and the general public,” said Fred Myatt, Durham, North Carolina-based assistant vice president of technical underwriting for liability for Zurich North America.

Richard Czaplinski, Meriden, Connecticut-based senior loss control specialist with AmTrust Financial Services Inc., referred to the Occupational Safety and Health Administration’s 10-year-old revised hazard communications standard, which calls on employers to warn about and mitigate chemical hazards.

“Employers should be having an inventory of all the chemicals they have in their workplace,” he said, adding that such chemicals are required to have a safety data sheet. “The employer is required by law to review each and every one of those safety data sheets with the employee.”

The data sheets address mitigation issues, such as the type of personal protective equipment employees working with the chemical should be using, and how the chemicals are measured in the environment, Mr. Czaplinski said. “There are control mandates for both the manufacturer and the employer,” he said.

Louise Esola

Mental health claims face growing scrutiny

BY JON CAMPISI
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Employers and insurers are more likely to challenge the treatment of mental injury claims as workers compensation systems see an increase in claims with a psychological element, experts say.

Although fewer mental injury claims are denied outright as states expand comp presumptions for workplace psychological injuries, treatment for those claims is more heavily scrutinized through dispute mechanisms such as independent medical evaluations.

In addition, special expertise is needed to evaluate mental injuries, which complicates the claims and evaluation process.

"There's always been some skepticism around mental health claims in the work comp environment," said Michele Tucker, a San Francisco-based vice president with Marsh LLC.

Hard data on mental reviews is hard to find, but a report from the California Division of Workers' Compensation shows that treatment requests in the state that are most often overturned during the independent medical review process are for behavioral and mental health services out of all treatment service categories.

STATE LEGISLATION

As of July 31, state legislatures across the country had introduced 86 different bills this year dealing with workers compensation for mental injuries. While most bills were specific to first responders, Connecticut passed a mental injury presumption law applicable to all employees. The following states enacted legislation this year pertaining to workers comp for mental injuries.

Connecticut	Tennessee
Idaho	Texas
Missouri	Virginia
Nevada	Washington

Source: National Council on Compensation Insurance

California figures show that while mental and behavioral health service requests increased between 2020 and 2022, overall independent medical review activity decreased during that same time frame.

Mental health independent medical reviews can be a paperwork task – collecting information from claimants' medical records – which occurs when there is a challenge to recommended treatment, said Les Kertay, Chattanooga, Tennessee-based senior vice president for behavioral health with workers compensation services provider Axiom Medical Consulting LLC.

But in-person exams can also be scheduled if injury causation is queried, Mr. Kertay said. In those cases, clinicians conducting independent medical reviews vary by state, with jurisdictions either requiring the professionals conducting the reviews to be psychiatrists or clinical psychologists, he said.

"In mental health, we typically have symptoms and observations, but there really aren't hard signs," he said. "There's not a blood test. I think that complicates things and makes it more likely that people will have some degree of skepticism."

But outright denying claims can be difficult, and the comp industry is denying or disputing fewer mental health claims than in the past, Ms. Tucker said.

One reason fewer mental health claims are being denied is the expansion of mental injury comp presumptions, said Alex Swedlow, president of the California Workers' Compensation Institute. Numerous states have expanded presumptions to include conditions such as post-traumatic stress disorder (see related story).

"There would be a logical conclusion that as the number of mental health cases goes up, from conclusive presumptions, so will psychiatric services," Mr. Swedlow said.

Most of the presumptions apply to first responders, but Connecticut created a mental injury presumption for all employees.

While there remains skepticism about the claims, some comp experts say the increase in mental injury comp claim acceptance reflects societal shifts regarding psychological health.

"We have a mental health crisis in this country. Is that going to weave its way into workers comp? Absolutely," said David Langham, Florida's deputy chief judge of workers compensation claims.

Proving mental injuries resulted from the workplace can be difficult, and those questions are "inherently going to lead into the independent medical examination process," Judge Langham said.

The use of procedures such as utilization reviews and independent medical evaluations in claims involving mental injuries is likely to increase, Ms. Tucker said.

Independent medical reviews typically come after utilization reviews and peer reviews have been exhausted, and are traditionally rarer in treatment disputes, said Atlanta-based Alex O'Neal, CEO of Arbicare LLC, a utilization management services company.

When treatment challenges involve behavioral and mental health claims, it can be difficult for claims professionals, who are often not clinically trained, to understand whether mental injuries relate to underlying psychological issues or stem from workplace injuries, he said.

"Did whatever happened that caused that injury help create these mental health issues and these mental health disorders or were they preexisting and already a part of that person's normal, ongoing life," Mr. O'Neal said. "That is a really challenging thing to understand."

When addressing mental injury treatment appropriateness, confusion can stem from whether a condition is strictly physical, strictly mental, or both, said Kenji Saito, Augusta, Maine-based president of the American College of Occupational and Environmental Medicine.

Some physical conditions can also lead to secondary mental health issues, he said, adding that the most common reason behind treatment denial in mental health claims is improper diagnosis.

"The challenge is, we don't have good long-term outcome studies on a lot of these treatment modalities," he said. "There are going to be a lot of what-ifs until we really define what do we mean in terms of diagnosis."

COMP PRESUMPTIONS EXPAND, PUSHING BOUNDARIES OF MENTAL INJURY BENEFITS

As mental injury workers compensation claims rise, some experts point to expanding psychological injury presumptions in many states as a reason.

Several states have added conditions such as post-traumatic stress disorder as presumptive occupational injuries, a movement that some attribute to legislators' reaction to work-related issues experienced by first responders and others during the COVID-19 pandemic.

This year, eight states created presumptions or enhanced existing ones, following the 25 states that have laws that simplify the process for mental injuries in workers comp. Most of the laws require that a worker witness a qualifying traumatic incident, such as a death, to qualify for benefits, and some can be rebutted if it is proven that the mental injury was not caused by work.

"Some people feel (presumptions are) really growing in intensity," said Alex Swedlow, president of the California Workers' Compensation Institute.

Presumption laws for mental injuries are expanding due to greater societal focus on psychological health and the loosening of the stigmas surrounding the issue, said Les Kertay, Chattanooga, Tennessee-based senior vice president for behavioral health with workers compensation services provider Axiom Medical Consulting LLC.

While many states have expanded mental injury presumptions for first responders, Connecticut this year went a step further and introduced a presumption for all employees, a move experts say could lead to the filing of more mental health claims and possibly more cases of independent medical review when treatment is challenged.

Jon Campisi

NEWS ANALYSIS

E&S executives rue talent shortage

BY JUDY GREENWALD
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SAN DIEGO — The excess and surplus lines sector is facing a critical and growing shortage of younger employees as more business continues to flow into the sector, industry leaders say.

The recruiting challenge was a topic frequently raised by attendees at the Wholesale & Specialty Insurance Association's Annual Marketplace in San Diego last month.

To address the problem, companies should try to improve the industry's negative image, establish training programs and fund endowments at universities, they said.

More workers are needed to handle the E&S sector's growth, as employees age and retire, observers say. Total annual surplus lines market premiums increased 19.2% in 2022 to $98.5 billion, the fifth increase in annual premiums in a row, according to Oldwick, New Jersey-based A.M. Best.

But finding the talent to take advantage of the demand for E&S business is a challenge, attendees said.

The underwriting talent shortage was "the most frequently talked about issue" at the conference, said Tim Turner, president of Chicago-based Ryan Specialty LLC. "The industry didn't do a very good job" of training new employees, he said.

"We are going to see attrition due to just retirement," said Rebecca Gitig, Los Angeles-based head of U.S. primary liability at Aspen Insurance Group.

"The insurance industry is losing a lot of talent every year," said Alan Jay Kaufman, chairman, president and CEO of Farmington Hills, Michigan-based H.W. Kaufman Group.

Intern programs are not enough to address the issue because those individuals are already interested in insurance, he said.

The industry needs to bring diverse experience and candidates into the sector, said Mike Mulray, Warren, New Jersey-based executive vice president and president of North America at Everest Insurance, the insurance division of Everest Group Ltd.

"I think we've made progress, but you're coming off a low base. There's still a lot to be done," he said.

There are not enough people to keep up the sector's pace of growth, said Erich Bublitz, Kansas City, Kansas-based head of excess and surplus for AmTrust Financial Services Inc.

"We probably as an industry fell down a little bit in getting ahead of the problem, but the explosion of E&S has really brought it to the forefront again, and it's exacerbated by the fact that the industry is aging," he said.

The question is how to address the loss of headcount and expertise that is going to develop over the next few years, Mr. Bublitz said, adding that while there is no easy solution, the first step is to talk about it.

A lot of people's mistaken perception about the industry is that it involves filling out forms and sitting behind desks "and that we're not in a relationship business," he said.

Ms. Gitig said Aspen has addressed this issue with a trainee program, in which recent graduates "get a taste of our business."

In September, the company replaced someone retiring at the end of the month with a graduate of the program. The graduate completed a six-month rotation in her unit and later returned to take on the position.

In addition, the insurer has tried to hire people with different perspectives and backgrounds, she said.

Mr. Kaufman pointed to St. John's University in New York, which renamed its School of Risk Management, Insurance and Actuarial Science the Maurice R. Greenberg School of Risk Management, Insurance and Actuarial Science. The Starr Foundation, of which Mr. Greenberg is chairman, gave a $15 million donation to the university in 2018.

Mr. Kaufman, who has long stressed the need for recruiting in the industry, endowed a professorship in insurance in 2016 at the Eli Broad College of Business at Michigan State University for an undisclosed amount.

RANSOMWARE ATTACKS ACCELERATE AFTER LULL

Companies are experiencing a worrisome recent increase in ransomware demands.

The increase follows an apparent relative lull in payments related to the war in Ukraine, as cybercriminals in that region appeared to be at least temporarily diverted by the conflict, said executives at the Wholesale & Specialty Insurance Association's Annual Marketplace last month in San Diego.

"We feel like we've got a year-and-a-half reprieve from ransomware attacks," which may have been because of the focus on the war, said Jeff Kulikowski, senior vice president, professional lines, for Westfield Specialty, a unit of Westfield Insurance Co.

There was "definitely more ransomware in the last quarter," said Derek Kilmer, associate managing director, professional liability, with Burns & Wilcox in Farmington Hills, Michigan.

Julie Marvel, Indianapolis-based vice president-southeast underwriting manager for Axa XL, a division of Axa SA, said that while there may have been a slowdown, "ransomware didn't go away." She noted there have been ransomware issues in the oil and gas, municipalities and education sectors.

Mr. Kulikowski pointed to cyberattacks on the casino operations of MGM Resorts International and Caesars Entertainment Inc. last month and said, "It is hard to tell whether (cybercriminals') pattern of attacks has completely changed." The focus recently has been on higher volume, smaller attacks, particularly against small to midsized companies, he said.

"We have to figure out" if this is a one- or two-off situation, or the start of a trend, Mr. Kulikowski said.

Megan Spencer, Atlanta-based senior underwriter, cyber and tech, at Axa XL, said the casino attacks show that companies "must open up their eyes" and that these attacks are a matter of "not if but when" and increase their cybersecurity presence.

Michael Phillips, New York-based cyber practice leader USA for CFC Underwriting Ltd., said the cyber market is "a very unsettled place." There is continued confusion around pricing, with a number of markets that have responded to ransomware frequency with quick corrections, he said.

"For brokers and buyers, that instability is making it difficult to close the sale," Mr. Phillips said. "It's making clients skeptical about the integration of the product when the prices are spiking up and down with a lot of volatility."

Steve Robinson, Cambridge, Maryland-based national cyber practice leader, executive lines, for Risk Placement Services Inc., an Arthur J. Gallagher & Co. unit, said that in next year's second quarter, "I envision there being some upward adjustment in rates, perhaps a return to more underwriting discipline."

There cannot continue to be "higher frequency and lower pricing for so long before loss ratios go up," and when that happens there must be adjustments to ensure profitability, he said.

Judy Greenwald

SURPLUS LINES MARKET SEES INFLUX OF PROPERTY BUSINESS

The excess and surplus lines industry is being challenged by the turmoil created by this year's natural catastrophes.

But the sector's discipline will allow it to address the numerous catastrophes that have affected the market, including wildfires, hurricanes and an increase in convective storms, industry executives said last month at the Wholesale & Specialty Insurance Association's Annual Marketplace in San Diego.

Wind-exposed property catastrophes were a focus of discussions at the conference, but there was also much attention paid to secondary perils, including wildfires, winter storms, convective storms and tornadoes.

"It's just the weather-related risk and how the market is continuing to sort that out and provide the right kind of risk transfer solutions," said Matt Dolan, president of North America specialty at Liberty Mutual Insurance Co. and its Ironshore unit.

"Admitted insurers are trying to right size their portfolios," so business is flowing into the E&S sector, said Michael Carr, executive vice president and head of E&S property at Axis Capital Holdings Ltd. in Alpharetta, Georgia.

Tim Turner, president of Chicago-based Ryan Specialty Holdings LLC., said there has been much focus on catastrophe risks. "It's basically pushing more business into the nonadmitted market and creating more opportunities for more carriers," he said.

"It takes twice as many carriers in many cases to complete the layering opportunities in the E&S market. There's enough capacity in the market for us to accomplish completing most of these accounts."

Mr. Turner said that while eventually some business will migrate back into the admitted market, structural changes have modified the E&S market "for the foreseeable future." He said he expects much of the catastrophe business will stay in the E&S market "because it's so volatile."

"There's no one writing large limits," he said, adding it is "more disciplined in terms and conditions in the E&S market today."

It has been a challenging market, said Michael Garrison, Red Bank, New Jersey-based head of wholesale, global specialty, for Navigators, a unit of the Hartford Insurance Group.

Property catastrophes were "historically rated for wind and earthquakes," he said. "Now, we have multiple models out there," including for wildfires and convective storms.

Judy Greenwald

Data, measurable results vital to improve diversity in insurance

BY LOUISE ESOLA
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CHICAGO — Tracking progress is essential in improving diversity in the insurance industry, according to several executives who spoke during a panel discussion last month that kicked off the *Business Insurance* Diversity Equity and Inclusion Institute's DEI Leadership Conference.

"It starts with looking at our data," said Aaisha Hamid, Washington-based assistant vice president and DE&I manager at Alliant Insurance Services Inc.

"We're looking at our demographic data information monthly to figure out what the overall population is at various levels, if that's changing over time," she said. "That's one measure of progress right there — that we're not just bringing in underrepresented talent, we're actually retaining and advancing them."

Measuring progress on initiatives is also paramount, she said.

"That's the biggest thing — to change culture," she said. "The behaviors have to change. … At the end of every single program, we give tactical prompts or actions that leaders can take with their teams to move forward. And, then, as a form of accountability, we survey (workers) to figure out how many leaders actually took those actions."

Michael Marcotte

A panel of business and DE&I leaders discussed the progress of diversity efforts at *BI*'s DEI Leadership Conference in Chicago Sept. 13-14.

Mike Hessling, CEO for North America at Rolling Meadows, Illinois-based Gallagher Bassett Services Inc., a subsidiary of Arthur J. Gallagher & Co., said data goes beyond tracking hiring practices; tallying engagement is another way to ensure workers are thriving.

"We look at what's the perception among our team members," he said. "We look at engagement scores and, in particular, engagement around the topic of belonging. … As we looked at populations within our overall organization, certain populations didn't quite share that same sentiment."

For example, at the launch of the company's DEI initiative in 2020, Black workers "didn't have nearly the same engagement scores and, in particular, 'belonging' scores as the rest of our team," said Mr. Hessling, adding that the percentage of Black workers who felt they belonged increased by more than 20% in recent surveys, which is in line with how other colleagues feel.

Todd Campbell, Atlanta-based president and CEO of Builders Insurance Group, said companies that continue to show progress will gain leverage with younger insurance executives.

"One of the No. 1 questions we get asked by people coming off college campuses is: What are your commitments around (diversity and inclusion)?" he said. "So whether or not those in positions of leadership today are committed, I can tell you that the next generation of talent is incredibly committed to this topic. And that's a winning area for everybody to focus on, looking to grow your business."

Greater participation needed to fight DE&I fatigue

Fatigue with diversity, equity and inclusion programs can hinder organizations' efforts to create more diverse workforces, a panel of DE&I experts said.

To ensure that diversity efforts continue, DE&I advocates should recognize the obstacles they face and work to draw more people into the programs, they said.

The average tenure of a chief diversity officer is just under two years, said Lauren Young, Chicago-based chief diversity and inclusion officer at Travelers Cos. Inc., who moderated the session at the *Business Insurance* Diversity Equity and Inclusion Institute's DEI Leadership Conference in Chicago last month.

The short tenure is in part due to increased scrutiny of DE&I programs, the panelists said.

"DE&I is being scrutinized now more than ever and I think that is what's leading to some of the fatigue," said Jeanette Kilo-Smith, regional head of diversity & inclusion at Zurich North America in Schaumburg, Illinois.

In addition, the U.S. Supreme Court's decision in *Students for Fair Admissions Inc. v. Harvard College* in June, which overturned affirmative action in college admissions, led to closer examination of the programs, she said.

"There is an expectation by some companies and organizations that there's going to be spillover from that decision into corporations," Ms. Kilo-Smith said.

Companies are concerned about allegations of reverse discrimination, she said, adding, "No organization wants to be that test case."

Zurich held an internal webinar to discuss the Supreme Court decision and to ensure that employees realized that the company would continue with its DE&I efforts, Ms. Kilo-Smith said.

"This isn't going away, and I think that reminder was very important for people," she said.

DE&I is already a tough field because it requires changing underlying cultures in organizations, said Sal Richardson, a Fort Lauderdale, Florida-based partner at law firm Quintairos, Prieto, Wood & Boyer PA.

"A lot of it is DEI professionals deciding 'I'm not going to waste my time giving you the keys to the kingdom while you do nothing about it,'" he said.

"This space is really about change management and people don't like to change, but we have to lean into that," said Carlos Herrera, vice president of diversity, equity and inclusion at Ryan Specialty LLC in Chicago.

To address fatigue with diversity efforts, DE&I professionals should make sure they and their companies are making commitments they can honor and are able to take proactive steps to achieve their goals, Ms. Kilo-Smith said.

Organizations also need to give opportunities to employees who are not aware that they can participate in DE&I efforts, said Charles Allen-Walter, Irvine, California-based co-founder of Link USA, an LGBTQ+ insurance association.

For example, straight white men may feel that their involvement is unwanted or viewed as disingenuous, he said.

"Continuing to provide more options to help with awareness and self-reflection are key," Mr. Allen-Walter said. Organizations that are slow to support DE&I may lose out on business opportunities, he said.

Gavin Souter

REBEKAH RATLIFF PRESENTED WITH HERNDON AWARD

Rebekah Ratliff, an international mediator and arbitrator with the Judicial Arbitration Mediation Service and former complex insurance claims professional, is the winner of the 2023 Alonzo Herndon Award.

The award, which is presented by *Business Insurance*'s Diversity Equity and Inclusion Institute, recognizes an individual dedicated to supporting diversity and inclusion efforts in the insurance industry.

Board members of the DE&I Institute select the award winner from nominations received from individuals and organizations across the insurance sector.

Based in Atlanta, Ms. Ratliff spent 25 years evaluating, negotiating and settling casualty claims at various global insurers before founding Capital City Mediations LLC, a mediation, arbitration and consulting firm, in 2016. She joined JAMS in 2020 as the first non-attorney African American to join the panel.

Ms. Ratliff also founded CCM Consulting Associates LLC, an executive level DE&I consulting and training company.

Among other affiliations, she is a member of the National Board of the National African American Insurance Association, 1st vice chair of the National Bar Association's Alternative Dispute Resolution section and an adjunct professor at Howard University School of Law. In addition, she founded HBCU IMPACT, a nonprofit created to attract, educate and employ students at historically Black colleges and universities in insurance, risk management and the law.

