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COVER STORY

Natural disasters, backups at ports, a scarcity of building materials, chronic labor shortages, continuing tariffs and political instability have conspired to produce a "perfect storm" of delays, cost overruns and frustration for the construction industry. **PAGE 21**

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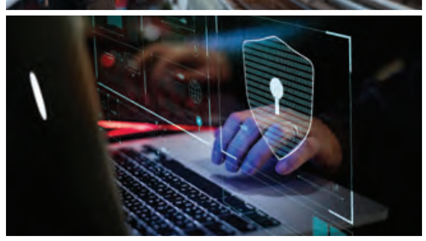

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VIEW FROM THE TOP

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Payers wary of physical comp claims containing alleged mental injuries

BY LOUISE ESOLA
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A makeup artist in Louisiana who stepped into a pothole and injured her ankle and foot. A plastics manufacturer maintenance worker in West Virginia who suffered a severe femur fracture when a motor fell on him. A sanitation worker in Pennsylvania who suffered a crushing injury to his leg in an accident on a snowy road. A weaver for a fiber manufacturer in South Carolina who fell backward and struck her head.

These are among the surge in workers compensation cases seen in courts nationwide over the past two years involving a mental injury later attached to a physical comp claim.

"They do happen rather frequently — more than ever," said Paul Fires, partner and co-chair of the Workers' Compensation Group for Weber Gallagher Simpson Stapleton Fires & Newby LLP in Philadelphia.

All of the examples listed above were dismissed by courts, some after years of litigation. Meanwhile, some mental components have been accepted by the courts: In 2020, a Texas appeals court ruled that a truck driver's shoulder and knee injuries led to pain syndrome and compensable mental health issues. Also in 2020, a Pennsylvania court ruled a health care worker's pinched nerve had exacerbated her preexisting condition of major depressive disorder.

As workers become more willing to accept or allege that they are suffering from anxiety or depression following an injury and with a plaintiff's bar more willing to add such requests for treatment or benefits to a physical claim, legal experts say the trend in the courts will continue.

"For every claim that you can reference (in court) there are probably 200 that are happening that didn't get that far," said Alan Leff, partner in the Philadelphia office of Goldberg Segalla LLP, which represents employers in workers compensation litigation. "It happens constantly."

One incentive to include mental injuries is that many of the psych components later added fall outside of state-mandated treatment schedules for physical injuries and can quickly up the claim's worth, said Mike Fish, Birmingham, Alabama-based founding member of the comp defense firm Fish Nelson & Holden LLC and past president of the National Workers Compensation Defense Network, an alliance of comp defense attorneys that monitor legislation.

"I see this a lot in the scheduled injury scenario" where states limit benefits for physical injuries, he said. "They throw in psych because it's so subjective."

The trend appears years in the making.

In 2016, Chicago-based managed care company Rising Medical Solutions surveyed 492 claims professionals and ranked psychosocial issues such as depression and anxiety as the No.1 barrier to successful claim outcomes.

The same year, Hartford Financial Services Group Inc. analyzed its workers comp claims data from 2002 to 2015 and found that 10% of claims featured at least one psychosocial issue and that those claims account for 60% of total claims costs.

Given the "nebulous" nature of mental injuries, employers and workers compensation insurers are walking a fine line between what is compensable and what faces a tough road in litigation, Mr. Leff said.

"Mental cases are among the hardest to prove because it is such a subjective area of medicine, and the courts don't give away the store without really solid evidence, really solid proof," Mr. Fires said.

Why not just accept the mental condition and avoid costly litigation? Plaintiffs' attorneys say the path into the courtroom is avoidable (see related story) yet defense attorneys for employers and insurers say that making it easier to claim a mental condition — without expert testimony and the checks and balances of court proceedings — could leave employers on the hook with comp claims they can't close.

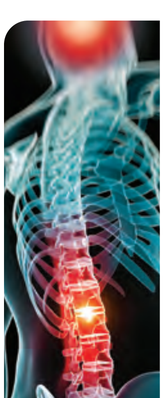
Carin Burford, shareholder at Ogletree, Deakins, Nash, Smoak & Stewart P.C. in Birmingham, Alabama, said mental claims can "spiral out of control." The worst-case scenario, that a worker never returns to work because of a subsequently diagnosed and accepted mental condition, isn't an outside possibility, she said.

"When you have a mental health issue it's very difficult to reach maximum medical improvement," Ms. Burford said.

In what could have been a straightforward (physical injury) claim, all of a sudden now you are not looking at a couple of weeks or months to reach (maximum medical improvement), you are looking at a couple of years."

With a mental injury "you could now be looking at a total disability award that was never envisioned by workers compensation," she said. "That's the reason why some states refuse to recognize mental claims and others have limited it to something extraordinary or certain occupations," such as post-traumatic stress disorder suffered by a first responder.

See **MENTAL** page 6



INJURY, MENTAL HEALTH KEY FINDINGS

Researchers at the Institute for Work & Health, a not-for-profit research organization based in Toronto, found that mental struggles often follow physical workplace injuries. Among the researchers' key findings, based on a 2016 survey of 332 workers who were off work for at least five days due to a musculoskeletal injury:

- During the first 12 months after participants suffered a work injury, half felt symptoms of depression at some point. Almost 1 in 10 were diagnosed by a physician as having depression during this period.
- 40% of all participants felt depressed at the one-month mark following injury, and at six months, half of these people continued to feel depressed.
- How workers felt at the six-month mark was a "good indicator of whether they would feel depressed at 12 months." Seventy percent of those reporting frequent symptoms of depression at six months also reported frequent symptoms at 12 months.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Restrictions following work accidents may lead to psych problems

Attorneys representing injured workers say mental components of a physical injury claim — anxiety and depression among the most common — are often the result of the loss of livelihood, disability, delayed treatment or mishandled claims.

The challenges can be particularly acute for those who feel a sense of displacement as a result of their injury.

"There are some injured workers who love their jobs so much, they identify with their jobs, and it runs the gamut of occupations — bus drivers, nurses, educators, they take pride in their jobs," said Christel Schoenfelder, an attorney with Rose, Klein & Marias LLP in Ontario, California, who represents injured workers.

"When as the result of a workplace injury they can't go back to their job, some experience a loss of their identity in society."

Some workers "had something taken away from them as a result of a workplace injury," she said, recalling her caseload of stories: the leg injury that didn't allow the father to coach his kid's team; an arm injury that doesn't allow a mother to pick up her toddler; an injury that doesn't allow a worker to sleep in the same bed as his spouse.

They've had "different aspects of their

lives get taken away from them because of their injury, and they feel the anxiety and the depression and sadness," she said.

Jason Marcus, a partner in the Sacramento, California, office of Marcus, Regalado, Marcus & Pulley LLP and past president of the California Applicants' Attorneys Association, told the story of an injured welder he represented who "broke down during a deposition over how much his life had changed as a result of his injury.

"This welder who can't work, who had surgeries and suffers — he was a strong guy (and is) now limited in what he can do," Mr. Marcus said.

Attorneys who represent employers say there's grappling in understanding whether original injury is related to mental condition and that, in some cases, the costs may not belong in the comp system.

Carin Burford, shareholder at Ogletree, Deakins, Nash, Smoak & Stewart P.C. in Birmingham, Alabama, said poor recoveries from surgeries and treatment can also contribute to mental health issues.

It "is really tricky because most people whenever they get medical treatment, it does not meet their expectations; most people are not going to be 100% after having medical treatment because they have had an injury. And that's terrible," she said.

Taking opposition to a mental injury "is a tough position in 2021 because of the changing ways mental health is addressed," said Alan Leff, Philadelphia-based partner at Goldberg Segalla LLP, which represents employers.

"Depression is a common experience" but doesn't always need to be included in a workers comp claim, he said. "As a defense (attorney) you have to be very careful early on that you don't open the door to unnecessary mental health treatment to expand the claim."

Mr. Marcus said adversarial situations often start with the mishandling of the physical aspect of a claim, such as cases in which a worker's medical treatment is denied and subsequent requests for mental care arising from the physical condition are also denied.

"Those claims can cost more than had they just provided treatment at the onset," he said. "There are insurance companies that get it. They have come up with programs to fast track treatment, but we often get bogged down with litigation, and nothing good comes from that."

"When you are in pain you are not happy. If I have a client who is in pain that affects their mental status … it adds to the adversarial nature of it. It creates an us versus them," Mr. Marcus said. "We get bogged down in the fight (over) what really caused it, rather than, say, why don't we help someone. We get bogged down: Is this a preexisting condition, or did the physical injury cause this?"

Most clients want acknowledgment, Mr. Marcus added. "They want to get well, they want to get back to their life," he said.

Louise Esola

NEWS ANALYSIS

Port logjams exacerbate supply chain risks

JUDY GREENWALD
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The chocked-up marine supply chain, as illustrated by news photos of ships sitting at ports for long periods waiting to be unloaded, is becoming an issue of increasing concern to the insurance industry.

While delays in unloading cargos are not necessarily covered in insurance policies — assuming they don't involve the spoilage of perishable foods or pharmaceuticals — there is cumulative risk as ships line up to unload in Long Beach, California, the busiest container port in the western hemisphere for the past 20 years, and other major ports in the United States and globally, experts say.

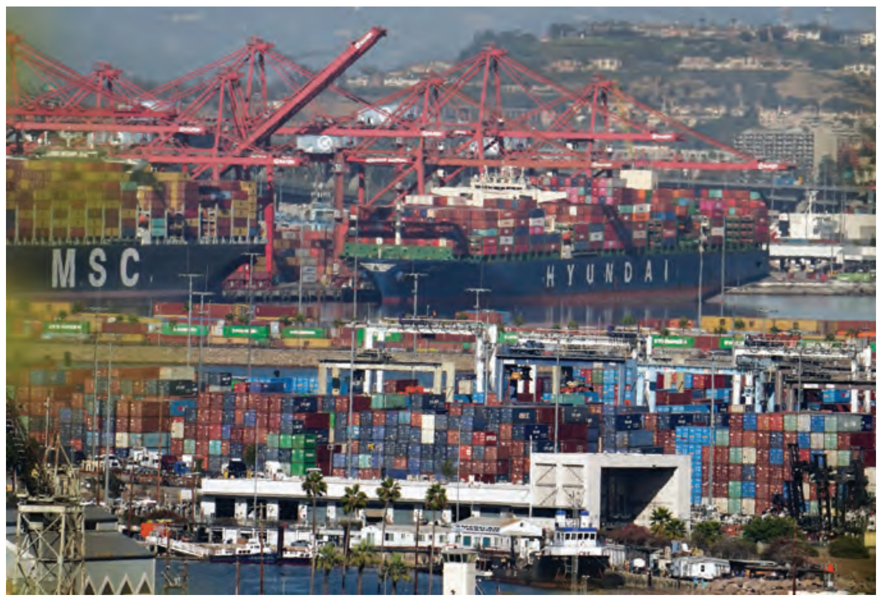
This can come from a catastrophe such as a storm, as was the case with 2012's Superstorm Sandy; an earthquake that damages port facilities; or a fire (see related story).

Experts say marine supply chain risks are complex and encompass not just the ships but shipping containers, warehouses, trucking and rail facilities, and labor, all of which are in short supply.

The Suez Canal blockage by the Evergreen container ship in March illustrated the supply chain's fragility and its vulnerability to chokepoints, they say.

Observers generally attribute the crisis to the pandemic, as stuck-at-home consumers ordered many more goods than usual.

They say the logjam is also the unintended consequence of the focus on just-in-time inventory, a strategy in which companies maintain low inventories and receive goods as close as possible to when they are needed, which left them unprepared for the pandemic-created surge in orders.



Robert Hanashiro, USA TODAY via Reuters

Cargo containers wait to be transported after being off-loaded at the Port of Los Angeles. Supply chain issues have caused shortages of goods throughout the country.

The pandemic threw the supply chain "totally out of sync globally," said John Kartsonas, managing partner at Breakwave Advisors in New York.

"Insurers are insuring goods in transit, and they don't like it when goods are stationary, because there's an aggregation of risk," as ships pile up outside ports, said Lars Gustafson, Sayville, New York-based managing director, U.S. marine practice, for Arthur J. Gallagher & Co.

Backlogged ships represent "a significant exposure, and it's something we don't have quantified to anybody's comfort level," said Sean Dalton, New York-based head of marine for North America for Munich Re America.

Exacerbating the issue is that relatively few ports are designed to accommodate huge container ships. For example, large container ships stranded in Long Beach cannot go up the coast to Oakland, because the cranes there cannot reach the cargo on them, said Andrew Kinsey, Patchogue, New York-based senior marine risk consultant for Allianz SE.

The port at Ensenada, Mexico, about 90 miles south of San Diego, is properly equipped but is unaccustomed to handling large volumes, and there is concern about the risk of theft in transporting cargo from the country, said Richard Lawson, Dallas-based assistant vice president of risk engineering for Zurich North America.