2023 Alonzo Herndon Award winner Rebekah Ratliff

In 2021, she was named one of the *Business Insurance* Women to Watch.

The Alonzo Herndon Award is named in honor of the visionary businessman who, more than 100 years ago, founded what would become the Atlanta Life Insurance Co., one of the United States' largest and most successful Black-owned businesses.

Mr. Herndon was born into slavery in 1858 and worked as a laborer from a young age. With almost no schooling and no money, his perseverance and entrepreneurial spirit drove him to great success, opening service businesses in Atlanta that were joined to form a landmark company. Today, the Alonzo Herndon Foundation honors his legacy and supports programs and policies in keeping with his vision.

Ms. Ratliff was presented with the award last month at the annual *Business Insurance* Diversity Equity and Inclusion Institute's DEI Leadership Conference in Chicago.

Gavin Souter

BUSINESS INSURANCE

WORLD CAPTIVE FORUM

JANUARY 25-26, 2024

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- **Reinsurers**
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PROFILE: KYRGYZSTAN

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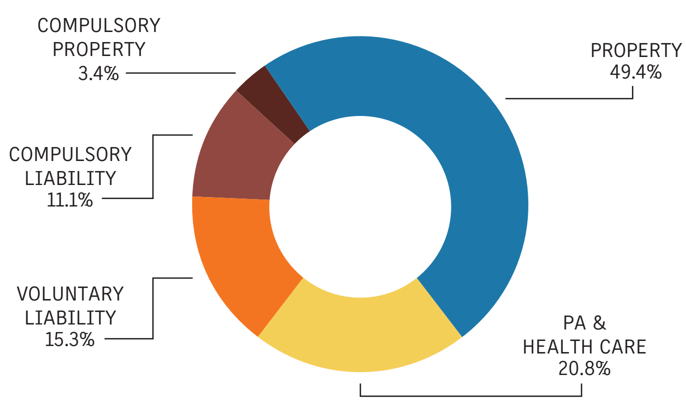
GLOBAL P/C MARKET RANKING

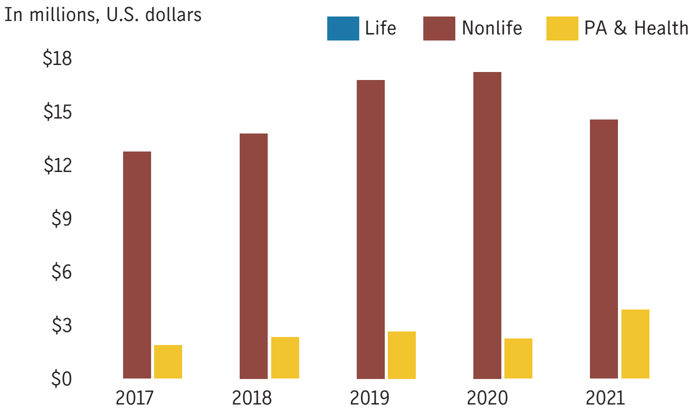
The insurance market in Kyrgyzstan remains small and undeveloped compared with its neighbors Kazakhstan and Uzbekistan. Individuals and companies often only buy insurance when it is compulsory. Turmoil within Kyrgyzstan in 2020 and border clashes with neighboring Tajikistan in 2021 led to international insurers and reinsurers expressing greater caution when writing risks from the country. Russia's war with Ukraine has also had an impact on the Kyrgyz insurance market, as sources reported challenges in finding reinsurance capacity in the Russian market since the start of the war. This has led to increased use of other markets such as London, other centers in Western Europe, the Middle East, Singapore and China. Reinsurance costs for Kyrgyz insurers were already increasing before the war but these difficulties are putting further pressure on reinsurance costs, which are pushing up voluntary insurance premiums within the country.

MARKET SHARE

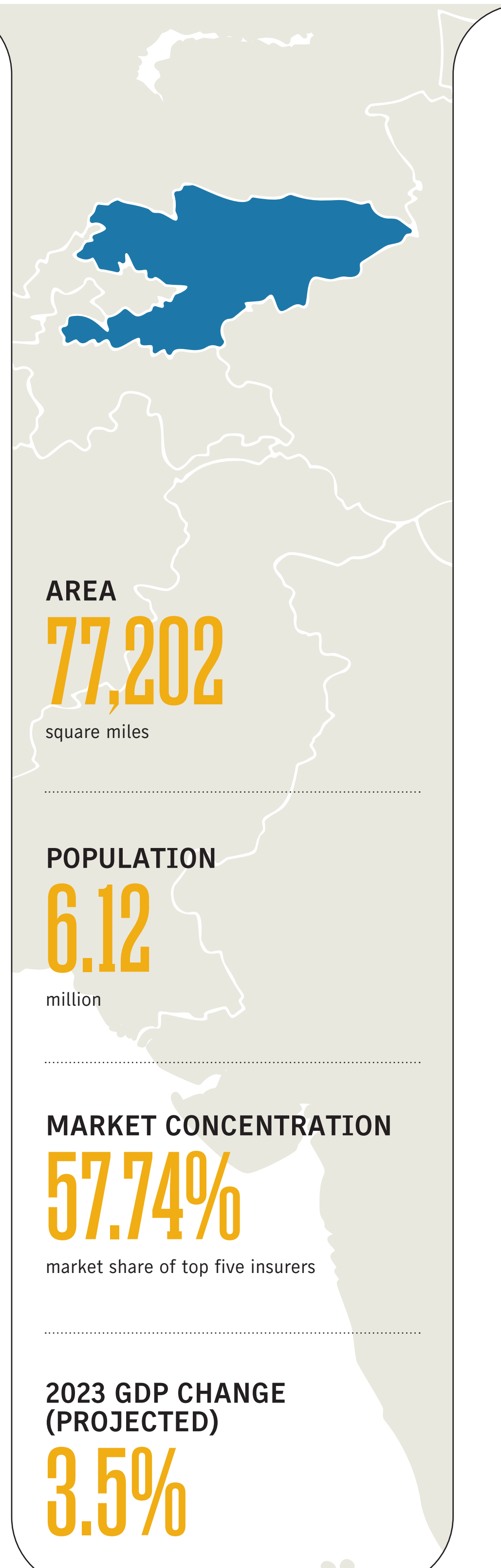


MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA

77,202

square miles

POPULATION

6.12

million

MARKET CONCENTRATION

57.74%

market share of top five insurers

2023 GDP CHANGE (PROJECTED)

3.5%

MARKET DEVELOPMENTS

Updated May 2023

- In 2022, the Turkic World Insurance Union was established, consisting of insurance associations from Kyrgyzstan, Azerbaijan, Turkey, Kazakhstan, Uzbekistan and Turkmenistan. The main aims of the union are to strengthen the insurance sectors in Turkic-speaking countries by encouraging the exchange of personnel and information between member countries, and the establishment of a unified insurance pool. The formation of the union took place following a joint initiative between the Azerbaijan Insurers' Association and the Insurance Association of Turkey.
- Kyrgyz insurers are experiencing increased reinsurance costs, which together with an upsurge in inflation are leading to a firming of voluntary insurance premiums.
- As of July 2022, there were 16 licensed insurers in Kyrgyzstan. The market is considered crowded for the level of premium written.
- Following changes to the Civil Code last year, it is permissible to complete a contract electronically and use an electronic signature where the person can be reliably identified. These changes have made it possible to distribute insurance products online.

COMPULSORY INSURANCE

- Auto third-party liability
- Employers liability
- Passenger carriers liability
- Dangerous cargo liability
- Dangerous manufacturing facility liability
- Coverage of the health and lives of participants in clinical trials

NONADMITTED

Unauthorized insurers cannot carry on insurance activity in Kyrgyzstan, although there is nothing in the law to indicate that insurance must be purchased from locally authorized insurers. However, this is not generally interpreted to mean that insurers can issue policies from abroad if approached by a buyer and/or an intermediary.

INTERMEDIARIES

Brokers or agents are not required to be authorized to do insurance business in Kyrgyzstan. They are not allowed to place business with nonadmitted insurers.

MARKET PRACTICE

Although the insurance law does not specifically forbid individuals from approaching foreign insurers to cover risks, the intention does appear to be to forbid foreign insurers from seeking business in Kyrgyzstan and to forbid them from writing business if approached. This would accord with the tenor of Soviet and post-Soviet legislation by which activities are forbidden unless specifically permitted.

Information provided by Axco.
For free trial access to global insurance intelligence, visit axcoinfo.com.

Below is a Summary Notice of a proposed partial class action settlement reached in a class action lawsuit pending in the United States District Court for the District of New Jersey known as ***Lincoln Adventures, LLC, et al. vs. Those Certain Underwriters at Lloyd's, et al*. A more detailed version of this Notice is contained in a Long-form Notice posted on the Settlement website at www.SyndicateSettlement.com. You are encouraged to read the Long-form Notice for a more in-depth explanation of the proposed partial settlement and your rights as they relate to the Settlement.**

IF YOU PURCHASED INSURANCE THROUGH CERTAIN SYNDICATES AT LLOYD'S, LONDON DURING THE PERIOD JANUARY 1, 1997, THROUGH JUNE 15, 2023, YOU COULD GET MONEY FROM A PARTIAL CLASS ACTION SETTLEMENT THAT MAY AFFECT YOUR RIGHTS.

A proposed partial class action settlement has been reached with some, but not all, of the Lloyd's Syndicates who are Defendants in the case and sold insurance to policyholders in the United States (the "Settlement"). Plaintiffs assert causes of action against the Defendants for violation of the Racketeer Influenced and Corrupt Organizations Act, civil conspiracy, and unjust enrichment based on allegations that Defendants engaged in a deceptive scheme to conceal the lack of competition in the Lloyd's Market. The Settling Defendants deny the allegations made against them.

The Syndicates that have settled are Syndicate Nos. 510, 1084, 1096, and 1245 (the "Settling Defendants"). The Syndicates who remain Defendants in the case, and who have not settled, are Syndicate Nos. 0727, 1003, 2003, 2020, 2488, and 2791 (the "Non-Settling Defendants"). The case will continue to be litigated against the Non-Settling Defendants.

WHAT ARE YOUR LEGAL RIGHTS AND IMPORTANT DEADLINES

If you do not want to be legally bound by the Settlement, you must exclude yourself in writing from the Class by **November 23, 2023**. The steps you must follow to be excluded are described in the Long-form Notice, which is available at **www.SyndicateSettlement.com**. You can also obtain a copy of the Long-form Notice by mail or email by calling the toll-free number at 1-877-298-4134 between the hours of 8 a.m. and 5 p.m. Central Time. If you do not exclude yourself, but instead stay in the Class, you may object or comment on the Settlement, the Plan of Allocation, the application for attorneys' fees and expenses, or service awards to the class representatives by **November 23, 2023**. The procedure on how to object or comment is described in the Long-form Notice at **www.SyndicateSettlement.com**.

The Court scheduled a Fairness Hearing for **December 14, 2023, at 11:30 a.m. Eastern Time**, at which the Court will consider whether to approve the Settlement, the Plan of Allocation, an award of attorneys' fees and expenses, and service awards for the class representatives. The hearing will take place in Courtroom 5 in the United States Courthouse located at Martin Luther King Building and U.S. Courthouse, 50 Walnut Street, Newark, New Jersey 07101. The Court may choose to change the date and/or time of the hearing (or decide to conduct it virtually) without further notice of any kind other than on the settlement website and the Court's docket available at **http://ecf.njd.uscourts.gov**. If you plan to attend the hearing, you should confirm the date and time by checking the website at **www.SyndicateSettlement.com** or by calling the toll-free number at 1-877-298-4134. The Court at the hearing will consider objections that have been properly made by Class Members. If the Court finds the Settlement to be fair, reasonable, and adequate, it will approve the Settlement. You may choose to attend the hearing, either in person or through an attorney hired at your own expense, but attendance is not required. If you choose to attend the hearing and intend to make a presentation to the Court, you or your attorney must follow the procedures set forth in the Long-form Notice at **www.SyndicateSettlement.com**.

A NOTICE OF INTENTION TO APPEAR MUST BE RECEIVED BY THE COURT AND THE COUNSEL IDENTIFIED BELOW NO LATER THAN NOVEMBER 23, 2023.

If the Court approves the Settlement, then the Settling Defendants will be dismissed from the case. Class Members who have not properly requested exclusion from the Class will be deemed to have released the Settling Defendants from all claims related to the case and will not be able to sue the Settling Defendants for any of the conduct that was the subject of the case. The full text of the Release is set forth in the Long-form Notice at **www.SyndicateSettlement.com**.

WHO IS INCLUDED IN THE CLASS

The Settlement affects members of the Class, which are with certain limited exceptions, all persons and entities in the United States who, during the period **January 1, 1997, through June 15, 2023 (the "Class Period")**, purchased or renewed a contract of insurance (an insurance policy, not reinsurance) with any of the Defendants. The complete description of the Class is set forth in the Long-form Notice at **www.SyndicateSettlement.com**.

WHAT DOES THE SETTLEMENT PROVIDE

The Settling Defendants have agreed to make payments to settle the claims against them. The total amount of these payments is $7,900,000. After deducting the amounts approved by the Court for settlement and claims administration costs, attorneys' fees and litigation expenses, and service awards for the class representatives, these funds will be paid to members of the Class. The Settling Defendants will be entitled to the release and other provisions of the Settlement.

WHO WILL RECEIVE A PAYMENT

Payments to Class Members will be according to the Plan of Allocation, which is included in the Long-form Notice at **www.SyndicateSettlement.com**. To receive a payment, Class Members **must** submit a Claim Form by **December 21, 2023**, as more fully described in the next paragraph.

HOW DO I RECEIVE A PAYMENT FROM THE SETTLEMENT

To be eligible for a payment, a Class Member must submit a Claim Form on or before December 21, 2023. Claim Forms are available at **www.SyndicateSettlement.com**. Claim Forms can be requested from the Claims Administrator by calling the toll-free number at 1-877-298-4134 between the hours of 8 a.m. and 5 p.m. Central Time, or by email at info@SyndicateSettlement.com. Claim Forms can be completed online at **www.SyndicateSettlement.com**, emailed to the Claims Administrator at info@SyndicateSettlement.com, or mailed to the Claims Administrator at Syndicate Settlement, c/o A.B. Data, Ltd., P.O. Box 173075, Milwaukee, WI 53217. Each Class Member who wishes to claim part of the Settlement **must** submit a Claim Form by **December 21, 2023**. It is the responsibility of the Class Member to provide truthful and accurate information, and to update any information, including contact and address information, to the Claims Administrator, when appropriate.

WHO ARE THE ATTORNEYS FOR THE CLASS AND THE SETTLING DEFENDANTS

The Attorneys for the Class are:

Rachel L. Jensen
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Robert S. Schachter
ZWERLING, SCHACHTER & ZWERLING, LLP
41 Madison Avenue
New York, NY 10010

The Attorneys for the Settling Defendants are:

Matthew M. Burke
ROBINSON & COLE LLP
One Boston Place, 26th Floor
Boston, MA 02108
Email: mburke@rc.com

HOW CAN I OBTAIN ADDITIONAL INFORMATION?

If you think that you may be a Class Member, you can obtain more information, including a copy of the Long-form Notice, the Claim Form, the Settlement Agreement, and other documents relating to the Settlement by visiting **www.SyndicateSettlement.com** or by contacting the Claims Administrator toll-free at 1-877-298-4134.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK.

MMC must face cyber class action

Marsh & McLennan Cos. Inc. must face a class-action lawsuit in which a former employee sought damages after her private information was accessed in a 2021 cyber breach, a federal appeals court ruled, overturning a lower court.

In its ruling in *Nancy Bohnak v. Marsh & McLennan Cos. Inc.*, the 2nd U.S. Circuit Court of Appeals in New York cited a U.S. Supreme Court decision in determining that the risk of future injury from the release of data was sufficient to constitute an injury for a damages claim.

The cyber breach involved Social Security numbers and other personal data related to Marsh McLennan staff, former staff, clients and others. The company discovered the breach on April 26, 2021, and sent out breach notifications to the people affected about two months later.

After the notifications were sent, Ms. Bohnak, who previously worked at Marsh McLennan Agency, filed a class-action lawsuit on behalf of herself and others similarly situated, alleging Marsh McLennan failed to adequately protect personally identifiable information, among other things.

She alleged the injuries she suffered included expenses associated with preventing, detecting and recovering from identity theft; lost opportunity costs associated with attempting to mitigate the consequences of the breach; and the continued risk to her PII, which remains unencrypted, the ruling states.

A district court had ruled in favor of Marsh McLennan, which sought to dismiss the case because the damages the former employee sought were not "cognizable," or recognizable and quantifiable. The district court concluded that she could only speculate about any future harm because the alleged loss of time and money responding to the increased risk of harm was not proximately caused by the harm of disclosure.

In overturning the lower court, the three appeals court judges cited the U.S. Supreme Court's 2021 ruling in *TransUnion LLC v. Ramirez*, which found, among other things, that the plaintiffs in the case had to suffer a "concrete injury," which can include intangible harm, to recover damages.

"The core of the injury Bohnak alleges here is that she has been harmed by the exposure of her private information — including her SSN and other PII — to an unauthorized malevolent actor. This falls squarely within the scope of an intangible harm the Supreme Court has recognized as 'concrete,'" the court ruled.

Starr unit prevails in COVID litigation

The Nevada Supreme Court ruled that a Las Vegas commercial real estate operator could not proceed with its COVID-19 business interruption claim against a Starr Insurance Cos. unit.

The high court directed a lower court, which had ruled in 2020 that the case could proceed, to grant summary judgment to Starr in *JGB Vegas Retail Lessee LLC v. Starr Surplus Lines Insurance Co.* The policy required "direct physical loss or damage" to trigger a business interruption claim, and it excluded virus-related claims, the high court ruled.

JGB had argued that the presence of the COVID-19 virus on its properties constituted physical damage. The trial court ruled that the issue should be determined at trial.

In its ruling, the Nevada Supreme Court stated: "The fact that the COVID-19 virus was present in or on the property does not establish that there was any physical harm to the property as required."

In addition, the policy's pollution and contamination exclusion applied to viruses, the court ruled.

"While we are sympathetic to the economic woes JGB — and so many other businesses in Nevada — suffered as a result of the COVID-19 pandemic, its claim for coverage under this type of insurance policy falls short," the court ruled.

Hub faces lawsuits over data breach

Four putative class-action lawsuits were filed in the same judge's court in Chicago in connection with a cyber breach revealed by Hub International Ltd. in August after a delay of several months.

The first of the similarly worded lawsuits is *Shannan Ellis vs. Hub International*, which was filed in U.S. District Court in Chicago, and charges the Chicago-based broker with failing to properly safeguard about 479,000 individuals' personal data, including their driver's license numbers, Social Security numbers and financial account information.

Hub announced Aug. 11 that its systems had been breached between December 2022 and January 2023 and that it became aware of it on Jan. 17.

The broker said in its announcement that its investigation was ongoing and that it had implemented additional security measures.

The *Ellis* lawsuit states that the breach's victims were not notified until seven months after it occurred, and that the notice letter obscured the incident's nature and threat by not saying how the breach happened, how many people were impacted and why it took so long to begin notifying the victims.

The lawsuits charge the broker with negligence and unjust enrichment, among other charges.

COVID death ruled work-related

An appeals court in Arizona affirmed workers compensation death benefits in the case of a design engineer whose wife claimed he caught COVID-19 at work while conversing with a co-worker and died weeks later.

Kenneth Zerby, who was considered high-risk for COVID-19 complications as a prediabetic and was immunocompromised following a kidney transplant in 2003, was working for Western Millwork in Phoenix when he contracted the virus in October 2020, according to *Western Millwork, Cincinnati Insurance Co. v. Zerby*, filed in the Arizona Court of Appeals, Division One.

Western Millwork disputed that Mr. Zerby caught the virus at work, which his wife claimed was the result of a conversation with a co-worker who tested positive in the days following. Instead, lawyers for the company argued Mr. Zerby caught the virus while having dinner at a restaurant where he and his wife sat outdoors with friends, including another co-worker, one of whom tested positive days later, according to court records.

An Industrial Commission of Arizona administrative law judge ruled in favor of Ms. Zerby. The appeals court, weighing medical testimony that put Mr. Zerby's infection date at the time of the work meeting, affirmed, writing that his employment required him to "have contact with project managers such as (the infected co-worker) from time to time" and that the "record does not adequately support that (he) was exposed outside of work … during the relevant time when he could have become infected."

DOCKET

PARAMOUNT RECEIVES COVID PAYOUT

Paramount Pictures Corp. reportedly received about a $71 million settlement of its coverage litigation with a Chubb Ltd. unit over COVID-19-related delays in the production of "Mission Impossible 7." Los Angeles-based Paramount had more than $100 million in coverage for a single loss under its inland marine policy with Federal Insurance Co., which did not include a virus exclusion, according to the complaint in *Paramount Pictures Corp. v. Federal Insurance Co.*, filed in U.S. District Court in Los Angeles in August 2021.

BENEFITS UPHELD FOR INJURED TEACHER

A Pennsylvania appellate court upheld a ruling granting workers compensation benefits to a former Philadelphia special education teacher who was pregnant when she was injured when a student struck her in the abdomen. The Commonwealth Court ruled that a workers comp judge and the state Workers' Compensation Appeal Board correctly applied a physical/mental injury standard to the teacher's claim and that the awarding of ongoing total disability benefits was proper, as was an order forcing the School District of Philadelphia to pay penalties over its failure to offer timely compensation.

APPEALS COURT AFFIRMS OSHA'S AUTHORITY

The 6th U.S. Circuit Court of Appeals in Cincinnati affirmed the U.S. Occupational Safety and Health Administration's constitutional authority to set workplace safety standards, saying the Occupational Safety and Health Act passed constitutional muster. The appeal was brought by Allstates Refractory Contractors LLC, a Waterville, Ohio-based company that faced numerous OSHA citations and challenged the agency's authority to set "reasonably necessary or appropriate" workplace safety standards, claiming it violated the U.S. Constitution's nondelegation doctrine.

Jason Keck

BROKER BUDDHA

Jason Keck is CEO of New York-based Broker Buddha Inc., a company he co-founded in 2017 to offer digital platforms to agents and brokers. With a background in technology at various companies, including Shazam and Tumblr, he also spent three years at consulting firm Accenture. In August, Broker Buddha was bought by Acturis Ltd., a London-based technology company. Mr. Keck recently spoke with *Business Insurance* Editor Gavin Souter about technological developments in the insurance sector and how business will be transacted in the future. Edited excerpts follow.

Q How has your experience with other technology firms translated into the insurance sector?

A Probably the most relevant experience I've had with other technology companies is the discipline around product validation and product development. So, the lean startup methodology that has been almost canonized in the startup industry over the last 20 years is something that we as an early-stage company absolutely had to follow. That is: build, test, learn, build, test, learn, and do it in a way that doesn't require insane amounts of capital. The discipline around that phase of the startup process was critical.

And then it's just really good product development hygiene around short development cycles and consistent releases. We're doing continuous deployments as new features come out, and that feeds the feedback loop that's required.

Q What about the products themselves? They're very different, but is there anything to learn?

A They are and they aren't. We ended up building a workflow tool, which is when I tapped into some of my experience at Accenture — you go out, you interview customers, you understand their problems, you design solutions, you build them and you roll them out. So, we talked to customers — customers being insurance agents — about how they operate, what are some of the most inefficient things they're doing, and then built interactive, online web-based tools that automate three or four steps of that process.

Q Technology has changed the way personal insurance, and to a certain extent small commercial, is bought, but where do we stand with middle-market and large commercial insurance purchasing?

A Personal lines and to some extent small commercial has gotten to a place where you can have a full rate-quote-bind experience as a buyer online. That really works for policies that are sub-$5,000 in premium. In the middle market, and particularly in the specialty lines market, buyers still have high expectations around their customer experience, and the agents want to differentiate themselves in terms of how they're delivering the purchasing experience. Even though it's nearly impossible to deliver a full rate-quote-bind experience for specialty or middle-market products, you can give a much better experience when it comes to collecting and delivering information. For example, if you've got to fill out three or four different PDFs for three or four different lines of business, or three or four different carriers that need to do quotes, there's really no reason that you should have to print out three PDFs, fill them out by hand and then sign them and scan them.

Where they can, people want to be able to self-serve, so the demand and the expectation for digital tools amongst the highest-paying customers is very high.

Q So, large commercial is just too complex for rate-quote-bind?

A In certain lines of business and in certain sectors, people will find a way to rate-quote-bind as they get bigger — for example, as in cyber. In very specific scenarios where the underwriting rules are clear and the box is tight enough, you're going to get there. But in the broader middle-market property/casualty lines, where every industry is different and all the inputs are different, there's just not enough data today for carriers to underwrite that instantly.

And the underwriters want to be a part of it. It's not just quoting, they're actually selling these policies, so they want to engage with somebody after they get the information and build a relationship.

Q Insurtechs and traditional insurers seem to be collaborating more. Is that something that you are doing?

A The original insurtechs were the disruptors — your Lemonades, your Roots, your Hippos — and they had a bit of a roller coaster, but they opened the eyes of the incumbents to the need for technology. The second wave of insurtechs are the enablers, and that's very much where we sit. We are primarily an enabler for insurance agencies, and we became an enabler for the carriers as well. That is a very healthy market and very comfortable place for us to be, and I think there's going to continue to be innovation in that space for some time.

Q Do you use artificial intelligence for your products?

A We don't use artificial intelligence ourselves. For the last five years I felt like that was a catchy term that startups put in their pitch deck to get people's attention. Technology and algorithms on their own are not artificial intelligence; artificial intelligence is something very specific, which involves the ability to process and learn from enormous amounts of data.

Where we can be very helpful for insurance agencies, especially the large national agencies that are trying to synthesize all the information they have across their acquired agencies, is that we help agencies collect exposure data from their clients and help fill in gaps. So, we are an enabler for AI in the sense that we help them collect structured data and store it, but we are not an AI company ourselves.

Q So, what's next for Broker Buddha?

A The reason Acturis acquired us was because they wanted to enter the U.S. market, so our focus remains on expanding in the U.S. market. The adoption of tools like ours is still relatively nascent. If we get interest from Acturis' customers in Canada and the U.K. we will have those conversations, and in the fullness of time will ultimately be deeply integrated into the Acturis system, but in the short term it's business as usual.

Even though it's nearly impossible to deliver a full rate-quote-bind experience for specialty or middle-market products, you can give a much better experience when it comes to collecting and delivering information.

INSURERS PAUSE TO TAKE PULSE OF MEDICAL AI

Technology offers insights that can enhance care, but concerns remain over potential liability exposures

BY CLAIRE WILKINSON
cwilkinson@businessinsurance.com

Artificial intelligence and machine learning technologies may help reduce medical errors and improve patient outcomes, but their use in health care raises liability concerns and questions around medical malpractice risks.

Insurers are not yet restricting coverage for AI-related risks, but some underwriters are asking health care providers about their use of AI and how it may be applied in a clinical setting.

Bias, data privacy and cybersecurity, and the possibility for some AI tools to give inaccurate results, are among the concerns, experts said. State, federal and international regulations that would govern the use of AI and algorithms are quickly being developed, further complicating the risk landscape.

Since 1999, the U.S. Food and Drug Administration has authorized more than 520 AI and machine learning-enabled medical devices.

Most health systems are taking a cautious approach to implementing AI, said Martha Jacobs, Pittsburgh-based national health care practice leader at Aon PLC.

For many providers "there is a deliberately instituted pause on bringing some of that technology into the care and clinical setting," she said. "There's not this wholesale rush to pull in AI at this stage because there's still so much unknown about it."

With the introduction of any new technology or medical procedure there's a learning curve, said Lainie Dorneker, Miami-based head of healthcare at Bowhead Specialty Underwriters Inc.

Providers should ensure that AI is used appropriately, Ms. Dorneker said. "You still need to involve patients and apply it to an individual patient. It's important to realize medical judgment still needs to be employed," she said.

Applying the appropriate standard of care will be critical, she said. The standard of care is evolving, experts said.

Clinician appetite for using tools such as generative AI models like ChatGPT, which passed the U.S. Medical Licensing exam, is growing.

> "You still need to involve patients and apply it to an individual patient. It's important to realize medical judgment still needs to be employed."
>
> Lainie Dorneker,
> Bowhead Specialty Underwriters

Some 48% of clinicians globally back using AI in clinical decision-making, but only 11% of clinical decisions are assisted by AI tools, according to the Clinician of the Future 2023 survey by Elsevier Health published last month. But despite widespread hesitancy, AI is increasingly being used for scanning, diagnosing and monitoring patients in the U.S., the survey found.

AI tools in medical imaging have helped radiologists detect cancers for decades and some providers are using chatbots and virtual assistants to triage patients, easing physician fatigue, several experts said.

The industry must figure out the bias, the regulatory complexities, and the responsible use of AI as a tool in health care "because the focus has to be patient safety, but there are ethical considerations," said Deepika Srivastava, executive vice president of medical professional liability for The Doctors Co. in Napa, California.

For example, large language models sometimes "hallucinate" and provide comprehensive answers to medical queries that appear convincing but may lack accuracy, Ms. Srivastava said.

"It requires careful verification, not blind reliance on AI-generated content," she said.

AI is a helpful tool, "but it needs to be monitored and not necessarily relied upon because it's only as good as the data that's out there and the machine learning that's being done," said Dennis Cook, president of healthcare for Liberty Mutual Insurance Co. in Boston.

Contractual provisions, including indemnification and additional insured clauses, can help policyholders mitigate

See **MEDICAL** page 20

MACHINE LEARNING AND AI IN MEDICAL DIAGNOSTICS

A 2022 U.S. Government Accountability Office report found that machine learning technologies can:

- Identify hidden or complex patterns in diagnostic data to help detect diseases earlier and improve treatments.
- Improve consistency and accuracy of diagnoses, reducing human error due to factors including fatigue.

But these technologies have generally not been widely adopted and face various challenges that limit more widespread use, including:

- Some medical providers may be reluctant to use machine learning in their clinics until its performance is more widely proven in diverse clinical settings.
- A lack of familiarity about how machine learning would fit within and enhance workflow.
- Gaps in regulatory guidance and requirements, and the cost of implementation and maintenance.

MEDICAL

Continued from page 19

the risks, experts said.

"That transfer of risk is very important, so that the AI and tech companies take responsibility for their liability and actions," and health care providers take responsibility for what they're doing, Mr. Cook said.

Liability concerns

As health care organizations weigh the benefits and risks of integrating AI systems into their operations, there are added liability concerns.

The liability landscape is complicated, said Andrew Dallamore, eHealth product manager for the U.S. at CFC Underwriting Ltd. in London.

Medical providers within certain organizations may feel pressured to defer to the output of the AI algorithm, even if that deviates from their professional medical opinion, he said.

In some cases, providers may not be permitted to reject the output of the clinical algorithm, or there could be a lag in the patient's care because they need a supervisor's permission to deviate from the AI, Mr. Dallamore said.

"Even in cases where they can deviate, if they're incorrect they could face disciplinary action on the basis that the patient can incur bodily injury from their error," he said.

If providers use AI tools to assist in diagnosing and treating illnesses and the AI generates false information, there's clearly a risk of a medical malpractice claim, said Aaron D. Coombs, Washington-based counsel at Pillsbury Winthrop

Health care providers fight life-threatening cyberattacks as criminals deploy AI tools

Artificial intelligence can help health care organizations strengthen their cybersecurity and prevent data breaches, but generative AI tools such as chatbots and large language models may present added risks.

Providers should evaluate and test the systems before introducing them, experts say.

Cybercriminals are using AI to develop more sophisticated malware that will identify vulnerabilities in systems, potentially enabling them to automate attacks against specific targets, said John Riggi, national adviser for cybersecurity and risk at the American Hospital Association in Washington.

AI is also used by cybercriminals to develop phishing emails, some accompanied by deep fake audio or videos, to impart a sense of trust to unwitting recipients, Mr. Riggi said.

Risk managers must strike a delicate balance between the opportunities and the risks of AI, said John Farley, New York-based managing director of the cyber practice at Arthur J. Gallagher & Co.

"Malicious actors are using AI as a launching pad for misinformation campaigns, so if you're an organization relying on the output of an AI system, how do you know that information vacuumed up by the AI system is credible and not launched by a malicious actor?" Mr. Farley said.

Cyberattacks can result in financial, reputational and physical harm, especially in health care, and policyholders should be aware of exclusionary language for certain types of loss, he said.

"Look at lost business, extra expenses, bodily injury, property damage, and figure out which policies have the broadest scope of coverage. Not all policies are going to exclude property damage or bodily injury as a result of a ransomware attack 100% of the time. However, many will exclude it," Mr. Farley said.

Ransomware attacks are increasingly disrupting health care delivery, shutting down life-critical medical technology and encrypting data and systems that are essential to sustaining life, Mr. Riggi said.

"It's quite common now for ransomware attacks to result in the diversion of ambulances carrying urgent need — stroke, heart attack or trauma — patients, and for surgeries, radiation oncology and other significant health care services to be canceled," he said.

The U.S. government considers the health care industry to be critical infrastructure, and any ransomware attack against critical infrastructure that threatens public health and safety will be prioritized at the same level as a terrorist attack, he added.

In May, the World Health Organization said greater caution is needed around AI-generated large language models in health care.

"Precipitous adoption of untested systems could lead to errors by healthcare workers, cause harm to patients, erode trust in AI and thereby undermine [or delay] the potential long-term benefits and uses of such technologies around the world," the WHO said in a statement.

Claire Wilkinson

Shaw Pittman LLP.

"Physicians or nurses could be held liable if there's a misdiagnosis that results in bodily injury to a patient as a result of them using technology to aid the decision," he said.

Other parties and lines of coverage could come into play, Mr. Coombs said. For example, AI or technology service providers could be "on the hook for providing services that don't work properly," he said (see related story).

These issues have yet to be tested in court, experts said.

In terms of misdiagnosis or missed triage of patient complaints, liability will fall squarely within the medical malpractice arena for now, said Hara Helm, Charlotte, North Carolina-based strategic healthcare risk advisor within Marsh LLC's U.S. healthcare practice.

But if a design flaw in an AI system leads to an incorrect diagnosis or other issues that cause patient harm, then that could become a product liability issue, she said.

Directors and officers liability exposures might arise if a health care organization implements a bot to triage patient issues and a mistake occurs, Ms. Helm said. Associated cyber liability could arise if a hack or breach in the system were to disrupt how it functions, she said.

John Farley, managing director of the cyber practice at Arthur J. Gallagher & Co., noted personally identifiable or protected health information is subject to regulatory requirements.

Without having permission to share certain highly sensitive data, organizations "could be subject to privacy liability, and that may manifest in class action lawsuits, or regulatory investigations, fines and penalties," Mr. Farley said.

> "Physicians or nurses could be held liable if there's a misdiagnosis that results in bodily injury to a patient as a result of them using technology to aid the decision."
>
> Aaron D. Coombs,
> Pillsbury Winthrop Shaw Pittman

As tech vendors get more aggressive in collecting data to build their tools, more issues are arising, said Jeffrey Ganiban, Washington-based partner at Faegre Drinker Biddle & Reath LLP. Health care providers must be careful not to share data with an algorithm that would violate patient privacy rights, he said.

Med mal questions

Med mal coverage has not yet been directly affected by the increased use of AI in health care, but some insurers are starting to ask policyholders questions about it, several experts said.

Peter Kolbert, senior vice president and chief claims officer for Healthcare Risk Advisors, part of TDC Group, in New York, said medical professional liability or hospital professional liability coverage will apply and defend physicians even when AI is a big factor in a misdiagnosis because "in 2023 the physician is still responsible for the diagnosis."

So far, there have been few claims against equipment manufacturers or programmers or developers of AI, "though I strongly suspect that there have been some and, in the future, if there is a problem, they may be brought into the litigation as third-party defendants," Mr. Kolbert said.

Physicians and health care facilities are subject to a distinct credentialing and review process, and underwriters assume they can deal with all aspects of patient care, whether via telemedicine or other technology, including AI, said Stuart Freeman, Birmingham, Alabama-based national healthcare practice leader at USI.

Whether the doctor used an X-ray or should have ordered an MRI or a CT scan, is a question of medical judgment. "Questions of medical judgment are typically covered under a medical malpractice policy," Ms. Dorneker said.

Underwriters are curious about how AI tools are being used, including how they may minimize staff burnout, she said.

If AI-related claims emerge, or if it becomes the next risk frontier, "we will start to see different kinds of underwriting questions being asked or maybe applications asking more pointed questions about the use of AI," she said.

Integrated policies may close gaps in tech coverage

Hybrid policies that include medical malpractice liability, product liability, technology errors and omissions, general liability and cyber liability coverages are gaining momentum as health care risks evolve with technology.

The growth in digital health technologies such as telehealth and wearables accelerated during the COVID-19 pandemic and has been a factor in this trend, experts say.

"You're starting to see these coverages marry," said Ben Woodward, Mount Laurel, New Jersey-based vice president of underwriting at Admiral Insurance Group, a W.R. Berkley Corp. unit.

Mr. Woodward noted the example of the liabilities that might arise from wearable devices, such as electrocardiogram monitors.

"That wearable is a physical product. It has embedded technology," he said.

"If it burns you that's product liability, general liability coverage. If it transmits incorrect information, that is a programming issue and tech errors and omissions coverage. If it gets hacked and your information is stolen and sold or shared, that's a privacy cyber liability issue."

There are a lot of "blurred lines" in terms of potential liability and it can take awhile to figure out what went wrong, which is why "oftentimes, it's better to house coverage in one place," Mr. Woodward said.

Hybrid policies that include a combination of med mal, cyber and technology E&O coverages provide greater clarity for policyholders, said Josh Cantrell, Atlanta-based senior vice president and team leader at RT Specialty, the wholesale broking unit of Ryan Specialty LLC.

Sometimes it's unclear whether a technology component or a physician caused an issue for a patient, Mr. Cantrell said.

"If you had two separate carriers on that (risk) you could have a lot of finger-pointing," he said.

A major advantage of hybrid policies is efficiency because multiple applications and policies are not necessary, said Chad Follmer, San Francisco-based senior vice president, healthcare and life sciences, at Alliant Insurance Services Inc., who is based in San Francisco.

Another advantage is that when there's a loss, there's "no incentive to push it" onto another insurer, he said.

"If it's all underwritten with the same carrier, even if it's different departments, they know it's theirs," Mr. Follmer said.

Claire Wilkinson

TECHNOLOGY TRANSFORMS

According to a global survey* of physicians and nurses by Elsevier Health:

48% of respondents find it desirable for physicians to use AI in clinical decision-making.

11% of clinical decisions are currently assisted by AI tools.

68% find it desirable that patient-collected data informs clinical decisions.

55% find telehealth desirable as the main mechanism for routine checkups.

51% consider AI desirable for training doctors, 50% for training nurses.