The shortage of containers is also an issue. The few container manufacturers have increased output but are "not keeping pace with demand," and there is a 14-day waiting period for empty containers, said Andrew D'Alessio, New York-based head of ocean cargo, Americas, for Axa XL, a unit of Axa SA.

There is potential liability from either using containers on ships not designed to handle them or from transporting cargo normally carried in containers by other means, such as open holds, where cargo can topple, and potentially put the goods, ship and crew at risk.

Observers say theft is an issue when cargo is stored in unsecured port sites because of the shortage of warehouse space. Cargo at rest is more susceptible to theft, said William Markham, San Francisco-based assistant vice president for ocean marine, in charge of cargo for Travelers Cos. Inc.

Other issues include a shortage of trucks, aging drivers, and a deteriorating road structure to move the unloaded cargo, Mr. Kinsey said.

Inexperienced, overworked truck drivers are "a recipe for disaster," said Alex Rosas, Fort Lauderdale, Florida-based president of Amwins Specialty Logistics Underwriters.

Some companies are chartering their own vessels to get around the bottlenecks, but experts say this comprises only a small percentage of the total cargo awaiting delivery, and the ships may also have to wait in line to offload their cargos.

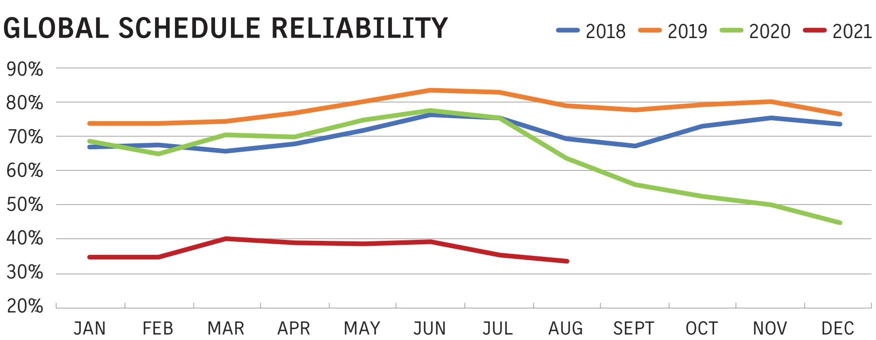
The jam of container ships at major ports has not affected the already hard marine insurance market so far, experts say.

"I don't think it's had much of an impact on the insurance market yet, primarily because the marine market doesn't insure pure delays," said Charles McCammon, director, claims management, marine, for Willis Towers Watson PLC in Philadelphia.

But there could be an effect if those purchasing marine cargo insurance do not know how much of an accumulation of risk they have in a particular place, Mr. McCammon said. "Insurance markets get very uncomfortable with a lot of risk at one spot," he said.

Right now, the market is stable, but if there is a major loss or disaster, such as the 2015 explosions in the port of Tianjin, China, "the amount of loss is going to be significant, and it's going to drive up costs easily," said John Frazee, Los Angeles based senior vice president, specialty marine, for Marsh LLC.

GLOBAL SCHEDULE RELIABILITY



Source: Sea-Intelligence, GLP report issue 121

RECENT MARINE DISASTERS FUEL INSURER CONCERNS

When marine insurance experts point to the worst-case scenario that could happen from the current logjam of ships awaiting offloading in Long Beach, California, and elsewhere, most cite the 2015 explosions in the port of Tianjin in northern China.

The explosions at two warehouses killed more than 100 people and left hundreds more injured, causing an estimated $4 billion in damages. It also led to the marine market hardening, experts say.

Other recent port disasters include last year's explosion in Beirut that killed 281 people and destroyed grain silos and other port facilities. Assaad Mirza, CEO of Lebanon-based Capital Insurance & Reinsurance Co. said in August that insurers had paid $100 million of the estimated $1.1 billion in insured losses from the catastrophe, but at least 16,000 claims remained pending as insurers awaited the outcome of an official investigation.

Superstorm Sandy in 2012 caused more than $3 billion in insured marine losses, according to the Hamburg, Germany-based International Union of Marine Insurance.

Tom Ptacek, New Orleans-based senior vice president for Lockton Cos. Inc., said insurers are concerned the container ship accumulation in ports such as Long Beach "are ripe for another major port explosion or fire that would cause huge losses in terms of accumulation of value. That's the most important implication for the insurance industry."

Judy Greenwald

Influencers liability trending

BY CLAIRE WILKINSON
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Businesses increasingly collaborate with social media influencers to promote their brand and connect with their online audience, but such relationships can put a company's reputation on the line and create liability risks.

Liabilities can arise in areas such as defamation and libel, securities laws violations, copyright and trademark infringement, and around information protection and disclosure rules, experts say.

Influencer marketing can be an effective way for companies to expand their reach but can also lead to increased risks because a business is "effectively giving up some control in its advertising," said Luma Al-Shibib, shareholder in the New York office of Anderson Kill P.C.

Large corporations might use an influencer for the marketing function, but an influencer could also be the face of the entire business, like actor Ryan Reynolds or the Kardashians, for example, said Jade Giltrap, London-based team leader for media and entertainment at CFC Underwriting Ltd.

> "The question could arise is the social media influencer an agent of the insured … or are they some type of independent entity such that the company's commercial general liability coverage wouldn't apply."
>
> Benjamin Tievsky,
> Pillsbury Winthrop Shaw Pittman LLP

Potential impacts on business from the relationships range from public relations disasters to breach of contract issues and problems with the content influencers are posting, Ms. Giltrap said.

Trying to manage this new style of interaction is a big exposure for the advertising world, said Paul Evans, a senior client advisor in Marsh LLC's entertainment and media industry practice, based in Philadelphia.

Some influencers may be relatively unknown on the celebrity scale despite having a wide and large following. Companies need to think about "who are you entering into a contract with, how do they work, what are they expecting," Mr. Evans said.

Existing insurance policies such as media liability, commercial general liability, directors and officers liability, and cyber liability may respond to brand/influencer liabilities, but there can be gray areas, experts say.

If a social media influencer makes disparaging comments about another company's product, that might be actionable as a tort, said Benjamin Tievsky, counsel at Pillsbury Winthrop Shaw Pittman LLP in New York.

Generally, such claims would be covered under the commercial general liability policy's personal and advertising injury section, he said.

However, "the question could arise is the social media influencer an agent of the insured, meaning an agent of the manufacturer or the brand company, or are they some type of independent entity such that the company's commercial general liability coverage wouldn't apply," Mr. Tievsky said.

If an influencer used in a marketing campaign fails to disclose that they received compensation, that could trigger a government investigation, Ms. Al-Shibib said. Federal Trade Commission rules require influencers to "clearly and conspicuously" disclose when they have a "material connection" with a company whose products they are promoting.

Investigations and shareholder lawsuits could also follow if an influencer makes statements in a post that are alleged to be false and misleading in connection with a public company and that affect its share price, she said. "Those types of inquiries or potential liability could be covered under a directors and officers policy," she said.

Social media use is coming up more in company D&O insurance discussions, especially after an incident involving Tesla Inc. CEO Elon Musk, said Kevin LaCroix, executive vice president in Beachwood, Ohio, for RT ProExec, a division of R-T Specialty LLC.

The Securities and Exchange Commission sued Mr. Musk in 2018 after he tweeted that he was considering taking the company private. The ensuing fallout led to $20 million in SEC fines each for Mr. Musk and Tesla.

Trevor Milton, founder and former CEO of electric vehicle company Nikola Corp. has also been the subject of various government investigations, charges alleging securities fraud and investor lawsuits over claims he made on social media about the company's products and technology.

All else being equal, a traditional D&O policy would cover those types of claims, subject to individual policy terms and conditions, Mr. LaCroix said.

Companies can mitigate the risks of engaging influencers by ensuring that the terms of any contract specify the influencer carries their own liability insurance, said Shraddha Nair, account executive at Founder Shield, a New York-based insurtech company that broker BRP Group Inc. acquired in July.

Scale Underwriting Services LLC, a Founder Shield company, in June launched media liability coverage for social media influencers and their agencies. Typical limits range from $250,000 to $1 million annually. For a $1 million limit, pricing is around $1,500 annually, Ms. Nair said.

The cover should be provided on a primary and non-contributory basis, so that the influencer's policy is triggered first in the event of a claim, Mr. Tievsky said.

REPUTATIONAL RISK COSTS

A survey of 200 risk managers by Willis Towers Watson PLC found that most think their companies would face major losses due to reputational damage. Survey participants identified the top three negative business outcomes for organizations as a result of reputational damage as:

LOSS OF INCOME AND REDUCED CUSTOMER BASE
86.0%

LOSS OF TALENT DUE TO BOTH RETENTION AND TURNOVER
61.5%

LESS ATTRACTIVE AS AN EMPLOYER
56.5%

Source: Global Reputational Risk Management Survey, January 2021, Willis Towers Watson PLC

BRANDS COMMIT TO PROTECTING REPUTATION

Businesses need to do their due diligence to ensure the benefits of working with social media influencers outweigh the risks, experts say.

Many companies don't have a clear methodology in place to manage reputational risks, said Richard Sheldon, Radnor, Pennsylvania-based North America head of specialty broking at Willis Towers Watson PLC. There can be a lack of reliable, credible real-time data and appropriate tools available, he said.

Some 80% of risk managers surveyed by Willis Towers Watson said there would be more of a focus on reputation risk in the next five years.

More companies, primarily in the consumer goods and retail sectors, are asking to vet influencers and their online presence because they recognize their brand is being represented, said Betsy Blumenthal, San Francisco-based senior managing director in Kroll LLC's forensic investigations and intelligence practice.

Organizations want to know if there is anything out there that should cause them to reconsider bringing an influencer on, Ms. Blumenthal said.

"We're looking for lapses in judgment, comments which would be offensive," she said.

Social media posts can be a factor in the claims recovery process, said Peter Oakes, partner at Crawford & Co. Legal Services Ltd. in the U.K. "We will use social media to try to gain intelligence in relation to suspect fraudulent claims," he said.

Businesses working with influencers should have a comprehensive social media policy with clear parameters around acceptable usage to maintain some control in messaging and content, said Luma Al-Shibib, a shareholder in the New York office of Anderson Kill P.C.

Claire Wilkinson

Crop insurance goes organic as demand rises

BY MATTHEW LERNER
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As consumer eating habits and preferences change, agricultural and crop insurers are seeing a rise in demand for coverage for specialty crops.

And the traditionally stable insurance market for agricultural risks is seeing movement as some insurers and brokers expand their operations.

Agricultural and crop insurance is largely administered through a public-private partnership involving the U.S. Department of Agriculture and 13 private insurers that share risk through what is known as the standard reinsurance agreement, which allows the government to backstop roughly 80% of coverage.

While the USDA crop program is dominated by traditional commodities such as corn, wheat and soybeans, it has seen meaningful growth in the specialty crops. In addition, standard lines are applied to many aspects of the agricultural sector, from transportation to property.

The USDA's Risk Management Agency has seen robust growth in its specialty crops programs, according to Richard Flournoy, the agency's acting administrator, based in Kansas City, Missouri.

From 1990 to 2020, liabilities for insured specialty crops rose from $1 billion to more than $20 billion and liabilities for organic crops also saw significant growth (see box).

The growth in specialty crop insurance programs is a result of consumer trends toward the increased consumption of organic products. Organic food and nonfood product sales totaled $61.9 billion in 2020, breaking the $60 billion mark for the first time, according to the Organic Trade Association.

"Over time we've tried to expand outside those major crops, because you have a growing organic sector, you have a growing specialty crop sector. You have people who are more interested in eating fruits and vegetables. We've really tried to make an effort to tap into that more," Mr. Flournoy said.

For example, the USDA RMA's Whole-Farm Revenue Protection plan can help producers of smaller crops by providing a risk management safety net under an insurance policy for all commodities on a farm as opposed to a single commodity crop.

Producers purchased more than 2,000 such policies to protect $2.26 billion in liabilities in 2020, and the RMA is in the process of revising the plan to make it more flexible and accessible to producers beginning in crop year 2022.

The expansion in available coverage can help expand food production.

"As these types of coverages come online and provide risk protection for these farmers — a cherry farmer in Michigan, an avocado farmer in Florida — the farmer has more assurance to step into that field and produce that crop," said Bob Haney, executive chairman of AgriSompo and CEO of AgriSompo North America, units of Sompo International Holdings Ltd. in Des Moines, Iowa.

Mr. Haney said he has seen more insurance inquiries from policyholders with specialty crops such as pistachios.

Lockton Cos. LLC has seen growth in the organics sector since it expanded its crop insurance division in 2018, said Ginny Olson, vice president and senior account executive, crop insurance, who joined the broker to help build the business. "My growth has been in the organics space," she said.