*Based on responses from 2,607 physicians and nurses worldwide

Source: Clinician of the Future 2023, Elsevier Health

Diversity in the workplace

PROGRESS REPORTED, BUT RECENT EVENTS CHALLENGE OPTIMISM

BY ANDY TOH
atoh@businessinsurance.com

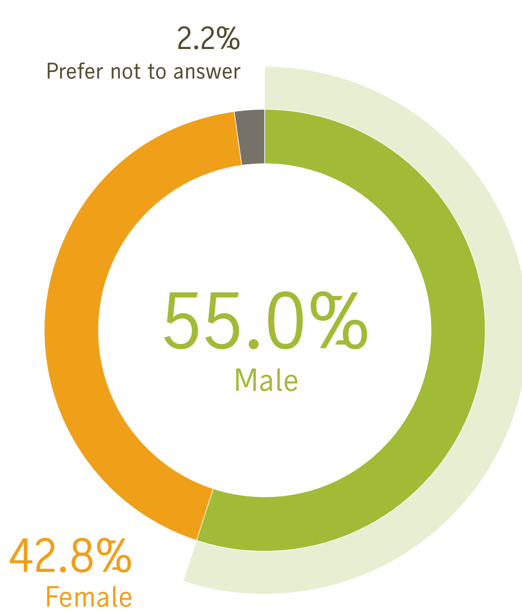
A quarter of workers in the insurance industry said their companies set recruitment and promotion targets, and 26.1% said their companies share the organization's diversity demographics, according to this year's *Business Insurance* diversity, equity and inclusion survey of insurance professionals.

During the survey period, the Supreme Court ruled June 29 in a 6-3 decision to abolish affirmative action in higher education, ending a four-decade precedent that allowed colleges and universities to consider applicants' race in the admission process. The ruling may have a profound impact on corporate recruitment practices in the years to come.

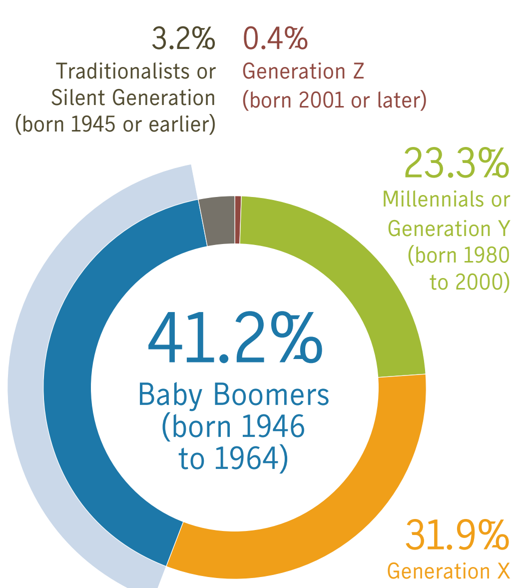
Business Insurance commissioned Signet Research Inc. to conduct the 7th annual diversity survey between June 13 and July 24, receiving 769 responses from U.S.-based professionals who indicated that they work or worked for a company that sells or distributes insurance, or who are or were involved as buyers of insurance for their organization. The base used is the total answering each question.

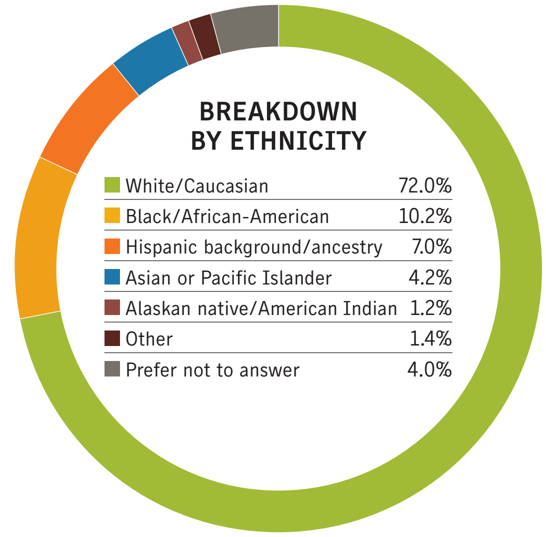
Following is the profile breakdown of this year's survey respondents, with some percentages not totaling 100% due to rounding.

BREAKDOWN BY GENDER

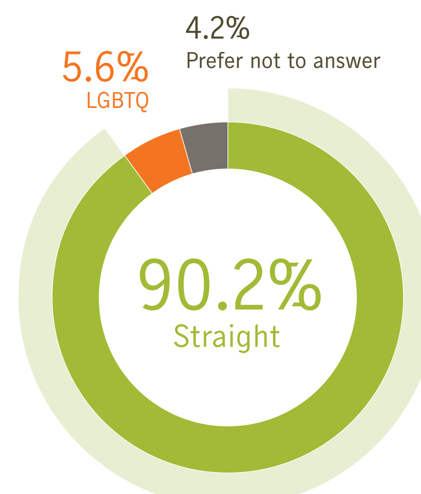


BREAKDOWN BY GENERATION

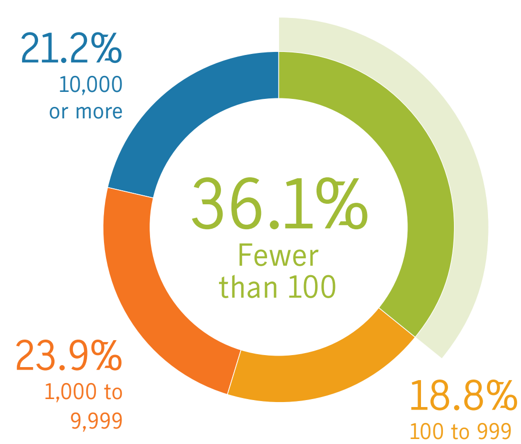




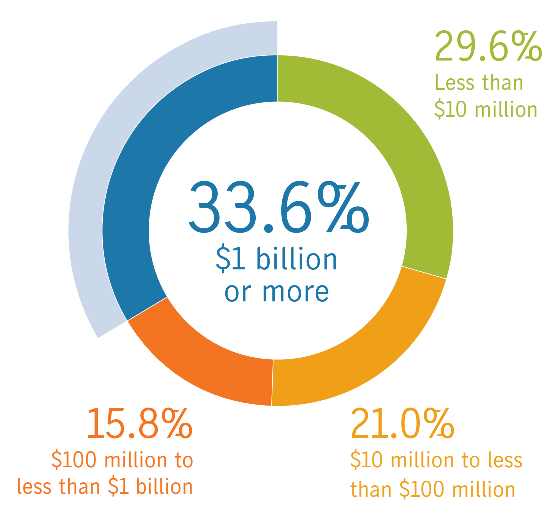
BREAKDOWN BY SEXUAL ORIENTATION



COMPANY SIZE BY FULL-TIME EMPLOYEES



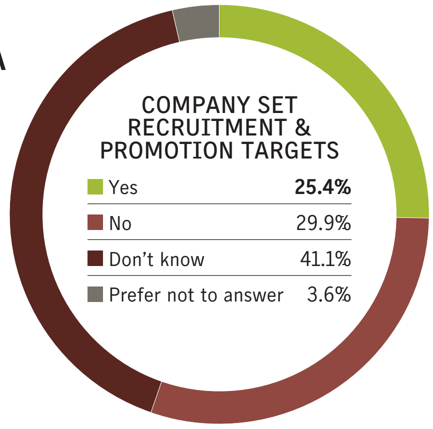
COMPANY SIZE BY ANNUAL REVENUE

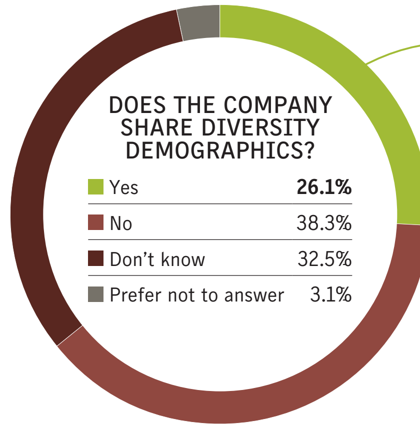


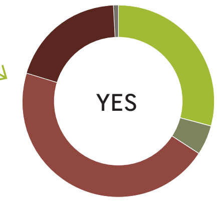
TARGETS & DEMOGRAPHIC DATA

About a quarter (25.4%) of insurance professionals surveyed said their companies set recruitment and promotion targets.

Twenty-six percent of respondents said their companies share diversity demographics, of which 4.9% share the information externally only, 29.4% share it internally only, and 45.5% share it both externally and internally.







COMPANY SHARES DEMOGRAPHIC DATA

Internally only	**29.4%**
Externally only	**4.9%**
Internally & externally	**45.5%**
Don't know	19.6%
Prefer not to answer	0.6%

DIVERSITY & INCLUSION

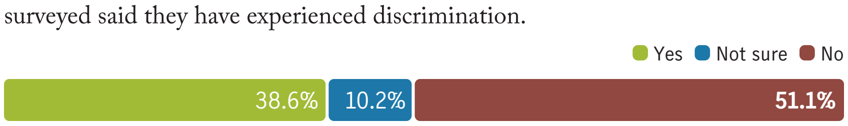
Respondents were asked if they feel there is diversity and inclusion at their workplace. More than 70%, up from 62% last year, said there are both diversity and inclusion; 12.4% said there is diversity but no inclusion, and 10.8% said there is neither.

Male, white and older respondents were more likely to feel that there is both diversity and inclusion than their female, non-white and younger colleagues.

	2022	2023	Male	Female	White	Nonwhite	Millennials	Gen-X	Baby boomers
There is diversity and inclusion at your workplace	**62.4%**	**70.5%**	**75.5%**	**57.7%**	**70.5%**	**58.6%**	**61.0%**	**70.5%**	**71.4%**
There is diversity but no inclusion at your workplace	22.8%	**12.4%**	8.8%	20.3%	10.6%	22.7%	22.0%	11.6%	10.6%
There is neither diversity nor inclusion at your workplace	11.3%	**10.8%**	9.9%	15.3%	12.5%	12.1%	12.2%	13.3%	9.7%
Other	3.5%	6.3%	5.8%	6.8%	6.4%	6.8%	4.9%	4.6%	8.3%

SUFFICIENT DIVERSITY

More than half of respondents said there is insufficient diversity in the insurance industry, and 60.5% of female and 45.9% of nonwhite insurance professionals surveyed said they have experienced discrimination.



DISCRIMINATION

Female respondents were twice as likely as male respondents to say they have experienced discrimination.

HAVE EXPERIENCED DISCRIMINATION

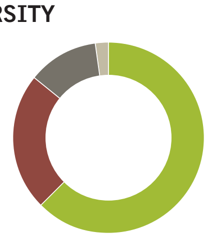
	ALL	Male	Female	White	Nonwhite
Yes	41.1%	**28.4%**	**60.5%**	**40.5%**	**45.9%**
No	47.2%	61.1%	28.1%	53.0%	31.9%
Not sure	8.6%	8.3%	8.3%	5.0%	17.0%
Prefer not to answer	3.1%	2.2%	3.1%	1.5%	5.2%

DIVERSITY PRIORITY

About 63% of respondents said their organization recognizes diversity and inclusion as a priority; about 58% said their companies have made changes to improve their diversity and inclusion in the past year.

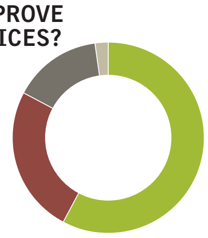
DOES YOUR ORGANIZATION RECOGNIZE DIVERSITY AS A PRIORITY?

Yes	**62.7%**
No	23.2%
Don't know	11.9%
Prefer not to answer	2.2%



HAS YOUR COMPANY MADE AN EFFORT TO IMPROVE DIVERSITY PRACTICES?

Yes	**57.9%**
No	25.0%
Don't know	14.9%
Prefer not to answer	2.2%



Insurance professionals at larger companies are more likely to feel that diversity and inclusion is considered a business priority in their organization. Only 35.7% of survey respondents from companies with fewer than 100 employees, compared with 75.7% from companies with 10,000 or more employees, said their company made changes to improve its diversity and inclusion practices in the past year.

DIVERSITY PRIORITY

	Fewer than 100 employees	100 to 999 employees	1,000 to 9,999 employees	10,000 or more employees
Yes	**48.0%**	58.6%	73.8%	**76.4%**

EFFORT TO IMPROVE

	Fewer than 100 employees	100 to 999 employees	1,000 to 9,999 employees	10,000 or more employees
Yes	**35.7%**	53.1%	76.3%	**75.7%**

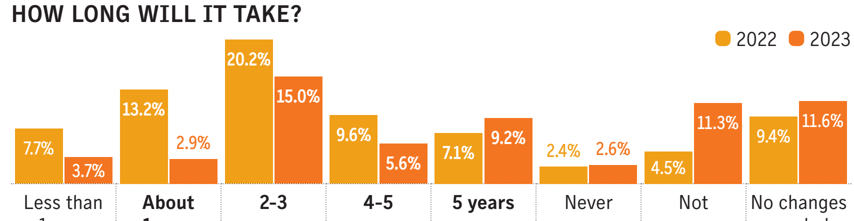
MAKING PROGRESS

Thirty-eight percent of respondents, compared with 26% last year, said they have already seen changes or improvements in their organization's diversity and inclusion efforts. About a third, compared with about half last year, said it will take at least a year to see any changes, which is a significant improvement.

ALREADY SEE CHANGES

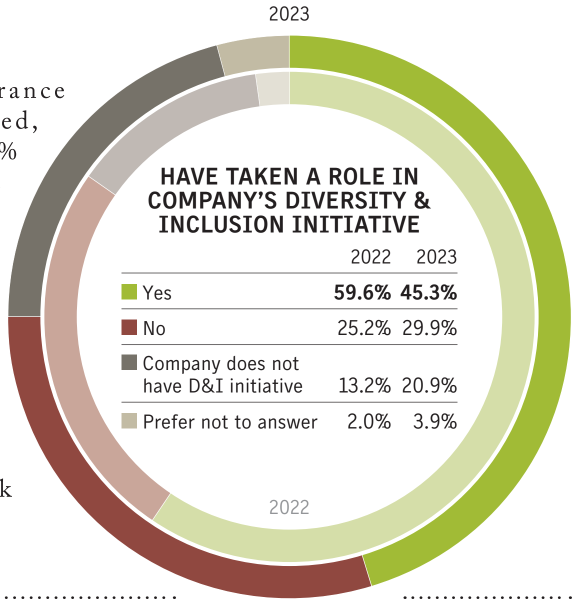
	ALL	Fewer than 100 employees	100 to 999 employees	1,000 to 9,999 employees	10,000 or more employees
2022	**26.0%**	27.0%	24.7%	26.1%	29.7%
2023	**38.3%**	**36.6%**	**33.9%**	**39.9%**	**42.4%**

HOW LONG WILL IT TAKE?



TAKING PART

Only 45% of insurance professionals surveyed, compared with almost 60% last year, said they have taken a role in their company's diversity and inclusion initiative. Participation rates are much higher among Hispanic professionals than white and black workers: 61.1% for Hispanic, 43.5% for white and 48.3% for black professionals.



HAVE TAKEN A ROLE IN THE COMPANY'S DIVERSITY & INCLUSION INITIATIVE

	White	Black	Hispanic
Yes	**43.5%**	**48.3%**	**61.1%**
No	31.3%	33.9%	16.7%
Company does not have D&I initiative	22.0%	8.9%	19.4%
Prefer not to answer	3.2%	8.9%	2.8%

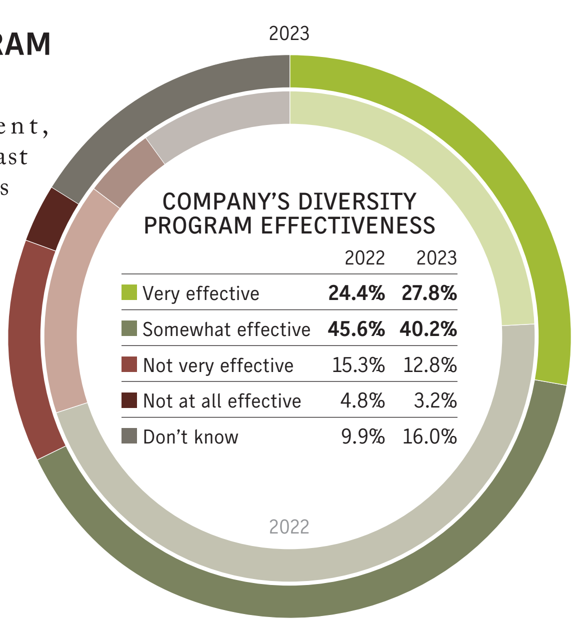
OPTIMISM

Even though a majority of respondents indicated they were still optimistic about the prospect of diversity-related changes coming to the industry, the rate of optimism dropped from 52.6% to 46.0%. Millennials were still more likely to be optimistic compared with the generations before them.

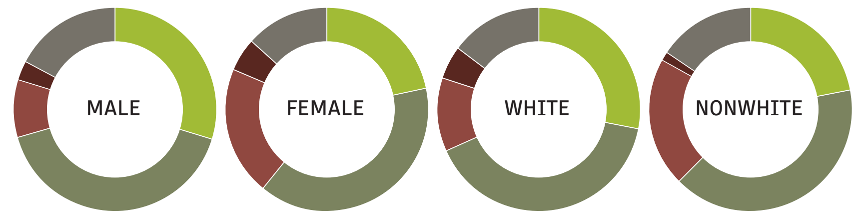
	2022	2023	Millennials	Gen-X	Baby boomers
Optimistic, real change will follow	**52.6%**	**46.0%**	**55.7%**	**44.3%**	**47.2%**
Pessimistic, no change	21.8%	18.4%	20.5%	20.7%	14.6%
Don't know	25.7%	29.6%	23.0%	28.7%	32.2%
Prefer not to answer	21.8%	6.0%	0.8%	6.3%	6.0%

DIVERSITY PROGRAM EFFECTIVENESS

Sixty-eight percent, compared with 70% last year, rated their company's diversity practices as very or somewhat effective.



Male and white respondents were more likely than their female and nonwhite colleagues to say their company's diversity programs are very effective.



	Male	Female	White	Nonwhite
Very effective	**29.8%**	**21.7%**	**28.3%**	**22.1%**
Somewhat effective	40.8%	39.4%	40.1%	40.5%
Not very effective	9.2%	20.4%	11.8%	20.6%
Not at all effective	3.1%	5.4%	5.1%	1.5%
Don't know	17.1%	13.1%	14.7%	15.3%

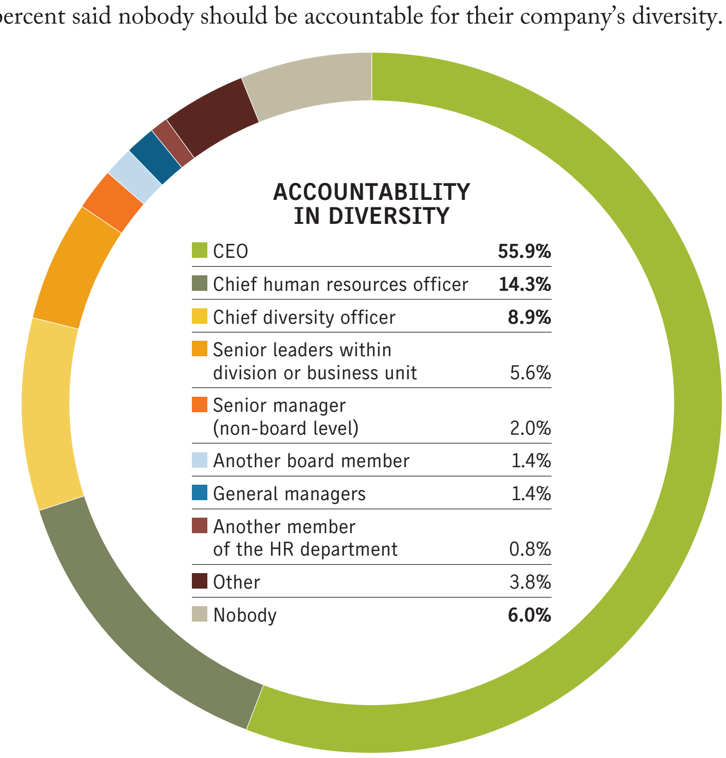
Overall, female and nonwhite respondents were less likely than their male and white counterparts to rate their companies' efforts to increase diversity and inclusion as good or very good.