In mid-October, broker Hub International Ltd. expanded in the California agricultural market, acquiring Fresno-based Jerry Baird Insurance Agency and Baird Crop Insurance Agency, which specialize in crop and commercial insurance, particularly in the agribusiness industry.

Sompo expanded further into the agriculture sector with the December 2020 acquisition of Diversified Crop Insurance Services, a subsidiary of CGB Enterprises Inc.

Diversified was combined with ARMtech, Sompo's existing federally sponsored multi-peril crop insurer, to operate under the brand-name AgriSompo North America with combined gross written premiums of over $2 billion.

Viable insurance for the organics industry is vital for its continued success both because of the industry's relatively recent expansion compared with giant commodities, the added expenses for organic fertilizer and other issues, Ms. Olson said.

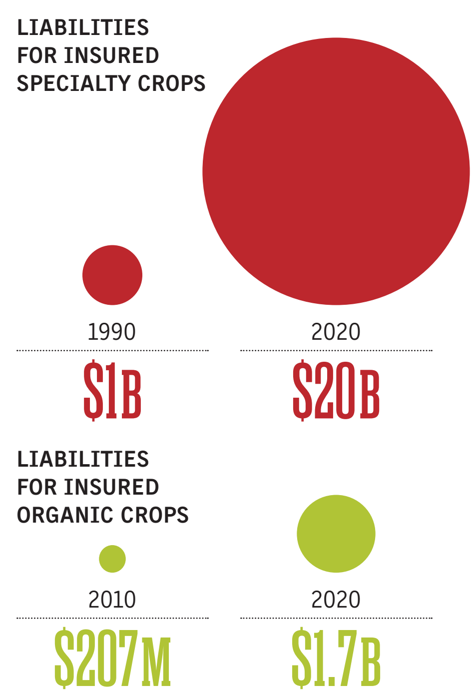
Bloomington, Minnesota-based Ryan Chartier, senior vice president, national agriculture practice leader, at USI Insurance Services LLC, joined the brokerage in 2018 when it bought the insurance operations of food products giant CHS Inc.

Mr. Chartier said his producers focus more on traditional insurance coverages for agricultural companies, such as property insurance for grain elevators, whether privately or cooperatively owned. In addition, directors and officers liability insurance for agricultural co-ops, which usually have boards, is a significant line, along with general liability and more industry-specific coverages such as stock throughput coverage and some product recall insurance.

Of the crop coverages sold by USI producers, many involve specialty crop insurance, he said.

ORGANIC LIABILITIES

From 1990 to 2020, liabilities for insured specialty crops rose from $1 billion to more than $20 billion. Similarly, from 2010 to 2020, liabilities for insured organic crops rose from $207 million to more than $1.7 billion, and the number of policies has more than doubled. Additionally, the USDA's Risk Management Agency and third-party groups continue to refine existing policies and create new ones where there are gaps.



Source: USDA RMA

CANNABIS AND HEMP COVERAGE OPTIONS EXPAND TO MEET GROWING RISKS

The rapidly expanding cannabis and hemp sectors fit into the agricultural practice groups of some brokers and agricultural insurance organizations.

Cannabis is part of the agricultural practice at USI Insurance Services LLC, said Ryan Chartier, senior vice president and the brokerage's national agriculture practice leader in Bloomington, Minnesota. The group has a few people who specialize in the coverage, he said.

While USI does not place insurance for cannabis crops, it does work with cannabis dispensaries, for which rates are beginning to moderate as experience and data related to the sector grow, he said.

"It's actually a really good risk," Mr. Chartier said of the dispensary business, because "it is so heavily compliance-driven by the government."

The U.S. Department of Agriculture does not have any involvement with cannabis owing to the substance's continued status as an illegal drug at the federal level. It does, however, insure hemp, which was legalized in the 2018 Farm Bill passed by Congress, according to Richard Flournoy, USDA Risk Management Agency acting administrator, based in Kansas City, Missouri.

"We insure hemp under the Whole-farm Revenue Protection [program]," Mr. Flournoy said, which is designed for smaller farms and insures the entire business entity rather than individual crops.

Matthew Lerner

PROFILE: PAPUA NEW GUINEA

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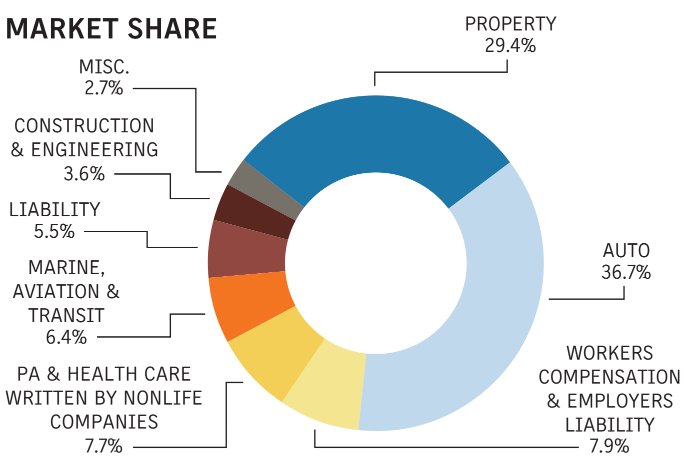
GLOBAL P/C MARKET RANKING

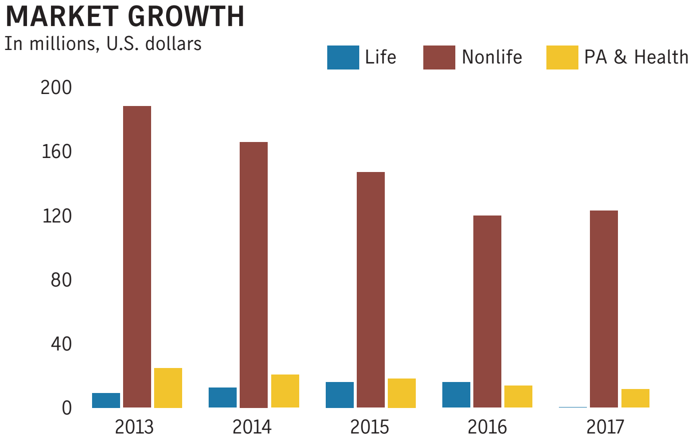
The nonlife insurance market in Papua New Guinea writes a variety of lines, though some business, such as aviation and marine, is mostly placed offshore. Rates have been increasing over the past few years, though at present remain stable. While there is pressure to boost rates due to increased reinsurance costs, the competitive environment among insurers and the state of the economy as a result of the COVID-19 pandemic have meant that rates have remained level or been slightly reduced. There have been two recent entrants to the nonlife market, PHA and Liberty Assurance. Significant increases to workers compensation rates are predicted for the future as the government looks to revise benefits. Some concern is being expressed over whether employers can afford the increases.

MARKET SHARE

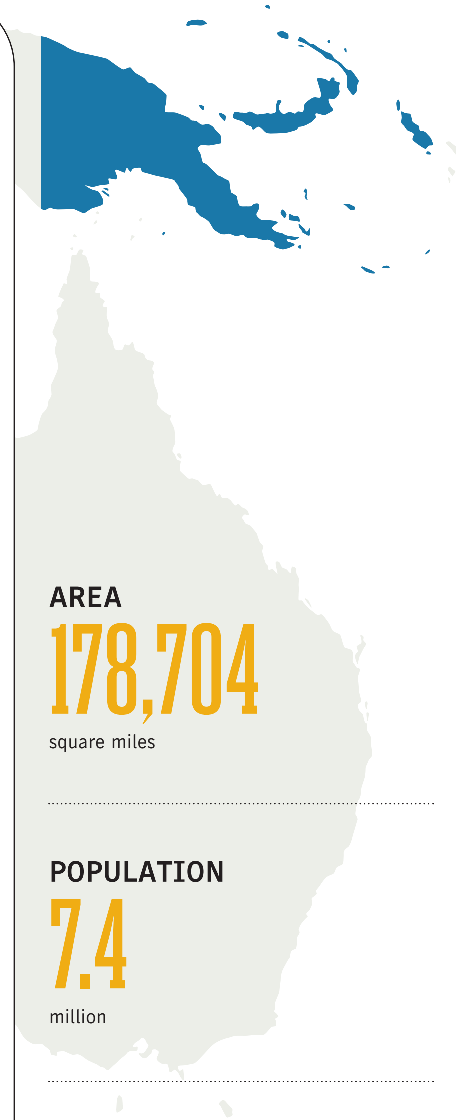


MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA

178,704

square miles

POPULATION

7.4

million

MARKET CONCENTRATION

No recent statistics are available to show market concentration. The largest nonlife companies are believed to be QBE and Capital, followed by Alpha, Tower, Southern Cross and National Teachers.

2021 GDP CHANGE (PROJECTED)

(3.5%)

MARKET DEVELOPMENTS

Updated September 2021

- The already weak economy of Papua New Guinea was severely affected by the national lockdown in 2020 due to the COVID-19 pandemic, subsequent localized lockdowns and the fall in global oil and commodity prices. The economy is strongly reliant on mineral extraction and natural gas projects, with a number of projects awaiting approval. Some opportunity for the insurance industry will arise from mining and construction projects and development of shipping container capacity.
- At the time of the COVID-19 outbreak, some reinsurers had pandemic exclusions in their treaties; now all are said to have such exclusions. Insurers have also revised policy wordings across all lines in the wake of the outbreak. The standard ISR MK VII used by most insurers excludes pandemic cover as do most other policy wordings.
- Insurers are regarded as increasingly selective in the risks they insure. The loss experience in the commercial property account is said to have improved with a reduction in the number of supermarket fires.
- The long-awaited Insurance Contracts Bill has not yet been enacted. It was a project of the previous insurance commissioner, and there is currently no firm timetable for it.
- There have been a number of recent natural hazard events, including flooding and landslides.

COMPULSORY INSURANCE

- Auto third-party bodily injury
- Workers compensation
- Professional indemnity for insurance brokers and loss adjusters
- Shipowners liability against oil pollution (financial guarantee or insurance)
- Air carriers and aircraft operators liability
- Directors and officers liability for directors of pension funds

NONADMITTED

Nonadmitted insurance is not permitted in Papua New Guinea because the law requires that insurance must be purchased from locally licensed insurers, with some specified exceptions.

INTERMEDIARIES

Local brokers and agents must be authorized to do insurance business. They are not allowed to place business with nonadmitted insurers, except where the regulator has granted an exemption in writing.

MARKET PRACTICE

Some market participants indicate that the nonadmitted regulations are not well-enforced, which means that substantial commercial risks may sometimes be insured overseas without following the requirements of the regulations.

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Facebook settles recruitment charges

■ Facebook Inc. will pay up to $14.25 million to resolve a U.S. Department of Justice lawsuit that charged the social media company with deterring U.S. workers from applying for certain positions in favor of foreign applicants, the department said.

Separately, the U.S. Department of Labor said it had reached a related settlement with the company.

The DOJ said the settlement resolves a December 2020 lawsuit that alleged that from at least Jan. 1, 2018, until at least Sept. 18, 2019, Facebook routinely reserved jobs for temporary visa holders through the "permanent labor certificate program." Critics have said the law governing the visas makes it too easy to replace U.S. workers with cheaper foreign labor.

The lawsuit alleged that in contrast to its standard recruitment practices, Facebook's recruiting methods were designed to deter U.S. workers from applying for certain positions, such as by requiring applications be submitted by mail only, refusing to consider U.S. workers who applied for the positions and hiring only temporary visa holders.

The department charged the company with intentionally discriminating against U.S. workers because of their citizenship or immigration status in violation of the Immigration and Nationality Act.

The award consists of a $4.75 million civil penalty and up to $9.5 million to be paid to eligible victims of Facebook's alleged discrimination, the department said.

Metallica's virus suit can proceed

■ A Los Angeles state court refused to dismiss pandemic-related event cancellation litigation filed by heavy-metal band Metallica despite a virus exclusion in its coverage.

The California Superior Court held in *Frantic Inc. v. Certain Underwriters at Lloyd's et. al.* that it could not dismiss a lawsuit over a canceled South American tour at this preliminary stage of the litigation because a "proximate cause" has not been established as to what caused the loss involved.

Metallica began an eight-show tour starting with two performances in San Francisco in September 2019. Those were to be followed by six shows in South America, the first of which was scheduled for April 15, 2020, in Santiago, Chile. The South American shows were postponed because of the pandemic shutdown.

The band sued Lloyd's underwriters after they refused to provide coverage for the postponements, charging breach of contract and tortious breach of the implied covenant of good faith and fair dealing.

While Lloyd's contended the pandemic caused the cancellations and therefore it should prevail because of the policy's virus exclusion, Metallica argued that Lloyd's "cannot conclusively say that the Pandemic is the efficient proximate cause of the cancellations because there are other adequately alleged causes that are covered under the Policy," the ruling said.