DIVERSITY PROGRAM EFFORTS — GOOD OR VERY GOOD

	ALL	Male	Female	White	Nonwhite
Gender	72.2%	77.4%	**66.2%**	72.7%	**71.1%**
Age	65.6%	68.8%	**60.3%**	65.8%	**62.3%**
Ethnicity	63.8%	69.8%	**56.2%**	66.8%	**56.2%**
Race	60.6%	64.7%	**55.8%**	63.2%	**53.8%**
Sexual orientation	51.1%	53.1%	**48.6%**	52.4%	**48.8%**
Veteran status	49.6%	53.8%	**41.7%**	51.4%	**41.9%**
Disability	45.0%	49.3%	**37.5%**	47.2%	**36.7%**
Religion	40.7%	44.7%	**35.5%**	42.6%	**35.4%**

ACCOUNTABILITY IN DIVERSITY

Ultimately, it is the CEO who sets the tone for a company's diversity and inclusion efforts; 55.9% of total respondents said the CEO should be accountable for a company's diversity, and 14.3% said it should be the chief human resources officer. Six percent said nobody should be accountable for their company's diversity.



The majority of respondents said that having women and minorities in leadership positions can help with a company's diversity and inclusion practices.

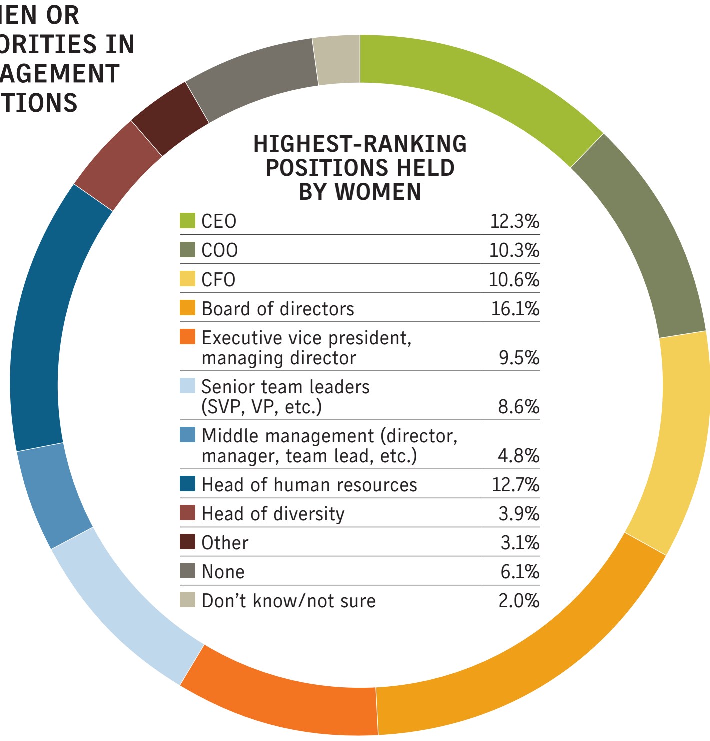
HAVING WOMEN IN LEADERSHIP POSITIONS

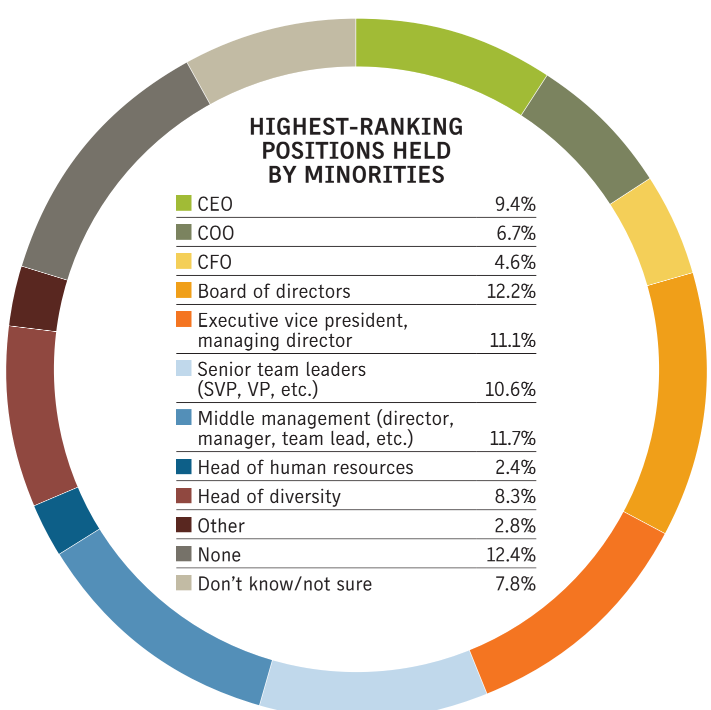
	ALL	Male	Female
Helps with company's diversity and inclusion practices	54.3%	51.2%	59.9%
Undermines company's diversity and inclusion practices	1.5%	1.0%	1.8%

HAVING MINORITIES IN LEADERSHIP POSITIONS

	ALL	White	Nonwhite
Helps with company's diversity and inclusion practices	56.7%	56.4%	62.9%
Undermines company's diversity and inclusion practices	2.2%	0.8%	5.3%

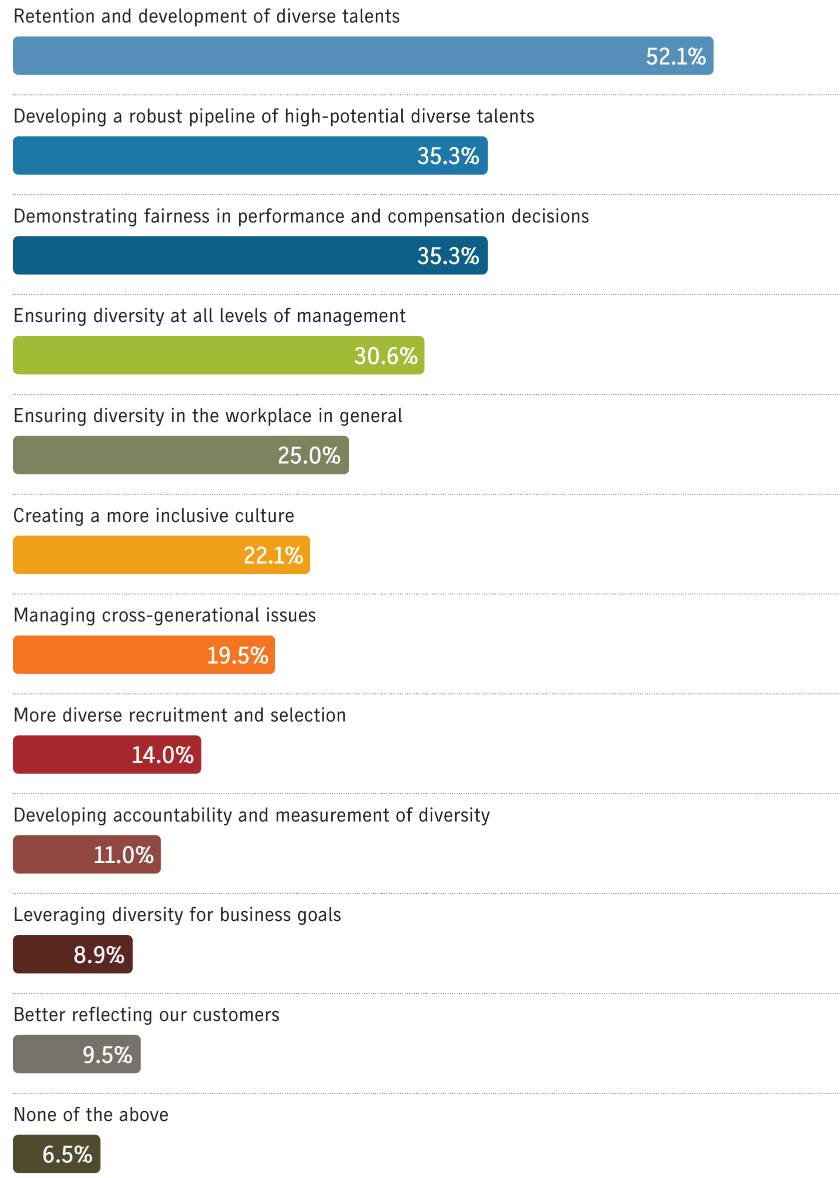
WOMEN OR MINORITIES IN MANAGEMENT POSITIONS





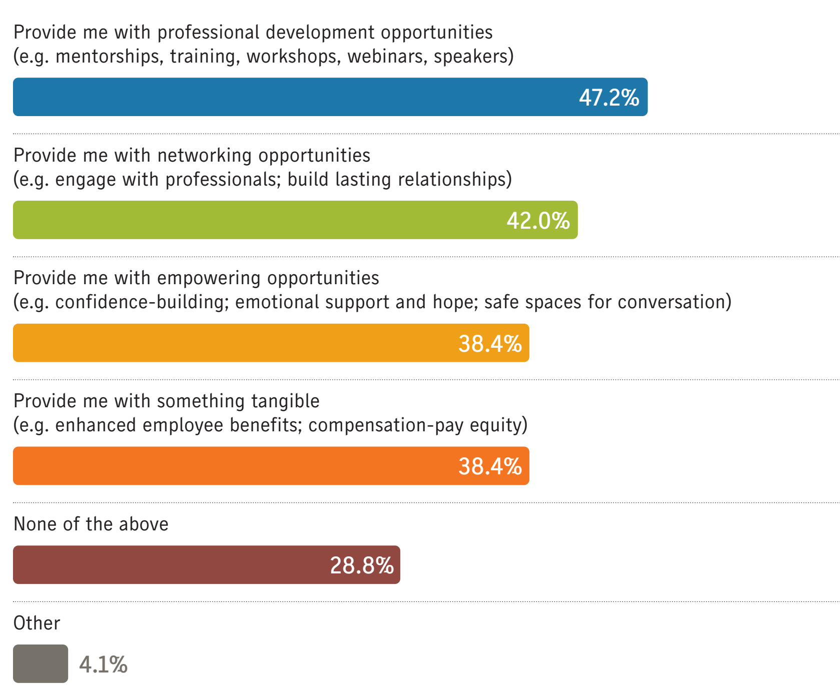
We asked respondents to rank what they thought should be the top three priorities for diversity and inclusion in the industry.

TOP PRIORITIES SHOULD BE



Here are ways companies can help support their employees with their diversity and inclusion efforts:

WAYS TO IMPROVE



SPECIAL REPORT

Reinsurers plan to push for more rate hikes

INSIDE

BY GAVIN SOUTER

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MONTE CARLO, Monaco — Property reinsurance buyers will likely face an easier time with renewal negotiations this year than last, but reinsurance underwriters still say they will push for further price increases.

Most brokers and reinsurers agree that the sharp rate hikes and increases in retentions last year placed reinsurers in a more profitable position and, barring a major catastrophe, won't be repeated during this year's year-end renewal season.

While reinsurance brokers indicate many cedents will be looking for flat renewals after last year's rate hikes of 40% or more for property catastrophe coverage and retentions sometimes doubling, reinsurers say rising losses mean they need higher rates.

Last year's reinsurance price hikes showed up in primary rates with commercial property premiums increasing by double-digit percentages in the first half of 2023, according to industry surveys.

At the same time, reinsurers reported net income return on equity of 20.5% in the first half of this year, compared with 1.2% in the same period last year, and an 88% combined ratio, compared with 89.4% in the 2022 period, according to Fitch Ratings Inc. Annual results may be affected by second-half catastrophe losses, including from the ongoing Atlantic hurricane season, but Fitch forecasts a combined ratio of 93.8% for the full year, compared with 97.2% last year.

Executives from across the reinsurance sector discussed renewals and other issues affecting the industry last month at the Rendez-Vous de Septembre reinsurance meeting in Monte Carlo, Monaco. The annual meeting in the tiny principality by the Mediterranean Sea is viewed as the beginning of the reinsurance renewal season and attracts attendees from around the world.

Property reinsurers are “in the midst of a true hard market cycle,” said Robert Mazzuoli, Frankfurt, Germany-based director EMEA insurance at Fitch.

“The balance of power has shifted to the reinsurance industry, so they can push through price increases, they can change terms and conditions in their favor, so, they have reduced the coverage, and they are charging more for what they provide,” he said.

Senior management from the four largest European reinsurers — Munich Reinsurance Co., Swiss Reinsurance Co. Ltd., Hannover Re SE and Scor SE — all gave presentations during the meeting of their view on the market, indicating that they will seek further increases.

With average annual catastrophe losses over the past five years exceeding $100 billion, compared with about $50 billion over the previous five years, reinsurance prices need to increase more for reinsurers to remain profitable, they said.

“Last year, the price increases on property cat were around 40% to 50% year-on-year. We don’t expect increases of that magnitude at all this year, but still likely double-digit — probably call it low double-digit,” said Jean Paul Conoscente, New York-based CEO of global property/casualty at French reinsurer Scor.

Traditional reinsurance market capital stands at about $461 billion, which is lower than the 2021 record high of $475 billion, and alternative capital, such as insurance-linked securities, has stagnated at around $100 billion for the past five years, said Thomas Blunck, CEO of reinsurance at Munich Re.

“We don’t have a massive capital inflow, and that means the market dynamics are not changing,” he said.

Last year’s rate increases and changes in policy structures reflected the increased exposures that reinsurers have taken on over the past several years, but exposures continue to grow, said Guido Funke, head of the global clients division at Munich Re.

“You can take the price level that we have, the margin level that we have and then you need to add what you need to add for economic inflation, plus you have to account for extreme weather,” he said.

While rates have risen substantially over the past year, indexed reinsurance rates are still below levels in 2010, the last hard market peak, said Urs Baertschi, CEO of property and casualty reinsurance at Swiss Re.

Specifically for natural catastrophe reinsurance pricing, rates are at about the same level as 2013, said Gianfranco Lot, chief underwriting officer for the Swiss Re unit.

“We feel it’s not yet commensurate with the risk landscape we’ve seen. Adequate returns have not been reached,” he said.

Rate hikes vary

Prices changes will likely vary by cedent, most experts said.

“Pricing, in all likelihood, in the aggregate will be risk-adjusted flat, maybe even down in some areas,” said David Priebe, New York-based chairman of Guy Carpenter & Co. LLC.

Reinsurers will have to recognize positive actions cedents have taken in managing their portfolios, such as adjusting property values and better managing aggregated exposures, he said.

Reinsurers have had a profitable year so far, after significant changes in program structures and rates last year, said James Vickers, London-based chairman international, reinsurance, at Gallagher Re, a unit of Arthur J. Gallagher & Co.

> “We don’t have a massive capital inflow, and that means the market dynamics are not changing.”
>
> Thomas Blunck, Munich Re

“People want to lean into what they see as attractive market conditions,” he said.

Primary insurers have taken significant retentions over the past year because reinsurers increased rates so much for lower coverage layers, said Jarad Madea, New York-based CEO of Howden Tiger Capital Markets & Advisory, a unit of Howden Broking Group Ltd.

While insurance-linked securities inves-

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Vesttoo scandal likely to bring more scrutiny of ILS financing

MONTE CARLO, Monaco — The scandal surrounding Vesttoo Ltd.'s use of allegedly fraudulent letters of credit in insurance-linked securities transactions will likely increase scrutiny of similar deals but won't slow the usage of alternative reinsurance structures, reinsurance experts say.

While the extra work may increase costs, confidence in the ILS market does not appear to have deteriorated as a result of concerns about the Tel Aviv, Israel-based reinsurance intermediary, they said during discussions last month at the Rendez-Vous de Septembre reinsurance meeting in Monte Carlo, Monaco.

Vesttoo, which filed for Chapter 11 bankruptcy protection in August, used fake LOCs from China Construction Bank to support various nontraditional ILS transactions, according to court filings.

The alleged fraud does not signal a wider problem in the industry or undermine the established catastrophe bond and wider ILS market, several reinsurance industry executives said.

"I don't think it's the canary in the coal mine. I don't think it's systemic," said Tim Gardner, New York-based global CEO of Lockton Re, a unit of Lockton Cos. LLC. "We've been doing this a very long time as an industry; we're good at it and have controls and processes in place.

"Vesttoo clearly slipped through the cracks, so it sharpens the mind on being diligent, but I don't think it's indicative that it's a flawed model."

LOCs have been useful tools in ILS structures and likely will continue to be used, said James Vickers, London-based chairman international, reinsurance, at Gallagher Re, a unit of Arthur J. Gallagher & Co.

"It would appear reasonable to assume that regulators and rating agencies will look more closely, not at the structures but the substance of what is behind them," he said.

Investors and regulators will likely scrutinize LOCs used in alternative reinsurance structures more closely as a result of Vesttoo, said Robert Mazzuoli, Frankfurt, Germany-based director EMEA insurance, at Fitch Ratings Inc.

"I would not expect at this time that letters of credit go out of favor, but the costs associated with them, the compliance costs, will increase," he said.

The scandal has not had any effect on Hannover Re SE's insurance-linked securities business, said Jean-Jacques Henchoz, chairman of the reinsurer's executive board.

"We don't see any difference in terms of confidence and the pipeline when it comes to our own business," he said. But the revelations have been "an eye opener" for the industry and show a need for strong checks and balances, he said.

More diligence and transparency around LOCs supporting collateral reinsurance products may be required, which could lead to higher costs, said David Priebe, New York-based chairman of Guy Carpenter & Co. LLC.

Gavin Souter

MARKET

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tors have put more funds into the market, taking advantage of higher reinsurance rates and higher interest rates on their collateral, the alternative capital is directed at higher layers of coverage, he said. In addition, ILS capital can quickly leave the market if rates decrease.

"I think there's going to be a fair amount of discipline among reinsurers, with maybe a little more segmentation across where they're playing in the risk tower and which cedents they're playing with," Mr. Madea said.

The withdrawal of some reinsurers — Axis Capital Holdings Ltd. last year exited property reinsurance and American International Group Inc. has agreed to sell Validus Reinsurance Ltd. to RenaissanceRe Holdings Ltd. — and the lack of new traditional capital entering the market will also help drive rates higher, several reinsurers said.

"Without new entrants and without existing carriers growing through material capital raises, the outlook for 2024 should be continued upward pressure on reinsurance pricing," said Joel Willens, Bermuda-based head of international property reinsurance at Ariel Re Ltd.

The effective increases could come in several forms, such as risk-adjusted rate increases, higher retentions or different mechanisms for calculating reinstatement premiums, he said.

Barring a major catastrophe in the next few months, increases won't be as large as last year, "but I don't think there's going to be a retreat from the pricing that we are seeing now," Mr. Willens said.

While reinsurers achieved significant price increases last year, 2023 has seen a continued rise in the incidence of secondary perils, such as severe convective storms, said Sharry Tibbitt, global head of property and deputy chief underwriting officer, reinsurance division, at Everest Reinsurance Co.

"Yes, Jan. 1, 2023, was strong, but it needs to continue because the losses are continuing," she said. "It's going to depend on the program, depend on the region, depend on the layer to determine who needs how much."

Everest raised $1.5 billion in additional capital earlier this year.

"We have already deployed a bit of it, and we imagine it will be fully deployed by Jan. 1," Ms. Tibbitt said.

Cedents should not view last year's increases as "one and done" but increases will be less severe this year, said Scott Egan, Bermuda-based CEO of SiriusPoint Ltd.

"There's a general upward trend in rate, but I don't think it's anything that wouldn't be reasonably normal in the economic conditions that we're seeing," he said.