The complaint alleges "that travel restrictions, the duty to mitigate damages, the need to 'flatten the curve' and stay-at-home orders all caused the Shows' cancellations," the ruling said.

The plaintiff argued that COVID-19 and SARS-CoV-2 "still exist but that travel restrictions and restrictions on social gatherings have lifted and eased, suggesting that it was something more than just the virus/disease that caused the cancellations," it said.

EEOC files pandemic ADA lawsuit

■ The U.S. Equal Employment Opportunity Commission filed its first pandemic-related Americans with Disabilities Act lawsuit, charging that a company terminated a woman with a pulmonary condition after refusing to accommodate her disability.

The lawsuit was filed against ISS Facility Services Inc., a Denmark-based workplace experience and facility management company with U.S. headquarters in San Antonio.

Because of the pandemic, employees at ISS' Takeda facility in Covington, Georgia, worked remotely four days a week from March to June 2020, according to the EEOC.

In March 2020, Ronisha Moncrief, who worked as a health and safety manager at the facility, was diagnosed with obstructive lung disease, according to the lawsuit.

In June 2020, when the facility reopened and employees were told to return to it five days a week, she requested an accommodation to work remotely two days a week and take frequent breaks while working onsite because of her condition, which causes difficulty in breathing and places her at greater risk of contracting COVID-19, the EEOC said.

Although the company allowed other employees in Ms. Moncrief's position to work from home, it denied her request and shortly thereafter fired her, the EEOC said.

The lawsuit, *Equal Employment Opportunity Commission v. ISS Facility Services, Inc.*, which was filed in U.S. District Court in Atlanta, charges ISS with violating the ADA and seeks back pay, compensatory damages, punitive damages and injunctive relief.

Travelers unit loses appraisal dispute

■ Appraisers can determine the cause of damages, a federal appeals court said in affirming a ruling against a Travelers Cos. Inc. unit.

In June 2012, hailstorm damaged three buildings owned by Englewood, Colorado-based BonBeck Parker LLC and BonBeck HL LLC, according to the 10th U.S. Circuit Court of Appeals in Denver in its ruling in *BonBeck Parker, LLC; BonBeck HL, LLC v. The Travelers Indemnity Co. of America*. Travelers paid $34,200, the amount of damage it said was caused by the hailstorm.

A dispute ensued between BonBeck and Travelers unit Travelers Indemnity as to how much damage was caused by the storm, in particular damage to the roofs of the three buildings, and how much was from uncovered events like wear and tear, deterioration and improper installation.

BonBeck then invoked a policy provision that allows either party to conduct an appraisal, including the amount of loss, which is to be determined by a three-person appraisal panel.

Travelers said it would only agree to an appraisal upon certain conditions, including that the panel would not be allowed to decide what caused the roof damage.

BonBeck refused the insurer's conditions, and Travelers filed suit in U.S. District Court in Denver, seeking a declaration the policy precluded the appraisal panel from determining causation issues. BonBeck counterclaimed for breach of contract.

After the district court ruled the appraisal provision authorizes the panel to make cause-of-loss determinations, an appraisal estimated total repair cost for hail damage to be about $216,000. Travelers paid BonBeck this, less the $34,200 it had already paid.

The district court then granted summary judgment for BonBeck on its breach of contract counterclaim, and the ruling was affirmed by a unanimous three-judge appeals court panel.

DOCKET

WILLIS PREVAILS IN D&O LITIGATION

A federal district court ruled in favor of Willis Towers Watson PLC in directors and officers liability litigation it filed against insurers, including an American International Group Inc. unit, seeking coverage for two settlements reached in the Willis and Towers Watson merger. The key issue in the decision by the Alexandria, Virginia-based court in *Towers Watson & Co. n/k/a/ WTW Delaware Holdings LLC v. National Union Fire Insurance Co. of Pittsburgh, PA, et al.* concerned whether the so-called "bump-up exclusion" in the coverage applied to the merger.

MEDICAL POT NOT REIMBURSABLE: COURT

In two separate rulings issued in October, the Minnesota Supreme Court said workers compensation payers do not have to reimburse for medical marijuana because the drug remains illegal under federal law. Both rulings, filed in St. Paul, Minnesota, reversed lower court decisions that called for employers and insurers to pay for medical marijuana to treat work-related injuries.

CHICAGO MEAT COMPANY SETTLES EEOC SUIT

A Chicago meat processing company charged with discriminating against Black applicants and workers agreed to settle a lawsuit filed by the U.S. Equal Employment Opportunity Commission. The EEOC said its investigation of Chicago Meat Authority Inc. found the company favored hiring Hispanic applicants over Black applicants even though it is located in a largely Black neighborhood. The consent decree settling the case, which was filed in 2018 in U.S. District Court in Chicago, requires Chicago Meat Authority to pay a total of $1.1 million to the discrimination victims and to hire rejected applicants who still want jobs at the company. It also prohibits the company from discriminating in the future.

Karen Clark is co-founder and CEO of Boston-based Karen Clark & Co., a catastrophe modeling company established in 2007 to help insurers better manage catastrophe risk. In 1987, Ms. Clark founded the first catastrophe modeling company, Applied Insurance Research, which became AIR Worldwide when it was acquired in 2002 by Insurance Services Office Inc. Ms. Clark recently spoke with *Business Insurance* Deputy Editor Claire Wilkinson about Hurricane Ida, the lessons learned, and how catastrophe models are helping insurers manage climate change. Edited excerpts follow.

Karen Clark

KAREN CLARK & CO.

Q How did the modeling for Hurricane Ida work out?

A Every hurricane is unique. Ida is a case in point. There was Ida part one and Ida part two. Part one was when it made landfall in Louisiana as a Category 4 storm. It was a typical Cat 4, with wind and storm surge damage. Our industry estimate for Ida part one was $18 billion, which seems to be holding well. We're confident that the KCC model captured accurately Ida part one. But then Ida dissipated. The National Hurricane Center was not tracking it; it was not even a tropical depression. It was the remnants of Ida that interacted with a cold front over the Northeast that caused Ida to drop moisture over the mid-Atlantic and Northeast. Ida part two was a flooding event. There was lots of flooding in areas that are not even marked as high hazard areas. Privately insured flood damage is likely to be auto and non-commercial property, but only a small fraction of commercial properties have flood cover. Our industry database that we use to estimate losses is our estimate of how many properties — homes, commercial structures, autos — there are in individual zip codes. For flood you also must estimate how much of that is insured by the private market. That is still highly uncertain. We added another $3.3 billion for the private insured flood damage, but that is still a question mark, and we don't know how it will pan out.

Q What are the lessons learned?

A Ida demonstrated what we expect from climate change in two areas. One it was another Category 4 storm. In 2020 we had Hurricane Laura, which was a Cat 4; in 2018 we had Hurricane Michael, which was Cat 5. So, in the last four years we've had a Cat 5 and two Cat 4s, which is a very high frequency. Normally you would only see a Cat 4 once every five or six years. It has been a lot more frequent, and that is exactly what scientists expect under climate change. Scientists also believe there will be more inland flooding from these tropical cyclones under climate change. The lesson here is that a hurricane model needs three perils. It used to be two: wind and storm surge. Now you need wind, storm surge and inland flood. The latest KCC U.S. hurricane model, version 3.0, does include all three perils.

Q How are catastrophe models helping companies manage climate change?

A We've already had a significant amount of climate change. From 1900 to 2020 there has already been a 1.1-degree Celsius temperature increase. The new Intergovernmental Panel on Climate Change report, a consensus work of scientists around the world, projects multiple scenarios. The best-case scenario by 2050 is that the temperature will increase another .4 degrees; expected middle of the road is .9 degrees, and the worst-case is a 1.3 degrees Celsius increase. If we look out to 2050 and we take the expected case, we have already seen more temperature increase to-date than we are going to see from now to 2050. What that means is the models that insurers are using today need to incorporate a significant amount of climate change and the impact.

Q&A

The KCC reference models already include climate change that has happened to-date for hurricane, wildfire and flood and for severe convective storm and winter storm. We are also offering additional projected views of risk based on those three scenarios for 2025, 2030 and out to 2050. As we update our reference models, we will be incorporating climate change as it occurs.

Q Is it challenging to provide an accurate estimate of climate-driven loss?

A It is challenging. Even if we had no change in the climate, these models are based on many scientific assumptions, and that is why if you look at KCC model losses versus other modeled losses the numbers will differ. It's not because the science is different but because the scientific assumptions are different. KCC has been addressing climate change from the beginning in its models. As other modelers start incorporating climate change it's very important to be explicit and transparent on the assumptions.

Q Aren't new climate models simply giving insurers the ability to increase rates?

A It is a gradual trend, and for KCC models climate change is already built in there if you want to look one or two years ahead for your pricing. I don't think anybody is going to build rates today based on 2050. With KCC models that should be a few low-single-digit percent changes to go out one or two years ahead and not a radical change to the number. If any model comes out with a radical change to the numbers for the next one or two years either they have faulty assumptions, or their reference model has not included climate change, because the temperature change that we're seeing year on year is very small.

Q What about wildfire risk?

A The older models have not been giving a credible view of wildfire risk. As the climate changes and more people move into the wildland-urban interface it's very important that the assumptions in the wildfire models are transparent and explicit, so all the users know exactly what is driving the loss estimates. It can't be a black box.

Q What's next on the modeling front?

A A lot of the focus over the next couple years will be on more frequent model updates and ensuring that climate change is being built into the models appropriately. KCC is also expanding globally. We cover about 50 countries now, but we are working on more global coverage, particularly for our flood, severe convective storm and wildfire models. Other modelers are working on cyber. At KCC we feel that natural catastrophes still need a lot of attention because the models in the past have not been as accurate as insurers need, so we will be focusing on the bread-and-butter perils — hurricanes, earthquakes, wildfires.

The lesson here is that a hurricane model needs three perils.
It used to be two: wind and storm surge. Now you need wind, storm surge and inland flood.

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COVER STORY

SUPPLY CHAIN PROBLEMS PLAGUE CONSTRUCTION FIRMS

Shortages lead to skyrocketing prices for wide range of building materials, adding to insured values across sector

BY MATTHEW LERNER
mlerner@businessinsurance.com

Construction and building materials are in short supply and have seen double-digit price spikes since the COVID-19 pandemic took hold last year, driving up project and rebuilding costs and affecting companies ranging from contractors to insurers.

CONSTRUCTION

Continued from previous page

Natural disasters, manufacturing and production setbacks, logistical bottlenecks, labor shortages and political instability have conspired to produce what several sources call a "perfect storm" of cost overruns, delays and frustration.

"Material cost inflation isn't driven by any one event; it's driven by all the events happening everywhere," said Anthony Hanson, Boston-based director of analytics for AIR Worldwide, a unit of Verisk Analytics Inc.

Hurricanes Michael in 2018 and Ida earlier this year destroyed timberland, and Ida also took down the electrical grid for the Texas petrochemical complex, a key provider of construction input materials, said Jon Tate, vice president for construction in Atlanta for Zurich North America.

> "Material cost inflation isn't driven by any one event; it's driven by all the events happening everywhere."
>
> Anthony Hanson,
> AIR Worldwide

While construction did pause at the beginning of the COVID-19 lockdowns, it was soon back up and running as an essential industry, Mr. Tate said. Many companies in the construction materials supply chain, however, remained shuttered, because they were either deemed nonessential or as the result of other restrictions. Construction activities, therefore, have been pulling on a supply chain that has been largely idle, depleting stock.

Jim Gloriod, St. Louis-based CEO of Aon Construction Services Group U.S., a division of Aon PLC, said increased prices for lumber and especially steel have continued to drive up input costs. In addition to construction materials, steel is also used for appliances, which can be in short supply for large residential projects.

Mr. Gloriod also pointed to the impact of overseas manufacturing of components. "There are literally shortages because of some of the challenges around overseas manufacturing, as well as transportation and supply chains."

The effects of tariffs instituted during the Trump administration also continue to plague markets. "Certainly, tariffs have put pressure on pricing and supply as well," Mr. Tate said.

Inflation and economic policy are also affecting the sector. "There's some inflation and there's likely to be some more inflation on everybody's radar," said Cheri Hanes, a construction risk engineer in Dallas with Axa Construction, which is part of Axa XL, a unit of Axa SA.

"The low finance rates we have right now and have enjoyed for quite some time — there are political reasons to think they might increase," Ms. Hanes said, which could spur more construction activity before rates rise.

The shortages have led to some construction companies moving supplies to different sites to avoid work delays and some to hoard materials to avoid shortages, sources say.

"They're hoarding materials instead of relying on just-in-time delivery. Job sites I go to are packed with materials procured proactively because they just don't know what's going to happen next," one source said.

Such storing of materials can raise safety concerns, and carrying inventory increases costs, sources agree.

Ms. Hanes said that demand for construction materials has increased as businesses have been changing their office concepts and in some cases moving to new locations. "There's a lot of construction associated with that," she said.

Occurrences as disparate as an upswing in home improvement projects during pandemic lockdowns to a coup in the African nation of Guinea — the world's second leading supplier of bauxite, a key input for aluminum — have strained supply chains.

The confluence of events has wrought havoc on building materials pricing and availability, resulting in an average 26% increase in input costs on construction projects so far this year.

Among the worst price hikes, wood is up 101% year-over-year, while steel prices have increased 88%, copper is up 61% and aluminum is up 33%, according to figures from the 2021 Construction Inflation Alert from the Associated General Contractors of America. The price of some individual commodities, such as timber, have moderated from month to month, but futures contracts for materials show no long-term relief.

AIR's Mr. Hanson said that actions by traders and speculators have contributed to pricing spikes and volatility.

Material shortages and unreliable deliveries can extend business interruption claims because it can take longer to make repairs, said Jill Dalton, New York-based managing director of Aon's U.S. property risk consulting group, who handles property claims for large commercial policyholders.

COVID-19-related restrictions can also complicate the measurement of business interruption claims, which are generally based on some baseline of historical business activity.

If that baseline has been altered by

See **CONSTRUCTION** next page

PROJECT DELAYS ADD TO CONSTRUCTION INSURANCE COSTS

Materials shortages, unreliable deliveries and skilled labor shortages can all contribute to delays for construction projects and require extensions on insurance.

Projects moving forward but subject to delays often need project extensions on their coverage, according to Bryan Stevenson, head of construction casualty insurance at Axa XL, a division of Axa SA, in Dallas.

"Projects are moving forward, but we're seeing a lot of project extensions — more than we've ever seen before," which increases insurance costs, Mr. Stevenson said.

Such extensions can be "challenging" because construction costs and therefore insured values may have increased, said Jim Gloriod, St. Louis-based CEO of Aon Construction Services Group U.S., a division of Aon PLC.

In addition, with property/casualty markets hardening, underwriting conditions may have changed since the inception of the original policy.

"Many of these projects were placed before the market had changed, so now underwriters are looking at those rates changed with the new exposures, and it's causing challenges for the industry," Mr. Gloriod said.

Matthew Lerner

CONSTRUCTION

Continued from previous page

COVID 19-related restrictions, such as lockdowns, business interruption claims can be more difficult to calculate and require more documentation and time. "COVID has made that more challenging, because you don't have the historic results to look at," Ms. Dalton said.

In some cases, elevated repair costs can leave a policyholder underinsured, she said.

Twane Duckworth, managing director and risk manager for the city of Garland, Texas, and a member of the board of directors of the Risk & Insurance Management Society Inc., said pricing fluctuations and construction delays can affect schedules of insurable structures.

A construction project may be slated to come off the city's builders risk policy and onto its inventory of insured structures at $1 million, but the value may rise to $1.5 million due to delays and cost overruns, which could have coverage implications, Mr. Duckworth said.

In addition, it may be prudent for policyholders to more frequently inventory their insured structures and assess whether replacement values may have changed due to market fluctuations in building material costs, he said.

"Risk professionals should remain aware of how routinely they appraise and evaluate the values associated with their inventory, particularly in a market like this when it can change so rapidly," Mr. Duckworth said.

The pandemic likely exacerbated supply chain and market problems.

"COVID-19 caused people to change their behavior and that translates to how they operate in the marketplace, so I see it as an economic disruption because people are doing things differently," AIR's Mr. Hanson said.

"The COVID impact was to take a bad situation and make it worse," said Mr. Tate of Zurich.

Tight labor market affects drug testing policies

In August 2021, an unprecedented 4.3 million U.S. workers quit their jobs — a 20% increase from August 2019, according to the U.S. Bureau of Labor Statistics.

In the construction industry, where a labor shortage existed before the COVID-19 pandemic, the growth in new home construction and improvement projects has increased the demand for workers. To keep up with that demand, construction businesses will need to hire 430,000 workers this year and 1 million more over the next two years, according to a July 2021 report by Associated Builders and Contractors, a Washington-based trade association.

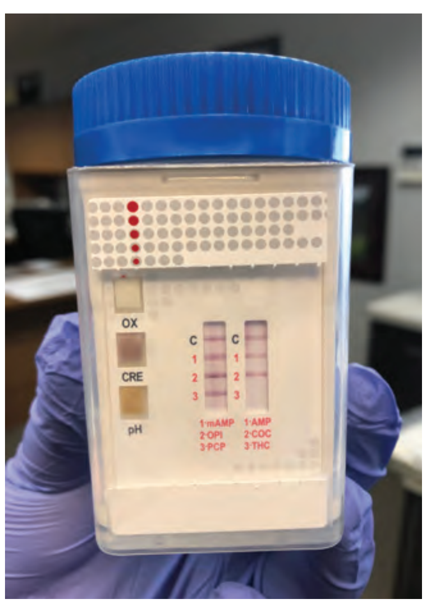
Desperate for workers, many companies are rethinking their hiring processes, and some are making compromises on prior standards, relaxing drug testing as the popularity and legality of recreational marijuana use continues to grow, insurance and safety sources say.

"It's definitely an area of concern, especially as more and more states move towards legalizing marijuana on both a medical and recreational basis," said Matt Zender, senior vice president, workers comp strategy, at AmTrust Financial Services Inc., based in Monterey, California.

The COVID-19 pandemic did not dampen workforce drug testing positivity for marijuana, which continued to increase last year in the general U.S. workforce, according to data from Secaucus, New Jersey-based Quest Diagnostics. In the construction industry, the positivity rate for marijuana increased from 2.2% in 2019 to 2.5% in 2020.

The data also shows that states with recreational marijuana statutes have higher positivity, and the year-over-year differences between states that decriminalized recreational marijuana and states with medical or no legalization statutes has grown.

"There are segments of the construction industry that are backing off of drug testing for two reasons," said Carl Heinlein, senior safety consultant at American Contractors Insurance Group in Wexford, Pennsylvania. "Certainly, getting employees onto the projects, and in some cases you'll hear it's cost," he said.



"Drug testing isn't cheap. It's cheaper than it used to be, but for a smaller contractor, if you have to send 20 people for drug testing that's a significant cost they maybe didn't plan for," he said.

"If you are a business who is institutionally working through drug testing, I think you're likely to continue to do that," Mr. Zender said. "If you are a business that can't find anybody willing to come work for you because you have mandatory drug testing as part of your employment agreement you have to ask yourself some questions that you might not have asked two or three years ago."

Quest Diagnostics data also showed a significant surge in the positivity rate of post-accident test results, which outpaced the growth in the positivity for preemployment testing. Among the U.S. general workforce, from 2012 to 2020, marijuana pre-employment positivity grew to 2.4% from 1.9%, while post-accident positivity surged to 6.4% from 2.4%.

Data on the number of construction companies moving away from mandatory drug testing is unavailable, but industry sources say it likely varies significantly by employer.

"The more established companies still see their drug and alcohol programs as a key element to their risk management safety and health programs, but I know it's happening out there," Mr. Heinlein said.

"What I've gathered from a lot of employers is they're making pragmatic decisions on what's good for them, not necessarily what follows the trends. …. They have to make a business decision that makes the most sense for them, and if they make something maybe counterculture, they probably aren't going to be public about it," Mr. Zender said.

For individual organizations, changing drug testing policies can raise other concerns, said Mark Pew, principal of The RxProfessor LLC, based in Norcross, Georgia.

"To some degree, I think it's a competitive advantage or disadvantage if you talk publicly about it," Mr. Pew said.

"To go on the record and say you're reducing the price of admission for being an employee, does that mean that you get the cream of the crop, or does that mean that you get the ones that can't get a job elsewhere?" he said.

Mr. Zender said continuing to enforce drug testing could ultimately benefit companies.

"If this labor shortage continues over any meaningful period of time, it'll probably help separate the wheat from the chaff, so to speak, and those who continue to maintain discipline will look even more exceptional," he said.

Danielle Ling

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f. Total Distribution *(Sum of 15c and e)*	43,310	41,694
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h. Total *(Sum of 15f and g)*	43,572	42,092
i. Percent Paid and/or Requested Circulation *(15c divided by f times 100)*	71.20%	75.95%
16. Electronic Copy Circulation		
a. Requested and Paid Electronic Copies	5,759	4,981
b. Total Requested and Paid Print Copies (Line 15c) + Requested/Paid Electronic Copies (Line 16a)	36,598	36,649
c. Total Requested Copy Distribution (Line 15f) + Requested/Paid Electronic Copies (Line 16a)	49,069	46,675
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17. This Statement of Ownership will be printed in the November 2021 issue of this publication.
18. I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).
Brian McGann, Marketing Vice President
10-19-21

SPECIAL REPORT

Condo risks in focus as A&E market tightens

INSIDE

BY MICHAEL BRADFORD

Rising losses are causing underwriters to rethink the way they analyze architects and engineers professional liability risks, and the deadly collapse of a condominium building in south Florida earlier this year is raising further concerns.

Coverage prices have moved up gradually over the past three years as A&E professional liability losses have become more frequent and severe, sources say.

And while the collapse of the Champlain Towers South condo building in Surfside, Florida, is not expected to immediately have a widespread impact on rates, it is bringing closer scrutiny to condo risks and could eventually lead to coverage restrictions, they say.

"The Surfside condo collapse will heighten awareness around the risks associated with this project type and will likely cause a further tightening for condo projects," Lawrence Moonan, executive vice president and chief operating officer at Monterey, Calif.-based Berkley Design Professional, a unit of W.R. Berkley Corp., said in an email.

The June 24 collapse of around 55 condo units in Surfside killed 98 and triggered lawsuits, including one filed by a victim's family that names engineering

See **ARCHITECTS** page 26

ARCHITECTS

Continued from page 25

firm Morabito Consultants Inc., charging it failed to provide warnings of the dangerous condition of the building.

Morabito has said that it provided the Champlain Towers South Condominium Association with an estimate of costs to make extensive repairs to, among other things, "significant cracks and breaks in the concrete" of the building.

"In terms of underwriting, I think it's a real wakeup call for underwriters to the perils of large vertical condo complexes," said Michael Muglia, national underwriting director, professional liability, at Burns & Wilcox, a unit of H.W. Kaufman Financial Group Inc. in Farmington, Michigan. "In general, the industry has a conservative approach to those types of projects," he added, but in the wake of the Surfside collapse, they are going to be even more reluctant to consider a similar exposure.

Lisa Wheeler, Kansas City, Missouri-based senior vice president and team leader in the construction and design practice at Lockton Cos. Inc., said insurers and brokers accepted after the Surfside collapse that "these things are going to happen, let's re-visit what the best practices are and what as design firms you should be aware of in your contracts, what you're agreeing to and where you are limiting your liability appropriately."

The collapse has not immediately affected the A&E professional liability market, Mr. Moonan said, but he expects rates could rise. Fewer insurers will likely be willing to offer coverage on condo projects, particularly in coastal areas, "and those that do will likely charge higher premiums for the exposure and will restrict policy limits as they are able," he said.

The collapse is "an unfortunate real-life example of what can happen," said Laura Malloy, Bala Cynwyd, Pennsylvania-based loss control director with RLI Professional Services Group, a unit of RLI Corp. And when policyholders request higher limits, "you need to really nail down the specifics of a project and get a feel for the construction values, contracts that are in place and what the insured is willing to provide service-wise for that project," she said.

Part of the 12-story oceanfront Champlain Towers South condominium, which collapsed around 2 a.m. on Thursday, June 24, 2021.

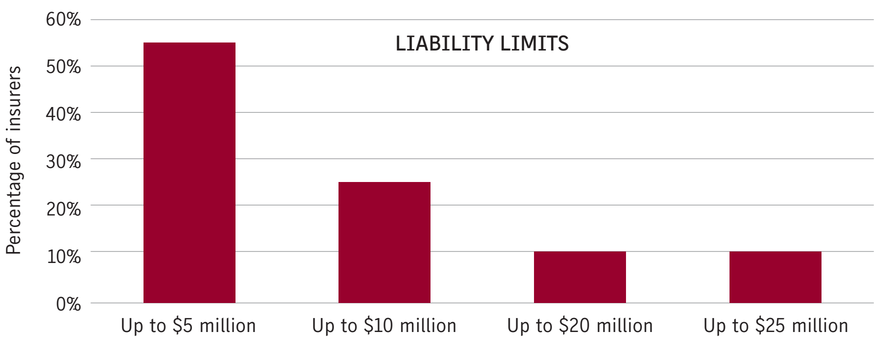
Coverage costs for A&E professional liability risks were rising before the collapse in Florida.