Concerns over scope of cover limit cyber reinsurance capacity

BY GAVIN SOUTER
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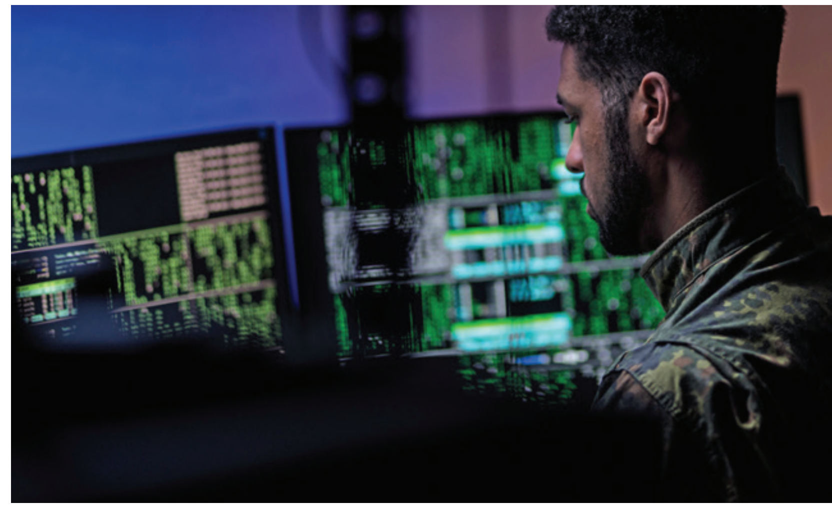


MONTE CARLO, Monaco — Reinsurers have increased their volume of cyber business, but capacity growth is constrained by concerns over the breadth of coverage offered and inconsistency in exclusions for war risks.

Reinsurers and brokers are working on solutions, though, and the development of cyber risk models will likely lead to more conventional and capital markets-based capacity entering the sector, experts said during meetings at the Rendez-Vous de Septembre reinsurance meeting in Monte Carlo, Monaco, last month.

The total global cyber insurance market premium is about $14 billion, and about 50% of the business is reinsured, said Gianfranco Lot, chief underwriting officer, property/casualty reinsurance, at Swiss Reinsurance Co. Ltd.

Reinsurers and insurers are in discussions on defining the scope of cyber insurance, including issues such as ransomware, malware and cyber war, he said.

"Contract certainty is really important," Mr. Lot said.

Munich Reinsurance Co. writes about $2 billion in cyber premium and sees significant growth potential in the market, said Stefan Golling, a member of the reinsurer's board of management.

"It's important to achieve a sustainable market," he said.

To do so and standardize coverage, greater transparency is needed on the underlying risks, scope of coverage, and data on the exposures and accumulations, among other things, Mr. Golling said.

"If we as an industry overall don't understand the accumulation, if we potentially even risk that we overexpose our overall balance sheets, then I think the cyber market is dead before it actually has achieved a meaningful size," he said.

For example, while reinsurers can cover property-related war risks in certain geographic areas, cyber war risks include potential global exposures, which would be uncontrollable, Mr. Golling said.

Cyber war risk is a major concern for reinsurers, said James Vickers, London-based chairman international, reinsurance, at Gallagher Re, a unit of Arthur J. Gallagher & Co. Reinsurers do not want to cover the risk in conventional treaties, but there are several different exclusions used in the primary insurance market.

"The primary market has at least four major variations and reinsurers have slightly different views on each one," he said. "It will settle down, but whether it will completely settle down for this renewal or whether it's got another year or two to run, let's wait and see."

As cyber risk models are developed, more capacity for the risk will enter the market, particularly from the insurance-linked securities sector, Mr. Vickers said.

"Reinsurers are getting more comfortable with models," said Brittany Baker, New York-based vice president of solution consulting at CyberCube Analytics Inc., a cybersecurity and analytics company.

ILS investors are showing significantly more interest in cyber risk and are focused on issues such as event definitions, scope of coverage and when will the invested capital be released, she said.

"They are more open minded to cyber as an asset class," she said.

Dividing cyber coverage in constituent parts could make it appealing to reinsurers and ILS investors, said Patrick Bousfield, Bermuda-based senior broker at Lockton Re and chair of the company's cyber center.

Cyber insurance combines coverage for first-party risks such as ransomware, third-party risks such as errors and omissions liability, and systemic or catastrophe risks, he said.

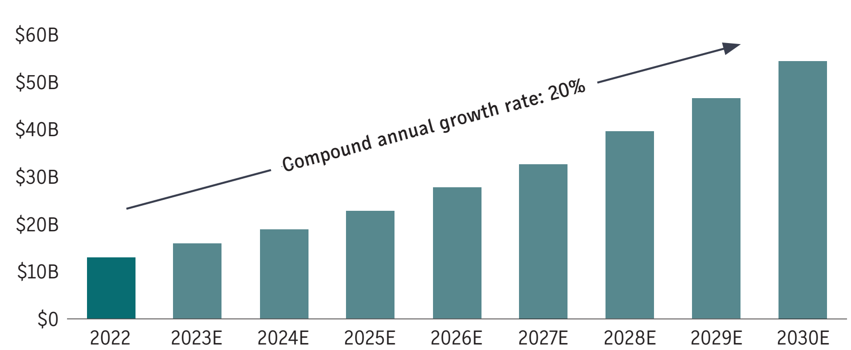
"Right now, the product is funneled all together with three for the price of one, which faces a little bit of a headwind because of the global aggregate," Mr. Bousfield said.

Traditional reinsurers should be comfortable with first- and third-party risks, but capital market products may be the best solution for catastrophic or systemic risks, he said. Some reinsurers, including Beazley PLC, have developed cyber catastrophe bonds.

Hannover Re SE, which in January placed a $100 million proportional retrocession coverage in the capital markets, is working on alternative risk transfer products for cyber risks, said Silke Sehm, a member of the reinsurer's executive board.

"We are focusing, for example, on cloud outage. If you have good data and can collect data on cloud outage, which is a major risk for the cyber business, then you can try to do some sort of parametric cover," she said.

GLOBAL CYBER GROSS WRITTEN PREMIUM PROJECTION



Source: Swiss Re Institute

WORLD'S LARGEST REINSURANCE BROKERS

Ranked by gross revenue from reinsurance brokerage and related activities*

Rank	Company	2022 gross revenue	2021 gross revenue	% increase (decrease)	2022 employees	Officers
1	Aon's Reinsurance Solutions	$2,190,000,000	$1,997,000,000	9.7%	3,292	Andy Marcell, CEO
2	Guy Carpenter & Co. LLC	$2,019,955,251	$1,866,963,696[1]	8.2%	3,380	Dean Klisura, CEO
3	Gallagher Re	$896,888,000	$848,015,000[1]	5.8%	1,908	Tom Wakefield, global CEO
4	Howden Tiger[2]	$400,000,000[3]	$220,000,000[4]	81.8%	450	Rob Bredahl, CEO
5	Miller Insurance Services LLP	$247,380,000[3,5]	$120,000,000	106.2%	650	James Hand, CEO
6	Lockton Reinsurance	$210,182,000	$155,405,000	35.2%	320	Timothy Gardner, global CEO
7 (tie)	McGill and Partners Ltd.	$150,000,000[3]	$123,000,000[3]	22.0%	500	Steve McGill, CEO
7 (tie)	Acrisure LLC	$150,000,000	$71,413,147	110.0%	N/A	Greg Williams, chairman-CEO
9	UIB Holdings (UK) Ltd.	$78,164,683[6]	$78,148,456[6]	0.0%	605	Bassem Kabban, chairman-group CEO
10	Holborn Corp.	$58,800,000	$50,300,000	16.9%	69	Frank Harrison, chairman-CEO

*Includes all reinsurance revenue reported through holding and/or subsidiary companies. [1]Restated. [2]Formerly Howden Re and TigerRisk Partners LLC. [3]From press release/coverage. [4]*BI* estimate.
[5]British pound, March 2023 = USD $1.2369. [6]British pound 2022 = USD $1.2077; 2021 = USD $1.35. N/A = Not available.
Source: *BI* survey

WORLD'S LARGEST REINSURERS

Ranked by unaffiliated gross premium written in 2022[1]

		REINSURANCE PREMIUM WRITTEN				RATIOS		
		LIFE AND PROPERTY/CASUALTY		PROPERTY/CASUALTY ONLY				
Rank	Company	Gross	Net	Gross	Net	Loss	Expense	Combined
1	Munich Reinsurance Co.	$51,331,000,000	$48,550,000,000	$36,729,000,000	35,290,000,000	66.5%	29.7%	96.2%
2	Swiss Re Ltd.	$39,749,000,000	$37,302,000,000	$23,763,000,000	22,826,000,000	74.2%	28.2%	102.4%
3	Hannover Rück SE[2]	$35,528,000,000	$29,672,000,000	$25,884,000,000	21,637,000,000	71.9%	27.9%	99.8%
4	Canada Life Re	$23,414,000,000	$23,414,000,000	N/A	N/A	N/A	N/A	N/A
5	Berkshire Hathaway Inc.[3]	$22,147,000,000	$22,147,000,000	$16,962,000,000	16,962,000,000	66.1%	20.3%	86.4%
6	Scor SE	$21,068,000,000	$17,055,000,000	$10,695,000,000	8,782,000,000	84.1%	29.1%	113.2%
7	Lloyd's of London[4]	$18,533,000,000	$14,162,000,000	$18,533,000,000	14,162,000,000	63.6%	30.8%	94.4%
8	China Reinsurance (Group) Corp.	$16,865,000,000	$15,395,000,000	$7,688,000,000	7,207,000,000	68.2%	28.1%	96.4%
9	Reinsurance Group of America Inc.	$13,823,000,000	$13,052,000,000	N/A	N/A	N/A	N/A	N/A
10	Everest Re Group Ltd.	$9,316,000,000	$8,983,000,000	$9,316,000,000	8,983,000,000	69.2%	27.1%	96.4%

[1]All non-USD currencies converted to USD using foreign exchange rate at company's fiscal year end. [2]Net premium written data not reported; net premium earned substituted. [3]Berkshire Hathaway completed its acquisition of Alleghany Corp. on Oct. 19, 2022, and, per U.S. GAAP accounting rules, incurred premiums and expenses only after the acquisition. [4]Lloyd's premiums are for reinsurance only. Premiums for certain groups in the rankings also may include Lloyd's Syndicate premiums when applicable. N/A = Not available.
Source: A.M. Best Co. Inc.

TOP 10 GLOBAL PROPERTY/CASUALTY REINSURANCE GROUPS

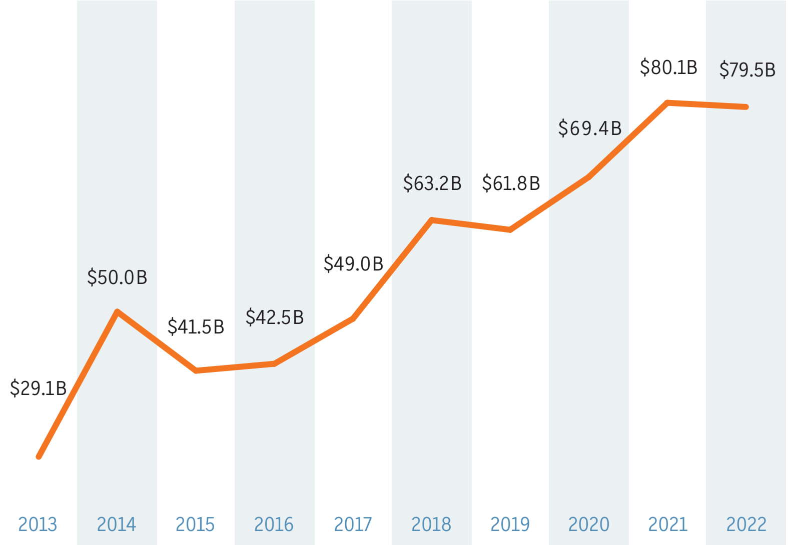
Ranked by unaffiliated gross premium written in 2022[1]

		REINSURANCE PREMIUM WRITTEN	
		PROPERTY/CASUALTY ONLY	
Rank	Company	Gross	Net
1	Munich Reinsurance Co.	$36,729,000,000	$35,290,000,000
2	Hannover Rück SE[2]	$25,884,000,000	$21,637,000,000
3	Swiss Re Ltd.	$23,763,000,000	$22,826,000,000
4	Lloyd's of London[3]	$18,533,000,000	$14,162,000,000
5	Berkshire Hathaway Inc.[4]	$16,962,000,000	$16,962,000,000
6	Scor SE	$10,695,000,000	$8,782,000,000
7	Everest Re Group Ltd.	$9,316,000,000	$8,983,000,000
8	RenaissanceRe Holdings Ltd.	$9,214,000,000	$7,196,000,000
9	China Reinsurance (Group) Corp.	$7,688,000,000	$7,207,000,000
10	PartnerRe Ltd.	$7,015,000,000	$5,899,000,000

[1]All non-USD currencies converted to USD using foreign exchange rate at company's fiscal year end. [2]Net premium written data not reported; net premium earned substituted. [3]Lloyd's premiums are for reinsurance only. Premiums for certain groups in the rankings also may include Lloyd's Syndicate premiums when applicable. [4]Berkshire Hathaway completed its acquisition of Alleghany Corp. on Oct. 19, 2022.
Source: A.M. Best Co. Inc.

10-YEAR TREND OF U.S. REINSURANCE

Net premium written decreased 0.7% in 2022 to $79.5 billion, from $80.1 billion in 2021. Net premium written for major U.S. property/casualty reinsurers, 2013-2023, in billions of dollars.



Source: Reinsurance Association of America

Slower pace in broker mergers and acquisitions

These charts present the second set of results from *Business Insurance*'s annual survey of agents and brokers; the first was published in July. Additional 2023 rankings include the top 25 benefits brokers by growth, most productive agents and brokers, brokers to watch, top brokers of wholesale business, fastest-growing brokers and largest commercial retail brokers.

The pace of mergers and acquisitions slowed among last year's top 100 agents and brokers, with four being acquired, compared with eight the previous year. Meanwhile, a call for submissions to participate in the annual survey resulted in new entrants to the Top 100 brokers list.

If you are with a broker with $10 million or more in 2022 revenue, email Andy Toh at atoh@businessinsurance.com to be added to the invite list to participate in the 2024 survey.

TOP 25 BENEFITS BROKERS BY GROWTH

Ranked by rate of growth in 2022 employee benefits revenue*

Rank	Company	2022 employee benefits revenue	% increase	% of total revenue
1	Keystone Agency Partners LLC	$18,121,341	151.4%[1]	12.0%
2	Sunstar Insurance Group	$22,900,000	90.0%	18.7%
3	Digital Insurance Inc., dba OneDigital	$502,575,098	87.0%	55.4%
4	Alkeme Inc.	$18,000,000	80.0%	18.4%
5	PCF Insurance Services	$126,000,000	68.0%	17.3%
6	C3 Risk & Insurance Services	$2,158,507	63.3%[1]	10.3%
7	Patriot Growth Insurance Services LLC	$127,070,000	43.3%	32.7%
8	Inszone Insurance Services	$6,907,664	40.3%	10.0%
9	IMA Financial Group Inc.	$123,147,348	33.5%	22.0%
10	Choice Insurance Services LLC	$2,270,557	32.9%	8.8%
11	Swingle, Collins & Associates	$2,081,535	30.3%	6.3%
12	Oakbridge Insurance Agency LLC	$8,207,000	26.1%	12.8%
13 (tie)	Alera Group	$568,000,000	25.9%	46.0%
13 (tie)	RSC Insurance Brokerage Inc., dba Risk Strategies Co.	$247,239,235	25.9%	20.7%
15	The Plexus Groupe LLC	$20,154,209	25.7%	54.5%
16	CAC Group[2]	$16,821,284	23.4%	8.9%
17	Higginbotham	$195,454,000	22.7%	33.8%
18	BroadStreet Partners Inc.	$270,855,000	21.2%	20.7%
19	Foundation Risk Partners Corp.	$132,126,000	21.1%[1]	26.6%
20	World Insurance Associates LLC	$44,192,182	20.6%	11.9%
21	Gibson Insurance Agency Inc., dba Gibson	$12,608,000	20.5%	40.7%
22	Starkweather & Shepley Insurance Brokerage Inc.	$4,888,618	20.4%	6.2%
23 (tie)	USI Insurance Services LLC	$1,083,487,775	20.0%	43.6%
23 (tie)	DSG Benefits Group LLC	$900,250	20.0%	85.7%
25	Automatic Data Processing Insurance Agency Inc.	$55,140,362	19.6%	17.4%

*To be ranked brokers must have generated $500,000 or more in employee benefits revenue in 2022. Companies deriving more than 49% of their gross revenue from personal lines are not ranked. [1]Restated 2021 revenue. [2]Formerly Cobb Allen/CAC Specialty.

Source: *BI* survey

BENEFITS SPECIALISTS

Brokers specializing in employees benefits, ranked by percentage of business*

Company	2022 employee benefits revenue	% increase (decrease)	% total
FBMC Benefits Management Inc.	$20,683,941	5.1%	100.0%
DSG Benefits Group LLC	$900,250	20.0%	100.0%
LHD Benefit Advisors LLC	$9,875,539	9.5%	68.8%
The Cason Group	$18,001,858	18.2%	67.5%
Digital Insurance Inc., dba OneDigital	$502,575,098	87.0%	67.0%
Willis Towers Watson PLC	$5,103,000,000	1.2%	58.5%
CBIZ Benefits & Insurance Services Inc.	$168,000,000	6.2%	55.2%
The Plexus Groupe LLC	$20,154,209	25.7%	54.7%
MJ Insurance Inc.	$25,884,824	16.5%	54.0%

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

Source: *BI* survey

MOST PRODUCTIVE AGENTS AND BROKERS

Intermediaries ranked by 2022 brokerage revenue per employee*

		Brokerage revenue per employee			Brokerage revenue			Employees		
Rank	Company	2022	2021	% increase (decrease)	2022	2021	% increase (decrease)	2022	2021	% increase (decrease)
1	Panorama Insurance Associates Inc.[1]	$736,553	$1,000,000	(26.3%)	$54,504,928	$52,000,000	4.8%	74	52	42.3%
2	CAC Group[2]	$462,176	$444,851	3.9%	$186,719,305	$145,021,560	28.8%	404	326	23.9%
3	Turner Surety & Insurance Brokerage Inc.	$457,681	$447,508	2.3%	$33,868,400	$31,773,100	6.6%	74	71	4.2%
4	Woodruff Sawyer & Co.	$453,885	$464,708	(2.3%)	$276,870,000	$272,783,778	1.5%	610	587	3.9%
5	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	$352,869	$315,222	11.9%	$1,028,612,000	$892,077,000	15.3%	2,915	2,830	3.0%
6	Truist Insurance Holdings Inc.	$344,949	$351,593	(1.9%)	$3,344,969,000	$2,862,673,000	16.8%	9,697	8,142	19.1%
7	Automatic Data Processing Insurance Agency Inc.	$329,739	$274,439	20.2%	$317,538,246	$271,420,188	17.0%	963	989	(2.6%)
8	Alliant Insurance Services Inc.	$324,546	$284,312	14.2%	$3,199,376,174	$2,613,966,706[3]	22.4%	9,858	9,194	7.2%
9	Graham Co.	$323,749	$325,242	(0.5%)	$73,491,006	$68,300,777	7.6%	227	210	8.1%
10	M&O Agencies Inc., dba The Mahoney Group	$295,535	$262,450	12.6%	$56,151,660	$46,978,548	19.5%	190	179	6.1%
11	IMA Financial Group Inc.	$292,335	$262,469	11.4%	$557,775,736	$448,034,424	24.5%	1,908	1,707	11.8%
12	RSC Insurance Brokerage Inc., dba Risk Strategies Co.	$290,743	$292,013	(0.4%)	$1,185,648,188	$955,174,183	24.1%	4,078	3,271	24.7%
13	Bowen, Miclette & Britt Insurance Agency LLC	$290,137	$260,543	11.4%	$61,799,281	$54,713,935	12.9%	213	210	1.4%
14	Sterling Seacrest Pritchard Inc.	$284,340	$260,067	9.3%	$90,135,804	$77,760,056	15.9%	317	299	6.0%
15	Lockton Cos. LLC	$283,510	$289,779	(2.2%)	$3,049,717,000	$2,703,060,000	12.8%	10,757	9,328	15.3%
16	Choice Insurance Services LLC	$281,780	$278,769	1.1%	$25,923,790	$23,695,334	9.4%	92	85	8.2%
17	Heffernan Group	$280,230	$251,232	11.5%	$170,660,131	$153,000,184	11.5%	609	609	0.0%
18	Alera Group	$280,000	$266,000	5.3%	$1,148,000,000	$931,000,000	23.3%	4,100	3,500	17.1%
19	Fisher Brown Bottrell Insurance Inc.	$278,642	$257,347	8.3%	$54,892,383	$50,182,592	9.4%	197	195	1.0%
20	AssuredPartners Inc.	$275,347	$242,490	13.5%	$2,279,595,981	$2,040,310,817	11.7%	8,279	8,414	(1.6%)
21	Ames & Gough Inc.	$275,000	$281,818	(2.4%)	$16,500,000	$15,500,000	6.5%	60	55	9.1%
22	Sterling & Sterling LLC, dba SterlingRisk	$272,616	$260,634	4.6%	$67,063,489	$62,552,054	7.2%	246	240	2.5%
23	Moreton & Co.	$272,059	$255,914	6.3%	$66,654,565	$61,419,319[3]	8.5%	245	240	2.1%
24	Starkweather & Shepley Insurance Brokerage Inc.	$271,013	$288,998	(6.2%)	$78,051,690	$71,960,481	8.5%	288	249	15.7%
25	Christensen Group Inc.	$269,973	$259,616	4.0%	$54,804,586	$45,173,206	21.3%	203	174	16.7%

*Companies with more than 50 employees assigned to brokerage. Brokerages that derive more than 49% of their revenue from personal lines are not ranked. [1]Formerly Professional Insurance Associates Inc. [2]Formerly Cobbs Allen/CAC Specialty. [3]Restated.
Source: *BI* survey

BEYOND THE TOP 100 BROKERS

BROKERS TO WATCH

Ranked by 2022 brokerage revenue generated by U.S.-based clients

2023 rank	2022 rank	Company	2022 brokerage revenue	% increase (decrease)
101	99	Engle-Hambright & Davies Inc.	$29,019,270	4.2%
102	94	The Daniel & Henry Co.	$27,975,000	(8.1%)
103	NR	The Cason Group	$26,651,031	20.4%
104	100	Moody Insurance Agency Inc.	$25,948,254	6.2%
105	102	Choice Insurance Services LLC	$25,664,552	9.4%
106	105	Wallace Welch & Willingham Inc.	$25,530,147	21.5%
107	NR	Morris & Garritano Insurance Agency Inc.	$24,451,789	11.1%
108	106	CCIG	$23,366,893	14.5%
109	104	C3 Risk & Insurance Services	$20,967,293	55.3%[1]
110	NR	FBMC Benefits Management Inc.	$20,683,941	5.1%

NR = not ranked. [1]2021 brokerage revenue restated.

TARGET INDUSTRIES

Industries targeted by the brokers to watch

Industry	No. of brokers	Percent
Construction	7	70%
Health care	5	50%
Agribusiness	4	40%
Financial services	4	40%
Automotive	3	30%
Nonprofit organizations	3	30%
Real estate	3	30%
Transportation/logistics	3	30%
Aviation	2	20%
Biotechnology	2	20%
Consumer durables	2	20%
Pharmaceutical/chemical	2	20%
Retail	2	20%
Technology	2	20%

TARGET CLIENTS

Target clients by revenue among the brokers to watch

Revenue	No. of brokers	Percent
Up to $10 million	7	70%
More than $10 million up to $50 million	8	80%
More than $50 million up to $100 million	6	60%
More than $100 million up to $500 million	1	10%
More than $500 million up to $1 billion	1	10%

Source: *BI* Survey

2023-2024 BUSINESS INSURANCE®

BusinessInsurance.com/events

EVENT SCHEDULE

2023

WOMEN TO WATCH AWARDS & LEADERSHIP CONFERENCE (EMEA)
NOVEMBER 7, 2023 | LONDON

WOMEN TO WATCH AWARDS & LEADERSHIP CONFERENCE (US)
DECEMBER 4-5, 2023 | NEW YORK

2024

WORLD CAPTIVE FORUM
JANUARY 24-26, 2024 | ORLANDO

BREAK OUT AWARDS
JUNE 2024 | CHICAGO, LOS ANGELES, NEW YORK

U.S. INSURANCE AWARDS
JULY 18, 2024 | NEW YORK

INNOVATION AWARDS
JULY 18, 2024 | NEW YORK

DIVERSITY, EQUITY & INCLUSION CONFERENCE
FALL 2024 | TBD

**Event dates and formats are subject to change.*

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TOP BROKERS OF WHOLESALE BUSINESS*

Ranked by 2022 wholesale revenue, including property/casualty

Rank	Company	2022 wholesale revenue	2021 wholesale revenue	% increase (decrease)
1	Brown & Brown Inc.	$1,256,701,280	$1,050,177,188	19.7%
2	Arthur J. Gallagher & Co.	$1,027,931,000	$937,462,000	9.7%
3	Alliant Insurance Services Inc.	$422,399,931	$244,393,379[1]	72.8%
4	RSC Insurance Brokerage Inc., dba Risk Strategies Co.	$364,592,019	$269,577,802	35.2%
5	Hub International Ltd.	$325,010,000	$259,615,000	25.2%
6	Lockton Cos. LLC	$184,795,000	$153,426,000	20.4%
7	USI Insurance Services LLC	$131,237,862	$122,333,570	7.3%
8	Acrisure LLC	$118,389,971	$69,635,414	70.0%
9	NFP Corp.	$103,611,132	$95,117,334	8.9%
10	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	$85,575,000	$68,012,000	25.8%

*Brokers deriving less than 50% of revenue from wholesale brokerage business. [1]Restated.

Source: *BI* survey

FASTEST GROWING BROKERS

Ranked by rate of growth in 2022 U.S. brokerage revenue*

Rank	Company	2022 revenue	% increase
1	King Insurance Partners	$34,067,448	274.9%
2	Patriot Growth Insurance Services LLC	$386,620,000	79.9%
3	Keystone Agency Partners LLC	$137,821,000	72.3%
4	C3 Risk & Insurance Services	$20,967,293	55.3%[1]
5	World Insurance Associates LLC	$347,157,059	54.7%
6	Alkeme Inc.	$94,000,000	53.3%
7	The Liberty Co. Insurance Brokers Inc.	$153,450,000	46.1%
8	Relation Insurance Inc.	$260,000,000	45.0%
9	Baldwin Risk Partners LLC	$1,014,500,000	41.0%
10	Sunstar Insurance Group	$121,000,000	40.5%
11	Inszone Insurance Services	$69,076,647	40.3%
12	Commercial Insurance Associates LLC	$31,842,953	32.5%
13	High Street Insurance Partners Inc.	$384,874,000	32.3%
14	Biltmore Insurance Services LLC	$13,186,143	30.8%
15	CAC Group[2]	$182,984,919	28.8%
16	Higginbotham	$576,499,000	28.0%
17 (tie)	The Hilb Group LLC	$501,613,000	24.7%
17 (tie)	Reliance Partners LLC	$45,289,061	24.7%
19	IMA Financial Group Inc.	$557,775,736	24.5%
20	RSC Insurance Brokerage Inc., dba Risk Strategies Co.	$1,150,078,742	24.1%
21	PCF Insurance Services	$730,000,000	23.7%
22	Acrisure LLC	$3,322,381,927	23.5%
23	Alera Group	$1,148,000,000	23.3%
24	Foundation Risk Partners Corp.	$496,150,000	21.8%[1]
25	Wallace Welch & Willingham Inc.	$25,530,147	21.5%
26	Christensen Group Inc.	$54,804,586	21.3%
27 (tie)	Hub International Ltd.	$2,931,397,560	21.1%
27 (tie)	Integrated Insurance Services Inc.	$151,590	21.1%
29	Oakbridge Insurance Agency LLC	$64,010,000	21.0%
30	The Cason Group	$26,651,031	20.4%

*Companies with less than $1 million in brokerage revenue and/or deriving more than 49% of their brokerage revenue from personal lines are not ranked. [1]Restated 2021 brokerage revenue. [2]Formerly Cobb Allen/CAC Specialty.

Source: *BI* survey

LARGEST U.S. COMMERCIAL RETAIL BROKERS

Ranked by 2022 commercial retail brokerage revenue from U.S. offices

Rank	Company	2022 commercial retail revenue*	% increase (decrease)	% of U.S. brokerage revenue
1	Marsh & McLennan Cos. Inc.	$5,791,000,000	8.4%	57.2%
2	Aon PLC	$3,049,000,000	2.6%	54.1%
3	Acrisure LLC	$2,366,114,010	44.8%	71.2%
4	Arthur J. Gallagher & Co.	$2,119,164,000	13.1%	38.9%
5	Alliant Insurance Services Inc.	$1,589,971,143	8.9%[1]	50.8%
6	Hub International Ltd.	$1,449,270,000	21.9%	49.4%
7	Lockton Cos. LLC	$1,391,190,000	10.4%	64.2%
8	AssuredPartners Inc.	$1,152,465,279	10.3%	51.7%
9	Brown & Brown Inc.	$1,144,237,160	9.2%	34.3%
10	USI Insurance Services LLC	$1,135,662,967	10.4%	46.3%
11	Willis Towers Watson PLC	$1,117,000,000	3.3%[1]	23.7%
12	BroadStreet Partners Inc.	$893,008,000	12.5%	68.6%
13	Truist Insurance Holdings Inc.	$885,405,000	22.4%	26.5%
14	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	$656,824,000	16.7%[1]	63.9%
15	Alera Group	$522,000,000	20.0%	45.5%
16	RSC Insurance Brokerage Inc., dba Risk Strategies Co.	$446,349,122	17.4%	38.8%
17	PCF Insurance Services	$418,000,000	22.9%	57.3%
18	NFP Corp.	$380,747,650	8.5%	22.1%
19	IMA Financial Group Inc.	$353,380,679	16.9%	63.4%
20	Higginbotham	$324,710,000	38.6%	56.3%
21	Baldwin Risk Partners LLC	$316,591,340	19.2%	31.2%
22	Foundation Risk Partners Corp.	$242,231,000	21.2%[1]	48.8%
23	The Hilb Group LLC	$240,336,983	32.1%	47.9%
24	Woodruff Sawyer & Co.	$236,834,000	1.4%	85.5%
25	Leavitt Group	$227,846,000	15.1%	54.5%
26	Insurance Office of America Inc.	$216,752,728	16.2%	77.3%
27	High Street Insurance Partners Inc.	$172,415,654	44.9%	44.8%
28	World Insurance Associates LLC	$171,804,544	65.5%	49.5%
29	Automatic Data Processing Insurance Agency Inc.	$169,241,871	19.6%	53.3%
30	CAC Group[2]	$161,665,222	25.2%[1]	88.3%
31	Holmes Murphy & Associates Inc.	$137,500,000	9.9%	50.2%
32	Cross Financial Corp., dba Cross Insurance	$134,365,000	12.1%	50.0%
33	Digital Insurance Inc., dba OneDigital	$129,844,989	(60.2%)	17.3%
34	Relation Insurance Inc.	$116,000,000	66.6%	44.6%
35	Cottingham & Butler Inc.	$114,090,000	8.7%	38.6%
36	Hylant Group Inc.	$112,151,030	10.2%	62.4%
37	Insurica Inc.	$110,394,523	10.3%	72.3%
38	Heffernan Group	$109,812,351	10.5%	69.2%
39	Cadence Insurance	$108,098,245	12.6%	68.6%
40	Keystone Agency Partners LLC	$94,343,126	245.7%	68.5%
41	The Liberty Co. Insurance Brokers Inc.	$92,000,000	28.9%	60.0%
42	Patriot Growth Insurance Services LLC	$89,850,000	68.4%	23.2%
43	AmeriTrust Group Inc.	$85,387,480	11.9%	62.9%
44	CBIZ Benefits & Insurance Services Inc.	$85,000,000	13.6%	28.0%
45	Paychex Insurance Agency Inc.	$80,000,000	1.3%	32.1%
46	Unison Risk Advisors	$79,414,370	12.5%	49.0%
47	Sunstar Insurance Group	$71,300,000	16.8%	58.9%
48	Insurors Group LLC	$69,940,223	(4.8%)	75.2%
49	TrueNorth Cos. LC	$69,133,000	1.0%	63.3%
50	Sterling Seacrest Pritchard Inc.	$63,833,502	22.8%	71.2%

*Excluding revenue from placement of employee benefits. [1]Restated 2021 revenue.
[2]Formerly Cobbs Allen/CAC Specialty.
Source: *BI* survey

TARGETS OF THE TOP 15

TARGET INDUSTRIES

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

Industry	Number of brokers	Percent
Financial services	15	100%
Construction	14	93%
Health care	14	93%
Marine	14	93%
Real estate	14	93%
Agribusiness	13	87%
Aviation	13	87%
Private equity/investment capital	13	87%
Transportation/logistics	13	87%
Energy	12	80%
Higher education	12	80%
Nonprofit organizations	12	80%
Public sector/government	12	80%
Automotive	11	73%
Entertainment	11	73%
Food and beverage	11	73%
Retail	11	73%
Technology	11	73%
Mining	8	53%
Pharmaceutical/chemical	8	53%
Power industry	8	53%
Biotechnology	7	47%
Consumer durables	7	47%
Media	7	47%
Consumer nondurables	6	40%
Clothing, textile	6	40%
Rail	6	40%
Telecommunications	5	33%

TARGET CLIENTS

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

Revenue	Number of brokers	Percent
Up to $10 million	7	47%
More than $10 million up to $50 million	6	40%
More than $50 million up to $100 million	8	53%
More than $100 million up to $500 million	8	53%
More than $500 million up to $1 billion	6	40%
More than $1 billion up to $3 billion	5	33%
More than $3 billion up to $5 billion	4	27%
More than $5 billion up to $10 billion	1	7%

Source: *BI* Survey

COMMENTARY

Limiting exposures to 'next asbestos'

In a liability context, so-called forever chemicals carry an ominous-sounding name for underwriters and risk managers, suggesting a problem that's not going away.

U.S. corporations and their insurers have been burnt badly by similar liabilities in the past, most notably asbestos and pollution claims, and ever since have been wary of potential long-tail losses.

Every few years, a mass tort exposure is labeled "the next asbestos" — for example, lawsuits related to lead paint, tobacco or opioids — raising concerns about another liability disaster that could drive numerous insurers into bankruptcy and reshape the industry.

Forever chemicals, or perfluoroalkyl and polyfluoroalkyl substances, are the latest compounds to be dubbed with the "next asbestos" sobriquet, and insurers must be hoping that they don't live up to the billing.

According to A.M. Best Co. Inc., which has tracked asbestos claims over the past three decades, the insurance industry has been placed on the hook for $100 billion in asbestos losses since the substance was first flagged as a health concern in the 1970s. When you add in environmental claims, the total is $146 billion. While claims payments have slowed, over the past five years insurers have still paid out $14 billion in asbestos and environmental claims, according to Best.

Gavin Souter
EDITOR

The insurance industry reacted to asbestos and pollution claims with exclusions and other policy changes, and general liability underwriters have been inserting exclusions related to PFAS in many policies over the past few renewal cycles. Recent exclusions, though, can only do so much to limit exposures because PFAS have been used in products and manufacturing processes for years, leaving the possibility that old policies will be tapped for coverage.

Everything from non-stick cookware to household cleaning products and cosmetics have been shown to contain PFAS. Numerous lawsuits have been filed alleging the chemicals caused serious health problems to consumers and multi-hundred-million-dollar settlements have been paid. And, as we report on page 6, it's not just a concern for general liability underwriters, workers compensation insurers are worried about claims workers may file saying they were injured through exposure to PFAS at work.

Litigation over insurance coverage is still playing out, but however it falls, companies with potential exposures to PFAS should proactively work to mitigate their potential liabilities. Experts advise evaluating products and processes to identify sources of contamination, regularly testing for PFAS, reducing the use of PFAS wherever possible, keeping on top of evolving regulations and working with insurers to understand the potential liability exposure.

In addition, companies should work with local communities and consumers to address concerns and provide information.

Some of the damage from PFAS is already done, but by taking concrete steps to address the problem, insurers and risk managers may be able to shorten forever chemicals' run as the lead player in the "next asbestos" saga.

CYBER PREPAREDNESS

According to a recent survey, 90% of respondents were confident their companies had implemented best cyber practices, but 25% of companies have not taken essential steps, and larger percentages don't use other cybersecurity technologies.

25% Do not implement firewall/virus protection, data backup and password updates.

64% Do not use endpoint detection and response.

50% Do not have an incident response plan.

44% Do not use multifactor authentication for remote access.

Source: 2023 Travelers Risk Index Cyber Risk

VIEWPOINT

A ransomware minefield

BY CLAIRE WILKINSON
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Targeted ransomware attacks on two Las Vegas casino operators generated compelling headlines last month and signaled that the recent acceleration in cyberattacks appears to be here to stay — at least for now. The incidents are a reminder that not even an "Ocean's Eleven" level of casino security is enough to stop businesses from being penetrated in today's interconnected world.

Cyber risks continue to be ranked as a "top risk" by various industry barometers. For example, cyber threats remained a top three concern for the ninth consecutive year among small, medium-sized and large businesses, according to a recent national survey conducted by Travelers Cos. Inc. But despite confidence that they've implemented best cyber practices, at least 25% of businesses have not taken essential steps such as installing a firewall or virus protection and implementing data backup and password updates, the survey found. A much larger percentage don't use endpoint — that is, determining the devices being used — detection and response (64%), or use multifactor authentication for remote access (44%).

Businesses are seeing both the frequency and severity of cyber claims increase, and ransomware is largely responsible. Ransomware activity has been escalating since the start of 2023 after an 18-month lull, according to Coalition Inc., a San Francisco-based managing general agent. In a mid-year cyber claims update, Coalition said ransomware was the largest driver of an increase in claims frequency, which was up 12% overall in the first half of the year compared with the preceding six months. Large businesses with more than $100 million in revenue were hit the hardest, as they experienced a 20% increase in claims frequency and 72% jump in claims severity to $236,779.

The resurgence isn't so surprising given that cybercriminals are financially motivated and ransomware attacks can be so lucrative. Those companies hit by ransomware attacks reported an average loss of more than $365,000 in the first half of the year, up from the previous high of more than $227,000, Coalition reported. The average ransom demand was $1.62 million, a 47% increase over the previous six months. When deemed reasonable and necessary, some 36% of Coalition policyholders opted to pay a ransom, and among claims that resulted in payment, the MGA said it negotiated the amount down to an average of 44% of the initial demand.

This snapshot of ransomware claims backs broker commentaries pointing to the broader rebound in ransomware claims payments. As we report on page 10, ransomware is still a major peril for insurers and policyholders and how that will affect the price and availability of cyber coverage remains unclear.

After ransomware activity increased from 2019, cyber insurers responded by hiking rates and insisting on cybersecurity improvements. As rate adequacy and cyber controls took effect, market confidence returned and brought fresh capacity. This has led to ample capacity being available, and greater competition, and as we report on page 29, reinsurers and brokers are hopeful that the development of cyber risk models will lead to more traditional and capital markets-based capacity entering the cyber market. This time last year, policyholders were seeing cyber rate increases of more than 50%. Now, the average increase is 3.6%. But with claims increasing and many businesses apparently still not deploying the cybersecurity controls needed to thwart attacks, all bets are off as to how long these favorable buying trends can continue. Meanwhile, companies that do employ sound cyber risk management will expect differentiated treatment from underwriters.

Bolstering operational resilience to combat 'gray swan' cyber events

Cybersecurity professionals are likely familiar with "black swan" events: rare, unpredictable incidents that occur without warning and are nearly impossible to prepare for. A "gray rhino" is the black swan's converse: a predictable threat that can be easily managed by taking the proper steps. But there is also a third, lesser-known type of event called a "gray swan."