A gradual tightening in the market pushed up prices 5% to 10% at recent renewals, sources say. Plenty of capacity is available but insurers have grown more cautious about deploying it as losses have climbed, they say.

"We've seen the market harden a little bit," said Jared Maxwell, Boston-based vice president and partner at specialty broker Ames & Gough Insurance Risk Management Inc. "That's primarily due to the claims frequency and severity ticking up."

"Over the last couple of years, we have seen some challenges from the buyers' perspective," said Brandon Perry, senior vice president and A&E large firm program manager at Victor Insurance Managers Inc. in Bethesda, Maryland. Moderate rate increases are being charged for most risks, he added, with larger hikes for "classes underwriters have traditionally seen as riskier business," such as structur-

MAXIMUM AVAILABLE PROFESSIONAL LIABILITY COVERAGE



Source: Ames & Gough, Architects & Engineers Professional Liability Insurance Market Survey

al engineers, geotechnical engineers and residential real estate.

Some insurers are pushing hard for rate increases and stricter terms and conditions on renewal business, said Christine DeFelice, New York-based vice president and team lead for professional liability, architects and engineers, and contractors E&O, at managing general underwriter CorRisk Solutions, a unit of Ryan Specialty Group Holdings Inc.

Ms. DeFelice said, however, that the market is turbulent because some insurers that have raised renewal rates on accounts that have been loss-prone are "attacking new business aggressively," which she says reflects a lack of underwriting discipline.

"You have to stay consistent," she said. "At some point, it doesn't make sense to try and compete with those carriers."

Capacity issues tend to affect the largest and smallest buyers, according to Mr. Perry.

A&E firms that need $50 million or more in coverage "are seeing some churn in markets for excess placements" and have to replace some insurers in those layers, he said. Smaller firms that need limits of $5 million to $10 million are also seeing disruption as some insurers back away from those accounts.

"Across the market we're seeing requests for higher limits" driven partly by rising construction values and social inflation — higher judgements and settlements, said Vince Costello, underwriting director with RLI. Whereas limits of $5 million were routinely requested a few years ago, "$10 million is the new $5 million," he said.

"Capacity is still available, insureds and brokers just need to find it," Mr. Costello said. In some cases, that means building towers of coverage and involving multiple insurers, he added.

Adequate capacity is not a problem for most risks, said Ms. Wheeler. Professional liability for project-specific risks, however, can be somewhat difficult to arrange as "the number of markets has become more limited in that area."

A lack of willing insurers is not a problem for most well-managed risks, Mr. Maxwell said. "There's still significant capacity. If you're a good risk you're probably going to benefit from the competition that's out there," he said.

CLIMATE CHANGE COMPLICATES UNDERWRITING DECISIONS

A challenge for architectural and engineering firms — and their insurers — is determining whether changes in the climate should influence the design and evaluation of projects.

"There is a focus on whether climate change events are something that should be factored in," said Brandon Perry, senior vice president at Victor Insurance Managers Inc. in Bethesda, Maryland "Consequently, as underwriters and the insurance marketplace, how do we account for that as well?"

The standard of care is a big focus for the industry, said Lisa Wheeler, Kansas City, Missouri-based senior vice president at Lockton Cos. Inc. And it is unclear how designers can anticipate the potential effects of a changing climate and adapt their projects in ways that haven't been tested, she said.

"It is something we are evaluating right now," said Vince Costello, Bala Cynwyd, Pa.-based underwriting director at RLI Professional Services Group. "A design professional has a certain standard of care; could environmental issues change that?"

Whether they are the result of climate change or cyclical weather patterns, more frequent storms like those along the Gulf Coast have already prompted changes in building codes in some areas, said Michael Muglia, national underwriting director, professional liability, with Burns & Wilcox, a unit of H.W. Kaufman Financial Group Inc. in Farmington, Michigan.

Design and engineering firms must adhere to those codes, he said, and when they change, it creates challenges for projects already underway.

Michael Bradford

SPECIAL REPORT

LARGEST D&O INSURERS

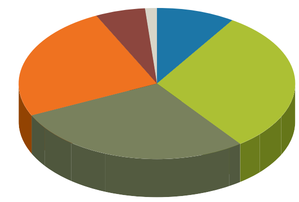
Ranked by direct premiums written in 2020, in millions of dollars

Rank	Insurer	Direct premiums written	Percent increase (decrease) vs. 2019	Direct incurred losses	Direct loss ratio	Market share
1	Axa SA	$1,453.1	45.0%	$781.3	66.5%	13.5%
2	Chubb Ltd.	$1,087.0	27.5%	$502.2	51.8%	10.1%
3	American International Group Inc.	$981.0	10.3%	$664.1	71.4%	9.1%
4	Tokio Marine Holdings Inc.	$753.4	14.8%	$412.6	60.3%	7.0%
5	Fairfax Financial Holdings Ltd.	$515.2	89.1%	$170.3	44.3%	4.8%
6	CNA Financial Corp.	$438.5	38.1%	$172.1	47.4%	4.1%
7	Sompo Holdings Inc.	$433.7	78.4%	$167.0	52.3%	4.0%
8	Travelers Cos. Inc.	$422.4	17.6%	$339.1	86.7%	3.9%
9	Berkshire Hathaway Inc.	$410.5	42.6%	$207.9	68.4%	3.8%
10	Alleghany Corp.	$370.7	69.3%	$157.9	55.4%	3.4%
11	Zurich Insurance Group Ltd.	$368.8	55.6%	$124.5	42.5%	3.4%
12	W.R. Berkley Corp.	$350.8	83.1%	$222.1	85.0%	3.3%
13	Great American Insurance Group	$283.7	20.4%	$93.8	37.4%	2.6%
14	Nationwide Mutual Group	$272.0	44.3%	$217.3	95.5%	2.5%
15	Arch Capital Group Ltd.	$254.1	62.0%	$122.5	61.8%	2.4%
16	Axis Capital Holdings Ltd.	$251.9	74.6%	$117.0	62.4%	2.3%
17	Old Republic International Corp.	$247.5	50.8%	$105.7	54.3%	2.3%
18	Hartford Financial Services Group Inc.	$231.3	33.4%	$151.5	77.5%	2.1%
19	Allianz SE	$204.7	565.3%	$106.8	60.6%	1.9%
20	Markel Corp.	$204.2	70.4%	$44.2	28.8%	1.9%
	Top 20 total	$9,534.3	41.4%	$4,880.0	61.4%	88.4%
	Industry total	$10,779.9	40.9%	$5,446.0	60.9%	100.0%

Source: S&P Global Market Intelligence based on National Association of Insurance Commissioners statutory P/C statement filings. U.S. filers only, compiled Sept. 5, 2021.

D&O PRICING

During the second quarter of 2021, there were no reports of any decreases in premium rates for directors and officers liability coverage.

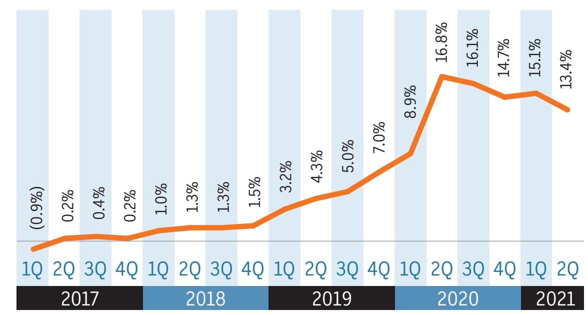


No change	9.4%
Increase 1-9%	30.6%
Increase 10-19%	28.2%
Increase 20-29%	24.7%
Increase 30-50%	5.9%
Not sure	1.2%

Source: Council of Insurance Agents & Brokers

RENEWAL PRICING

Average D&O renewal pricing changes by quarter since 2017

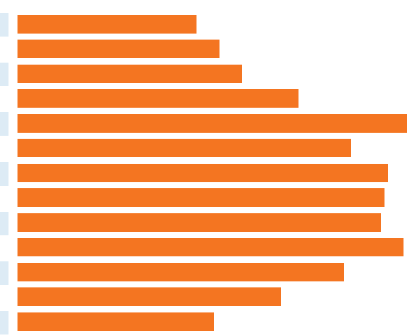


Source: Council of Insurance Agents & Brokers

CLASS ACTIONS

Total filing activity dropped 25% in 2021 H1 relative to 2020 H2, and was the lowest semiannual level since 2015 H1.

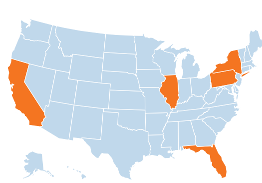
Year	Filings
2015 H1	102
2015 H2	115
2016 H1	128
2016 H2	160
2017 H1	222
2017 H2	190
2018 H1	211
2018 H2	209
2019 H1	207
2019 H2	220
2020 H1	186
2020 H2	150
2021 H1	112



Source: Cornerstone Research Inc.

TOP STATES

States with the most direct premiums written for medical professional liability insurance in 2019

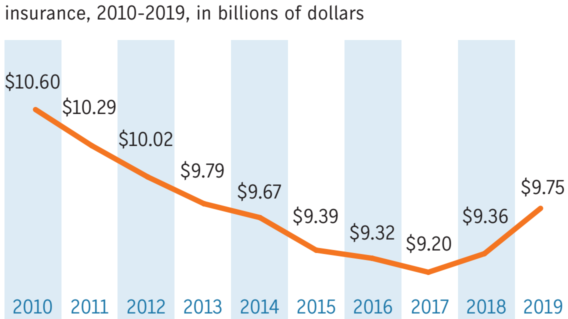


State	Direct premiums written	Number of insurers
New York	$1,585,064,938	127
California	$813,197,287	124
Pennsylvania	$712,880,355	142
Florida	$638,136,533	118
Illinois	$453,487,349	120

Source: National Association of Insurance Commissioners

PROFESSIONAL LIABILITY COVER

Direct premiums written for U.S. medical professional liability insurance, 2010-2019, in billions of dollars



Source: National Association of Insurance Commissioners

LARGEST MEDICAL PROFESSIONAL LIABILITY INSURERS

Ranked by direct premiums written in 2020, in millions of dollars

Rank	Insurer	Direct premiums written	Percent increase (decrease) vs. 2019	Direct losses incurred	Direct incurred loss ratio	Market share
1	Berkshire Hathaway Inc.	$1,714.4	3.3%	$817.4	48.0%	16.9%
2	Doctors Co., an Interinsurance Exchange	$962.4	4.6%	$426.8	45.5%	9.5%
3	ProAssurance Corp.	$796.1	(7.5%)	$487.8	58.4%	7.8%
4	CNA Financial Corp.	$609.1	8.9%	$404.7	70.4%	6.0%
5	Coverys Insurance Group	$522.6	7.1%	$361.5	73.0%	5.1%
6	MCIC Vermont Inc.	$425.0	6.6%	$365.1	85.9%	4.2%
7	Mag Mutual Insurance Co.	$368.9	12.0%	$185.6	52.7%	3.6%
8	Liberty Mutual Holdings Co. Inc.	$262.9	20.7%	$176.0	72.0%	2.6%
9	MMIC Insurance Inc.	$172.7	2.4%	$94.8	56.0%	1.7%
10	Physicians' Reciprocal Insurers	$169.8	(0.1%)	$27.4	15.9%	1.7%
	Top 10 total	$6,003.8	4.0%	$3,347.0	56.6%	59.1%
	Industry total	$10,151.4	3.8%	$5,613.3	56.3%	100.0%

Source: S&P Global Market Intelligence based on National Association of Insurance Commissioners statutory P/C statement filings. U.S. filers only, compiled Sept. 5, 2021.

SPECIAL REPORT

CYBER LIABILITY

Cyber cover costs explode, capacity limited

INSIDE

REGULATORY RISKS

Expansive European, U.S. state privacy regulations may broaden potential cyber liabilities for commercial policyholders. **PAGE 32**

RESEARCH & DATA

Largest cyber insurers, premium and coverage trends, corporate cyber spending, ransomware payments, data breach costs and more. **PAGE 33**

BY JUDY GREENWALD
jgreenwald@businessinsurance.com

Driven by ransomware attacks, the cyber liability insurance market has been hardening at a dizzying pace, with increased losses, rising rates, higher retentions, the imposition of sublimits and coinsurance requirements, limited capacity and insurers' sometimes onerous information demands that must be met before coverage is provided.

While no significant players have left the market, limits have been slashed — often by half — and rates in some cases have as much as tripled. Insurtech cyber insurers have made up for some of the contraction, but there has been a net loss of capacity for cyber risks.

The situation has been exacerbated by the pandemic, with employees working from home potentially more vulnerable to ransomware attacks because of their less secure laptops, experts say.

Meanwhile, privacy regulation and litigation loom as an issue that will eventually demand more policyholder attention, observers say (see related story).

The cyber market's hardening began in 2019, accelerated in 2020, continued into this year and is now "in the hardest place it's ever been," said John Farley, New York-based managing director of Arthur J. Gallagher & Co.'s cyber liability practice.