Gray swan incidents are foreseeable, but organizations nonetheless struggle to handle them adequately. Data breaches and ransomware attacks fall into this category. Companies are highly likely to experience these scenarios — financial institutions identified $1.2 billion in payments related to ransomware attacks in 2021, according to the U.S. Treasury Department, and in 2022 ransomware attacks on industrial organizations increased by 87% compared with 2021. Despite the frequency of these incidents, many organizations still falter when they happen to them.

Some organizations may feel they have their arms around gray swan data breaches and ransomware attacks, but while 2022 saw a leveling off of ransomware attacks, they are unfortunately back on the rise. The number of ransomware attacks in June increased 221% compared with the same month last year, according to a report from NCC Group. Furthermore, the average cost of a data breach reached an all-time high in 2023 of $4.45 million, according to an IBM Security report. While London-based insurance brokerage Howden Broking Group Ltd. reported that cyber insurance rates dropped about 10% in June, it estimates that premiums could exceed $50 billion by 2030.

Any lull in ransomware attacks or data breaches is temporary, as hackers will find new avenues for exploiting information technology security. That means executive leadership and IT leaders must recognize that the frequency of cyberattacks, and the expense of ransomware attacks are expected to continue to increase.

How should organizations plan for this? Even businesses that take steps to enhance cybersecurity, handle data more responsibly, hire forensics experts and purchase insurance coverage can fall into the trap of being underprepared. The following recommendations can help enterprises assess their preparedness and become operationally resilient in the face of ransomware attacks and other gray swan events.

Evaluate insurance

While having cyber insurance is an important step in mitigating the risk of cyberattacks, organizations may be operating under the misapprehension that their coverage is enough. Swiss Reinsurance Co. Ltd. estimates that half of organizations have some form of cyber policy, but fewer than 20% of those have enough coverage to meet the average ransomware demand.

Many current cyber risk models rely on exposed record counts to estimate losses, which does not accurately reflect the real-world costs and losses businesses suffer when crippled by ransomware attacks. To better understand breach scenarios and their accompanying costs, including the costs of ransomware attacks, business interruption and property damage, organizations need to look beyond the traditional models. To do so, they should continuously evaluate third-party models and software, while understanding the importance of adequate data inputs for any model. The adage of "garbage in, garbage out" continues to hold true for many current cyber loss quantification models.

Tapping the right stakeholders to respond to a breach is crucial. Key players outside of the IT/cyber suite include finance, legal, operations and human resources. It is important to regularly assemble this group for tabletop practice exercises.

Further, organizations should conduct tabletop scenario analysis with key stakeholders from operations, IT and finance to understand the impact across the business from critical system disruption.

Understand scope, definitions

Leaders also need to evaluate their cyber insurance policies and fully understand the scope of their coverage and definitions of key terms. Some organizations make the mistake of treating cyber insurance like an "off-the-shelf" purchase. Instead, buyers should know their risk exposure and negotiate terms accordingly.

Enterprise leaders should also prepare for a world where cyber insurance doesn't exist in its current form. Insurers are scrutinizing cyber hygiene, and companies that fall short may face higher premiums or may not be able to obtain coverage at all.

While we may continue to see some fluctuation in pricing, cyber insurance costs are high and difficult to control. As government frameworks around best practices evolve, fines and penalties for privacy violations could further elevate costs. An increasing and dangerous trend is that some organizations are deciding to forego cyber insurance. Some companies have determined that the costs are too high relative to what insurers can provide.

There has also been discussion of potential government regulation against paying ransoms demanded in ransomware attacks, which would significantly change the landscape of coverage. Whether modulated by government regulation or by market factors, the cyber insurance sector is likely to evolve and look very different over the next five to 10 years, and organizations should be prepared.

Focus on resilience

To navigate these shifts, enterprises should focus on operational resilience, not just IT resilience. When a data breach occurs, companies can find themselves in one of two situations: uncertain panic or ready to take decisive action. An organizational playbook that reflects the reality that breaches are inevitable can help companies move quickly, work decisively and proceed calmly when they occur.

Here are a few practices organizations can follow to make the difference between effective breach response and scrambling:

- **Expect the breach.** Hackers are always finding loopholes even in resilient IT environments. Have a playbook ready that outlines in detail the steps your organization will follow when it experiences a breach. When a computer doesn't turn on, who does what? Without a playbook, there could be five people who think they have the same role to play, leading to delays and further damage. A playbook should outline who's in charge of which tasks and who needs to be alerted — including relevant government agencies — as well as provide guidelines for command and control during the crisis.
- **Practice makes perfect.** Tapping the right stakeholders to respond to a breach is crucial. Key players outside of the IT/cyber suite include finance, legal, operations and human resources. It is important to regularly assemble this group for tabletop practice exercises to prepare for an incident. True operational resilience requires practice to eliminate gaps in stakeholder behavior and make executing the playbook second nature. Regular rehearsals create alignment so the whole organization can focus on minimizing the damage from a breach.
- **Refresh your cyber resilience.** Operational resilience requires a cyber plan that includes governance, communications, protocol and reporting. Companies should have a roadmap for implementing this cyber program throughout their organization and for evaluating their cyber capabilities against those of their respective industry and peers. Finally, with the cyber landscape changing frequently, your cyber response plans will frequently need to be refreshed to keep up with risk and business changes. Organizations should have a system for ongoing maintenance to ensure their response plans are up to date.

Ransomware and other cyber threats are a significant and predictable risk for organizations — in other words, they are the gray swans. Although gray swan threats are identifiable in advance, many organizations lack the expertise to effectively address them. Any historical or forthcoming trend of declining ransomware attacks is unlikely to last. When there is a lull in cyberattack activity, companies should take proactive steps to prepare for potential major incidents, including evaluating cyber insurance and bolstering operational resilience.

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MARKET PULSE

Everest launches division for wholesale, programs

■ Everest Insurance, the insurance division of Everest Group Ltd., has established a division focused on U.S. wholesale and programs business.

The division merges specialty wholesale program segments, underwriters and distribution teams, including Everest Underwriting Partners, its programs business.

The division will provide better access to Everest's products and services, Mike Mulray, president of North America Insurance, said in a statement.

Climate nonprofit adds network of experts

■ InnSure, a Boston-based, industry-funded climate nonprofit, launched InnSure Corps, a network of experts from various sectors including climate, insurance and technology.

With founding chapters in Boston, New York, Chicago and Austin, Texas, the membership program will offer networking opportunities and access to member-only events, workshops and other initiatives.

Membership fees are flexible, and professionals can select their price level. In return, InnSure will contribute 1% of their dues to directly support carbon removal.

InnSure, formerly known as Innovation Underwriters, was launched in 2020 in partnership with insurance software provider Vitech Systems Group.

Hartford expands digital services for brokers

■ Hartford Financial Services Group Inc. said it has expanded digital submission capabilities for agents and brokers writing midsize and large business for general liability, auto, property and workers compensation accounts.

New submission and quote application programming interfaces and portal options were designed to allow agents and brokers to more easily share submission data and request a quote with faster turnaround and increased accuracy using features including pre-populated data, a Hartford statement said.

In addition to direct API capabilities and online portals, the insurer will also allow API operating relationships with agents and brokers who use vendor APIs for midsize, large and specialty accounts, the statement said.

The Hartford has partnered with data management company Highwing Inc. for technical expertise in establishing connections, the statement said.

Mo Tooker, head of middle, large, specialty commercial and enterprise sales and distribution at The Hartford, said in the statement the enhanced digital capabilities were built using agent and broker feedback.

PRODUCTS & SERVICES

Sedgwick unveils climate risk and resiliency program

■ Sedgwick Claims Management Services Inc. launched a climate risk and resiliency program designed to help businesses address the impact of climate-related losses.

The program, which focuses on assessing future risks, is provided by Sedgwick and EFI Global, its forensic engineering, fire investigation and environmental health and safety consulting division.

As part of the program, Sedgwick staff will analyze climate risk data and conduct site inspections to assess infrastructure durability.

The program will include cost estimates, savings calculations and targeted measures addressing potential climate-related concerns.

Arch to offer primary, excess cyber cover

■ Arch Insurance North America, part of Arch Capital Group Ltd., said it is introducing Arch CyPro, which will offer up to $20 million in limits for primary and excess cyber coverage.

Arch said the customizable coverage offers options for operational technology, system failure, dependent business interruption, bricking, reputational harm, cybercrime and miscellaneous professional liability.

Arch said its specialist cyber risk engineering team will be integrated into the underwriting process.

Jamie Schibuk, New York-based executive vice president, professional liability and cyber, said in a statement that Arch has aligned with cybersecurity risk management partners to assist in implementing critical controls for policyholders.

Verisk develops model for civil unrest risks

■ Verisk Inc. said its risk intelligence business, Verisk Maplecroft, has developed a predictive model for strikes, riots and civil commotion.

The model provides 12-month forecasts for 50,000 counties and districts globally on the risk of severe protests occurring that could result in insured losses. It was developed for political violence underwriters, exposure analysts, modelers and specialty reinsurers as part of the Lloyd's Lab accelerator program, a Verisk statement said.

The machine learning model validates its predictions against actual insured losses and uses geospatial data covering the size of recent protests, concentrations of economic value, demographics, and a range of political risk, climate and other indicators.

Access to the SRCC Predictive Model and its underlying data is available via Verisk platforms and through application programming interfaces.

Sam Haynes, head of risk analytics for Verisk Maplecroft, said in the statement that insured losses linked to major bouts of unrest have reached new highs in recent years, and data shows that in the last 12 months SRCC risks have risen in over 50% of countries.

Historical findings from the model show that SRCC risks have generally worsened in all regions over the past two years except in the Middle East and North Africa and suggest that the trend for costly, major civil unrest events across the world will likely continue.

CoverWallet, Cover Whale partner on truck products

■ Aon PLC's digital platform CoverWallet announced a collaboration with Cover Whale Insurance Solutions Inc. to make Cover Whale products accessible through CoverWallet.

Cover Whale will make its trucking insurance coverages available to CoverWallet's independent owner-operator and small fleet trucking customers, a CoverWallet statement said.

Jeff Borgman, director of transportation programs for CoverWallet, said in the statement the collaboration enhances its offerings for commercial trucking customers.

DEALS & MOVES

Gallagher to pay $510M for Eastern Insurance

Arthur J. Gallagher & Co. has agreed to buy bank-owned brokerage Eastern Insurance Group LLC for $510 million.

Natick, Massachusetts-based Eastern Insurance has expertise in retail, construction, real estate, hospitality and benefits. It is owned by Eastern Bank.

The brokerage had annualized revenue and earnings at June 30 of $104 million and $37 million, respectively, a Gallagher statement said.

World Insurance, Novatae announce acquisitions

World Insurance Associates LLC said it has acquired Providence Financial Inc.

Providence, which has about 20 employees, has offices in Sioux Falls, South Dakota, and Lincoln, Nebraska, according to a World Insurance statement.

Novatae Risk Group, the wholesale business of World, said it has acquired American Management Corp.

Terms of the transactions were not disclosed.

Burns & Wilcox, One80 make environmental buys

Burns & Wilcox Ltd. said it has agreed to acquire Environmental Underwriting Solutions, a wholesale broker based in Birmingham, Alabama, from Insurance Office of America.

Separately, Boston-based One80 Intermediaries said it has acquired Enviant, a managing general underwriter that specializes in environmental coverage, from Euclid Program Managers.

Terms of the transactions were not disclosed.

BMS acquires pair of Canadian brokers

BMS Group Ltd. said it has acquired Canadian brokers Smith & Reid Insurance Brokers Ltd. and O'Neil Insurance Brokers Ltd.

Terms of the transaction were not disclosed.

Smith & Reid, with two offices in Ottawa, Ontario, is led by President Jeff Smith and Vice President Dan Reid and has about 20 employees. The broker specializes in construction, real estate, oil and gasoline distribution, and auto dealerships.

Renfrew, Ontario-based O'Neil, which has about five staff, provides coverages for sectors including hospitality, real estate, construction and manufacturing.

PEOPLE

“Our industry needs to become more attractive to top talent and demonstrate the compelling career opportunities that exist. We also need to make sure our products remain relevant to our clients and the risks they face.”

UP CLOSE

Charles Williamson

NEW JOB TITLE: New York-based CEO, Victor Insurance Managers LLC

PREVIOUS POSITION: West Palm Beach, Florida-based CEO and co-founder, Vault

OUTLOOK FOR THE INDUSTRY: I think the near-term outlook for the industry is really more of the same. After multiple years of rate increases and tightening terms and conditions, capital providers, particularly in the U.S. property/casualty market, continue to face profitability challenges, as well as pressure from investors for better results. Beyond profitability, it appears recession is not imminent — in the U.S. at least. This hopefully means companies will continue hiring and investing in their businesses. This should be positive for our industry, but we’ll need to continue making smart decisions about how we help our customers manage their ongoing insurance needs and emerging risks.

GOALS FOR YOUR NEW POSITION: Victor has a strong history of underwriting and specialty expertise along with depth of talent. It’s my aim to grow and expand those, and identify additional areas where we want to invest to expand our relationship with distribution partners and drive profitable results with our underwriting partners. We will also continue to enhance technology to further improve our already strong agent and broker experience, while giving us richer data to enable smarter decisions about what we’re underwriting.

CHALLENGES FACING THE INDUSTRY: I would break this down to two areas beyond the profitability challenges I already mentioned. Talent comes up frequently, and I would echo statements others have made. Our industry needs to become more attractive to top talent and demonstrate the compelling career opportunities that exist. We also need to make sure our products remain relevant to our clients and the risks they face. This is increasingly difficult as risks like climate change, cyber exposure and social inflation become more prevalent. Insurance has been a major enabler to the tremendous growth of the world economy, and continued product relevance is essential for this to continue.

FIRST EXPERIENCE: I started in the business as a premium auditor.

ADVICE FOR A NEWCOMER: Be intellectually curious and get a lot of different experiences — be an underwriter, be a broker, learn reinsurance, learn multiple product lines — and make yourself a well-rounded insurance professional.

DREAM JOB: I would be an exercise physiologist and a coach.

COLLEGE MAJOR: Undergrad was finance, and I also have a law degree.

LOOKING FORWARD TO: I’m looking forward to meeting people and building relationships within the company and with all of our distribution and capital partners. The people side of our business is the fun part, so I’m very much looking forward to that. Another piece is building the growth strategy, to use what Victor is great at and take it forward in new ways.

FAVORITE MEAL: Sushi

FAVORITE BOOK: “The Power Broker: Robert Moses and the Fall of New York,” by Robert A. Caro.

HOBBIES: I love to play outdoors. Anything involving being active — swim, bike, run, tennis, crossfit, skiing, golf — all of it.

FAVORITE TV SHOW: Sports of all kinds.

ON A SATURDAY AFTERNOON: A hard workout with my weekend crew followed by watching college football.

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ON THE MOVE

QBE Insurance Group named Atlanta-based **Julie Wood** CEO, North America division. Ms. Wood joined QBE in January from Marsh as group head of distribution and was serving as interim North America CEO since Todd Jones left the role in August. She was among the 2020 *Business Insurance* Women to Watch.

Alliant Insurance Services Inc. hired **Doug Pera** as executive vice president and director, Alliant Americas division. Mr. Pera, based in Richmond, Virginia, most recently served as managing director and head of corporate risk and broking in the Southeast region at Willis Towers Watson PLC before retiring at the end of last year.

American International Group Inc. named New York-based **Lucy Fato** vice chairman of the insurer. Ms. Fato was previously executive vice president, general counsel and global head of communications and government affairs at AIG, which she joined in 2017.

Allianz SE named London-based **Darren Smart** Allianz Commercial’s global head of construction, effective in March 2024. Mr. Smart is global construction practice leader for Liberty Specialty Markets. Mr. Smart started his underwriting career at Allianz Cornhill, or Allianz UK.

Bermuda-based Sompo International Holdings Ltd. said **Mondale Smith** has joined its multinational crop insurance platform, AgriSompo, as senior vice president, international operations deputy, a new position. He was previously president and chief operations officer of Des Moines, Iowa-based EMC Reinsurance Co.

MedRisk LLC, a workers compensation managed care organization, named **Sri Sridharan** CEO. He replaces Danielle Lisenbey, who retired in May. Previously, Mr. Sridharan was president.

Ruff on walkers who forgo playing fetch

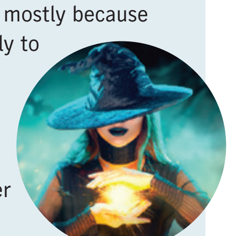
A survey of 2,000 dog owners in the United Kingdom revealed that 86% want additional services such as playtime and training reinforcement — and that nothing is too much for Fido, as dog walker pricing is only a priority for 30% of owners.

As surveyed by financial services site Money.co.uk, 82% of respondents said professional affiliations or certifications would affect their decision to hire a dog walker, with 34% saying it would “significantly impact” their choice.

Almost all — 97% — of respondents said a dog walker’s experience and background in working with dogs would be important to them, and 78% said their dog should be walked twice a day.

Occupational hazard: Witchcraft

Women in the 16th and 17th centuries in England experienced difficulties with equal job treatment mostly because they were more likely to be accused of being witches, according to a historian who published her study in the journal Gender & History.



Cambridge University historian Philippa Carter posits that the types of employment available to women at that time came with a higher risk of facing witchcraft allegations when things went wrong.

Many of those jobs — in health care, childcare, livestock care, for example — often left women in danger of being accused of “magical sabotage” when death, disease or spoilage occurred.

“This article has considered witchcraft accusation as a potential fallout of certain kinds of work-related incidents, likeliest to occur in certain high-risk lines of work,” Ms. Carter wrote. “Relatively rare, but potentially fatal, it was only one of many gender-differentiated occupational hazards.”

CUSTOMERS SAY BURGER KING TOLD WHOPPER OF A LIE

Looks like disgruntled Burger King customers will have it their way: A federal judge rejected an attempt by the fast-food chain to have thrown out a proposed class-action lawsuit over allegedly false advertising of the size of their Whoppers.

The plaintiffs in the case say Burger King portrays its signature burger to be larger than it actually is and that in advertisements the ingredients “overflow over the bun” and make the sandwich appear 35% larger.

Burger King claims that it is not required to serve burgers that look “exactly like the picture,” an argument dismissed in court, clearing way for the case to be heard before a jury.

Several fast-food chains have been sued in recent years over similar claims. Reuters reported that McDonald’s is facing a similar lawsuit over burger size, while Taco Bell is being sued on a charge of not having enough beef in its products.

Insurer sacks plans for football team

Bringing arena football back to the capital of New York has been intercepted by soaring workers compensation insurance costs, reportedly quoted at five times the payroll for players, according to News 10 in Albany.

A team co-owner aiming to bring football back to the city, which lost its team, the Albany Empire, in a sale, told reporters he has had conversations with the New York State Insurance Fund to try to lower the price tag on the workers comp payment for a potential arena football team.

The co-owner reportedly said the price is still just south of $1 million, adding that he has spoken to arena football owners in other states who said they pay eight to 10 times less than that amount in workers comp premium, according to the news station.

It pays to sweat for some employees

Nobody will argue that keeping employees healthy isn’t a good thing, but paying workers to exercise is a trend worth noting.

As documented in a CNBC.com article, Tampa, Florida-based meal-prep company Nutrition Solutions is giving its staff paid time to work out on Wednesdays and Fridays. The catch is they have to clock in before they get their sweat on.

“If they come to those workouts, they are on the clock. They’re getting compensated whatever their pay rate is to be there,” Chris Cavallini, CEO of Nutrition Solutions, told a news reporter.

“It’s basically logged into their normal pay, just like the regular hours they would work. It works exactly the same,” he said of the exercises that range from body-weight calisthenics to outdoor runs and even “mental toughness training” such as body plunges in ice water.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