Cyberattacks have not slowed, ransomware demands have become more expensive, and the frequency of attacks has accelerated, he said.

"The cyber market is a little bit like the Wild West right now," said Dan Burke, San Francisco-based national cyber practice leader for Woodruff Sawyer & Co. "There's not a lot of rhyme or reason to what's happening with rates and coverage from one account to the next."

Ransomware's explosive growth over the past 18 months is the primary reason for the upheavals in the market, experts say. Criminal gangs in eastern Europe are pursuing much bigger companies than they previously targeted, and it's unclear when or if the pace of attacks will slow, said Brad Gow, Purchase, New York-based cyber product leader for Sompo International Holdings Ltd.

Last month, it was reported that four ransomware attacks had penetrated water and wastewater facilities in the past year, and federal authorities warned similar plants to check for signs of intrusions and take other precautions.

It is "kind of the 800-pound gorilla in the room," said Tim Zeilman, Simsbury, Connecticut-based global cyber product owner at Hartford Steam Boiler Inspection and Insurance Co., a unit of Munich Reinsurance Co.

Cybersecurity company Sophos Ltd., based in Abingdon, England, said in an April report that the average cost of remediating a ransomware attack, which includes business downtime, lost orders and operational costs, grew from $761,106 in 2020 to $1.85 million in 2021.

"It has driven a higher frequency of claims and certainly driven a higher severity of claims for most carriers," and risk aggregation has become "a big problem," particularly in the technology industry, where an attack can affect all of a company's clients, Mr. Burke said.

Experts say examples that illustrate ransomware's systemic dangers include the December 2020 attack on SolarWinds Corp.

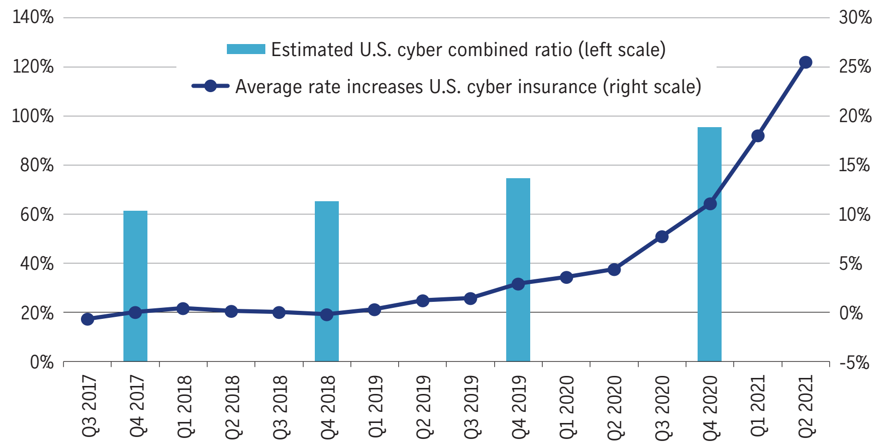
James Burns, London-based cyber product leader for CFC Underwriting Ltd., said the July attack on Kaseya Ltd., a major provider of software for small business, led to an uptick in claims.

The cyber liability market is in a period of transition and evolution and the challenging conditions make the process of obtaining coverage more complicated and dynamic, said Tom Reagan, New York-based U.S. cyber practice leader for Marsh.

Rates are increasing 50% or more and in some instances doubling, while retentions are also doubling or tripling, and cuts in limits to $5 million from $10 million have become "pretty routine," said Kelly Geary, New York-based national practice leader for executive risk and cyber with EPIC Insurance Brokers & Consultants.

AS LOSSES MULTIPLY, CYBER RATES RAMP UP

Significant rate increases did not offset combined ratio deterioration.



Source: Standard & Poor's Financial Services LLC

With sublimits and coinsurance applied, insurers may pay only 50% of a ransomware claim and may be sharing in the cost of that claim up to the sublimit, said Mr. Farley of Gallagher.

While no significant players have left the sector, some insurers have stopped writing entire classes of cyber business that they consider problematic, in addition to capping their limits, said Tom Srail, executive vice president, cyber risk team, for Willis Towers Watson PLC in Cleveland.

"Many insurers have effectively decided, if not officially, 'We're not going to take new business,'" he said.

Insurers are reconsidering coverage they offer, making sure wordings are clear and avoiding unwanted systemic exposure, or at least more consciously underwriting to reflect the systemic exposure, said Chris Storer, Munich, Germany-based head of the cyber center of excellence for Munich Re. They are also starting to look at the product's longer-term sustainability, he said.

"Insurers now have more leverage in the

See **CYBER** page 32

marketplace than two, three years ago," which has allowed them to be more careful about their underwriting and has given them the ability to ask more questions, said Mr. Zeilman of Hartford Steam Boiler.

They are demanding much more information before agreeing to bind the business and seeking assurances that companies have implemented updated cybersecurity measures, such as multifactor authentication and an incident response plan.

"We've been getting a lot of follow-up questions, which can consist of three or four sets of queries," said Christopher Keegan, New York-based head of the cyber liability practice at Beecher Carlson, a unit of Brown & Brown Inc.

Mr. Keegan said Beecher Carlson recommends its policyholders look at the issue six months before their renewal date "to understand where the difficulties are going to be." He added that "a considerable majority" of policyholders "still usually end up renewing with their incumbent."

"We're in for a bit of a bumpy ride" for the next 12 months, said Evan Taylor, Charlotte, North Carolina-based senior vice president at NFP Corp. Prices will continue to increase, capacity will contract, and sublimits and increased retentions will be more common, he said.

Privacy regulations add to policyholder concerns

While much of the cyber insurance industry's focus is on ransomware, privacy regulations also loom as a potential liability issue for policyholders, but they are not getting the attention they may deserve, observers say.

Ransomware has "become a bit of an echo chamber where everything's about it," said Kevin McGowan, Chicago-based senior vice president with insurtech Resilience Cyber Insurance Solutions' cyber underwriting unit.

Significant and influential privacy legislation includes Europe's General Data Protection Regulations, the California Consumer Privacy Act of 2018 and the Illinois Biometric Information Privacy Act.

GDPR imposes fines on those who violate the privacy and security standards; the CCPA gives consumers more control over the personal information businesses collect; and BIPA requires informed consent before the collection of facial recognition data.

Experts say particularly problematic for companies is the private right of action, which allows citizens to sue companies for their alleged violations, that the laws permit.

The private right of action "really hasn't hit the insurance market yet in a meaningful way, but I do think it will, and to me there's a lot of risk that exists for companies in that space," said Dan Burke, San Francisco-based national cyber practice leader for Woodruff Sawyer & Co.

"If I were an underwriter," this would be the focus of "the next wave of risk we need to be on top of," he said.

Pointing to the CCPA and BIPA, Tim Zeilman, Simsbury, Connecticut-based global cyber product owner at Hartford Steam Boiler Inspection and Insurance Co., a unit of Munich Reinsurance Co., said, "I think we're going to see more of those kinds" of legislation across the United States, "the way we saw data breach" laws spread earlier. Laws like Europe's GDPR will also likely be introduced, he said.

Lawsuits related to statutes are not yet significant causes of cyber liability losses, but that could change, Mr. Zeilman said.

"They're a topic that can't be ignored and cannot be forgotten," because the focus has gradually shifted since GDPR went into effect in 2018, and has moved from data breaches and mandatory reporting to privacy, said Brad Gow, Purchase, New York-based cyber product leader for Sompo International Holdings Ltd.

GDPR and other laws "are starting to have some teeth, and regulators are starting to enforce them," said Christopher Keegan, New York-based head of the cyber liability practice at Beecher Carlson, a unit of Brown & Brown Inc.

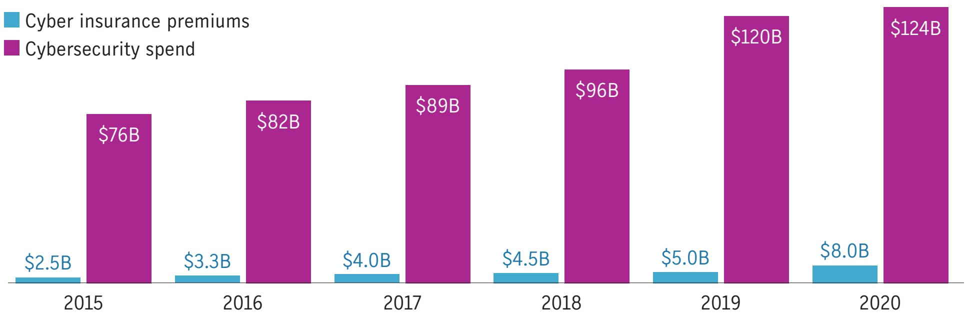
However, Anthony Dagostino, New York-based executive vice president, global cyber and technology practice, at Lockton Cos. Inc., said ransomware will remain the primary concern of cyber liability insurers.

"I don't think the regulatory world will ever be" a concern to the extent ransomware has been, he said.

Judy Greenwald

CYBERSECURITY INSURANCE

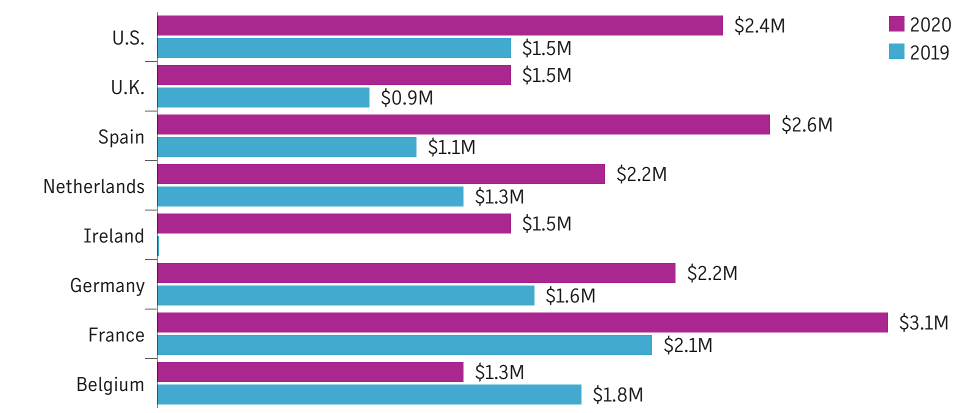
Cyber insurance spending is a fraction of cybersecurity spending, according to a recent CB Insights report, Cyber Defenders 2021. The average corporate cybersecurity spend by U.S companies increased from $1.5 million in 2019 to $2.4 million in 2020. The average data breach cost is highest in the health care industry at $7.1 million. Health care also saw the most data breaches in 2020.



Source: CB Insights citing Munich Re and Gartner

COMPANIES ARE INVESTING IN PROTECTION

AVERAGE CORPORATE CYBERSECURITY SPEND ($M) BY COUNTRY



Source: CB Insights citing Hisco

LARGEST CYBER INSURERS

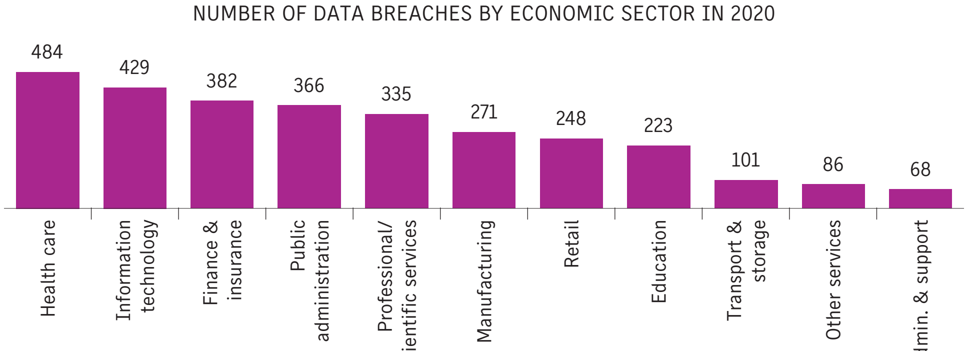
Top 10 U.S. groups writing standalone and package cyber insurance combined in 2020

2020 rank	2019 rank	Company	Direct written premium	Market share
1	1	Chubb Ltd.	$404,144,104	14.7%
2	2	Axa Insurance Group	$293,025,192	10.6%
3	3	American Insurance Group Inc.	$228,424,711	8.3%
4	4	Travelers Cos. Inc.	$206,817,208	7.5%
5	5	Beazley Insurance Co. Inc.	$177,746,192	6.5%
6	6	Axis Capital Holdings Ltd.	$133,549,784	4.8%
7	7	CNA Financial Corp.	$119,612,168	4.3%
8	10	Fairfax Financial Holdings Ltd.	$108,687,558	3.9%
9	11	Hartford Fire & Casualty Group	$102,864,503	3.7%
10	8	BCS Insurance Co.	$86,582,699	3.1%

Source: National Association of Insurance Commissioners

CYBER INSECURITY IS FELT ACROSS INDUSTRIES

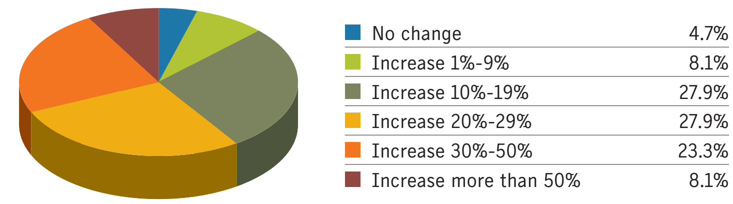
NUMBER OF DATA BREACHES BY ECONOMIC SECTOR IN 2020



Source: CB Insights citing Risk Based Security

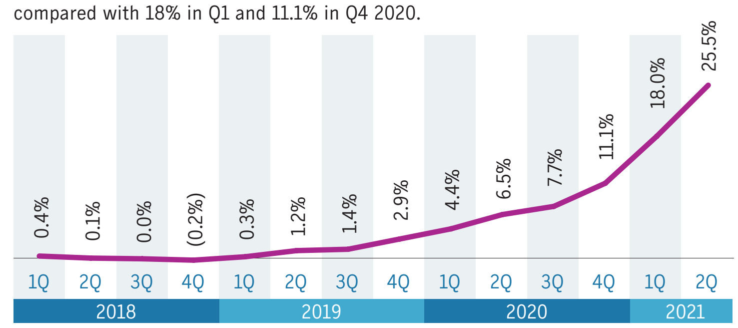
CYBER PRICING

During the second quarter of 2021, 95.3% of respondents to a Council of Insurance Agents & Brokers pricing survey saw cyber premium rate increases.



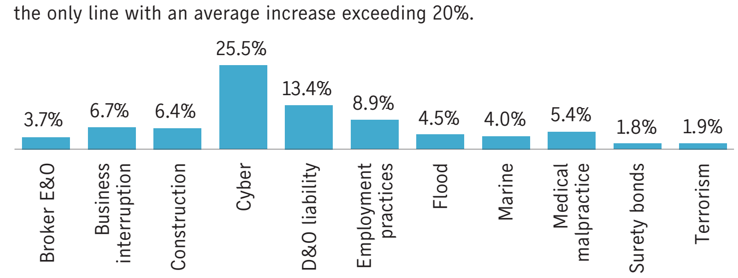
RENEWAL PRICING

Cyber prices have climbed sharply, with an average increase of 25.5% in Q2, compared with 18% in Q1 and 11.1% in Q4 2020.



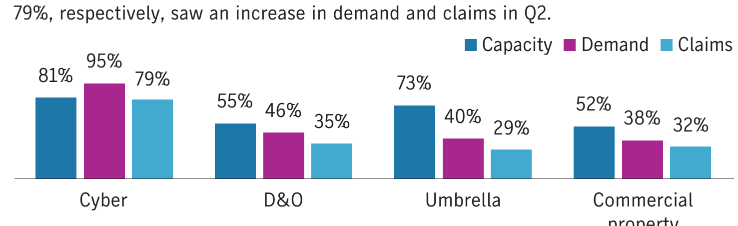
PREMIUM PRICING BY LINE OF BUSINESS

Cyber had the highest average price increase of all commercial lines in Q2 and was the only line with an average increase exceeding 20%.



CYBER UNDERWRITING, DEMAND & CLAIMS

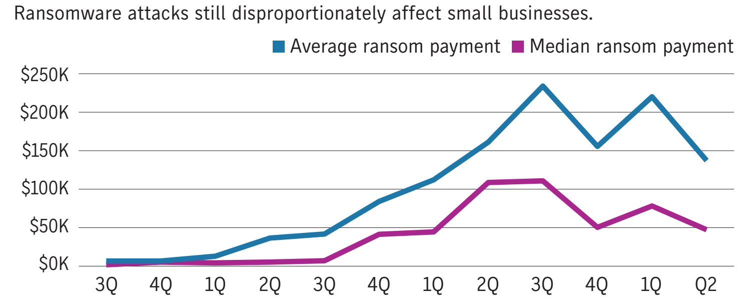
More that 80% of respondents reported a decrease in cyber capacity, while 95% and 79%, respectively, saw an increase in demand and claims in Q2.



Source: Council of Insurance Agents and Brokers

RANSOMWARE

The average ransom payment in Q2 decreased 38% to $136,576 from $220,298 in Q1. The median payment in Q2 decreased to $47,008 from $78,398, a 40% decrease. Ransomware attacks still disproportionately affect small businesses.



AVERAGE AND MEDIAN RANSOM PAYMENTS IN Q2 2021

AVERAGE RANSOM PAYMENT

$136,576

-38% from Q1 2021

MEDIAN RANSOM PAYMENT

$47,008

-40% from Q1 2021

Source: Coveware Quarterly Ransomware Report

R!SK PERSPECTIVES
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CannGen INSURANCE SERVICES
Q&A

As cannabis industry grows, so are its risks

Risk management solutions expanding to meet needs

By Charles V. Pyfrom | Chief Marketing Officer, CannGen Insurance Services

Legal cannabis is quite literally a growth business. It's also a business that goes from "seed to shelf" — involving growing, harvesting, manufacturing, distribution, retail and related businesses. As more states permit recreational and/or medicinal use of cannabis, this industry is growing rapidly — and so are the risks its operators face.

One of the everyday risks operators face is keeping up with changing laws and regulations, which vary widely. As of October 2021, cannabis is entirely illegal under federal law and in five states — Idaho, Kansas, South Carolina, Tennessee and Wyoming. In the remaining U.S. states, 18 have fully legalized and decriminalized cannabis, while another nine allow and have removed criminal penalties for medical marijuana, and other states have mixed regulations that permit medicinal marijuana or cannabidiol (CBD) only. More states across the country have seen the success of legal cannabis, CBD and hemp in the Pacific Northwest, for example, and are trying to replicate that in other regions.

CBD is derived from hemp, a form of the cannabis plant that contains small amounts of THC — the main psychoactive chemical compound in cannabis that results in the "high" that marijuana smokers report feeling. Medicinal marijuana containing THC is the subject of numerous medical studies but has been reported to help treat pain, tremors from Parkinson's disease and other illnesses. Unlike THC, CBD doesn't produce a "high"; it's consumed in various forms and linked to well-being.

To meet the increasing market demand, the cannabis industry has grown exponentially in the past several years. We anticipate that federal lawmakers eventually will legalize cannabis, which will lead to even more rapid growth of the industry. As in any fast-growing business, risks emerge and multiply. Here are some of the trends and risks we have seen develop since introducing our first insurance policies specifically for cannabis operators in 2015:

Complexity. Buyers and operators of cannabis businesses are becoming more sophisticated and increasing their scale. What used to be single-location production and distribution operations have morphed into multistate operations. Some operators are recruiting executives from similar industries — such as food and beverage, or consumer package goods — to add skills that translate well to the maturing business of cannabis. In addition, cannabis businesses today are deploying customer relationship management technology platforms to manage grow rooms, and data is more prevalent throughout the supply chain.

With more sophisticated and complex operations and management come higher expectations, from regulators to customers to investors — and the cost of making mistakes is steep. Liability risks, from directors and officers, to employment practices, to professional liability, are emerging for cannabis operators. That is a key reason we've rolled out a new product, CannGenPRO, to offer meaningful capacity and broad coverage terms in a difficult market environment.

Product consistency. With so many different cultivators, processors/harvesters, manufacturers, transporters, distributors, dispensaries and retailers in cannabis, product quality can and does vary. Even if they are not yet all widely recognized, there are already dozens of brands in cannabis products, and some affiliated with entertainment and sports figures. Product liability exposure continues to develop in the cannabis industry, but best-in-class operators are rising to the top.

Transportation. Getting cannabis from seed to shelf requires a network of transporters and distributors, which have commercial automobile and motor truck cargo exposures. Commercial auto and cargo, in general, have been difficult risks for insurers. We have established customized policies for the cannabis industry, to deliver significant capacity and flexible terms.

Crime. Cannabis products themselves can be a target for theft, but an even bigger target may be the cash that most cannabis businesses carry due to restrictions in banking. Due to the federal legal status of cannabis, federally chartered financial institutions typically cannot handle cannabis accounts. Some state-chartered credit unions in California, however, are setting up to bank cannabis businesses. The federal Secure and Fair Enforcement (SAFE) Banking Act, first proposed in 2019, would provide safe harbors for financial institutions to serve cannabis businesses. The U.S. House of Representatives has passed versions of this bill several times as part of larger legislation, but the Senate has yet to consider it.

The whole package. Cannabis businesses depend on good risk management through all phases of the product lifecycle — from growing seeds to cultivating flowering plants into finished stock, to manufacturing, distributing and selling to consumers. Package policies that provide coverage for crop risks, property risks, as well as liability and excess liability, are important building blocks of cannabis insurance.

Charles V. Pyfrom is the Chief Marketing Officer of CannGen Insurance Services LLC, a San Diego, California-based managing general underwriter (MGU) specializing in the legal cannabis business. CannGen is dedicated to providing comprehensive insurance solutions that support the cannabis, CBD and hemp industry.

Signs point to cannabis catching on in comp

INSIDE

OPIOID TREATMENT

Employers need to be aware of issues around proper opioid tapering strategies. **PAGE 38**

DATA ROUNDUP

Medical cannabis reimbursability by state, opioid spending decline and more. **PAGE 39**

BY DANIELLE LING
dling@businessinsurance.com

Recent litigation and proposed legislation in some eastern states may have opened the door to more widespread use of cannabis to treat injured workers.

Cases heard in courts in New York, Massachusetts, Maine, New Jersey and New Hampshire have helped progress cannabis as medical treatment in the eyes of the law and insurance, experts say.

"For a long time, workers compensation did not consider medical marijuana a treatment option. But in the last few years, we've seen a lot of litigation, and the interesting thing about these cases is they all come back to the issue of federal preemption," said Jeremy Buchalski, a New York-based partner at Wilson Elser Moskowitz Edelman & Dicker LLP, speaking at the *Business Insurance* 2021 Virtual Cannabis & Hemp Conference last month.

With public attitudes toward the use of cannabis consumption shifting, 36 states and the District of Columbia have now approved laws that make cannabis available to consumers with qualifying medical conditions.

Cannabis, however, remains regulated federally as a Schedule 1 substance, which means it is determined to have no medical value, and state courts where cannabis is legal have been deciding whether it can be reimbursed as medical treatment in workers compensation cases.

A September report from the National Council on Compensation Insurance examined the trend and how each state is handling reimbursement by workers compensation insurance.

The report found only six of the states expressly allow workers comp reimbursement for cannabis, six expressly prohibit it, 14 do not require reimbursement, and 10 states and the District of Columbia are silent on the issue.

> "We've seen a lot of litigation, and the interesting thing about these cases is they all come back to the issue of federal preemption."
>
> Jeremy Buchalski,
> Wilson Elser Moskowitz
> Edelman & Dicker LLP

Since the report was published, the number of states expressly allowing reimbursement has fallen by one, with Minnesota reversing course on the issue. On Oct. 13, the state's supreme court ruled in the case of *Musta v. Mendota Heights Dental Center et al.,* determining employees cannot be financially reimbursed for their use of medical cannabis to recover from a workplace injury on the basis that cannabis remains classified as a Schedule I controlled substance under federal law, and that it would be "inappropriate" to require employers to "finance" an employee's acquisition of an illicit substance.

Some eastern states have taken the opposite stance.

"New York in particular has been extremely proactive with regard to implementing medical marijuana into the workers compensation arena," said Ronald Mazariegos, vice president of claims and vendor management at Arrowood Indemnity Co. in Charlotte, North Carolina.

In April, a New York appellate court ruled in *Matter of Quigley v. Village of East Aurora* that a workers comp insurer must reimburse a disabled police officer for the cost of his medical marijuana.

New York has continued with cannabis reform this year, announcing an updated drug formulary and the proposed launch of a web-based claims portal, OnBoard.

"As part of that drug formulary and their new web portal, New York is actually making the request for medical marijuana to be a prior authorization medication, so that it's not exactly codified into the drug formulary, but they are making carriers and physicians treat medical marijuana as a prior authorization medication," said Mr. Mazariegos.

"This legitimizes cannabis as medicine, because what the New York workers comp board is saying is that it needs to go through the same preauthorization process as spinal surgery, as oxycontin, as physical therapy, treating it like any other kind of medicine," said Mark Pew, principal of The RxProfessor LLC, based in Norcross, Georgia. "It's the only state that has gone that far, and I think this is going to be a model that other states are going to look at."

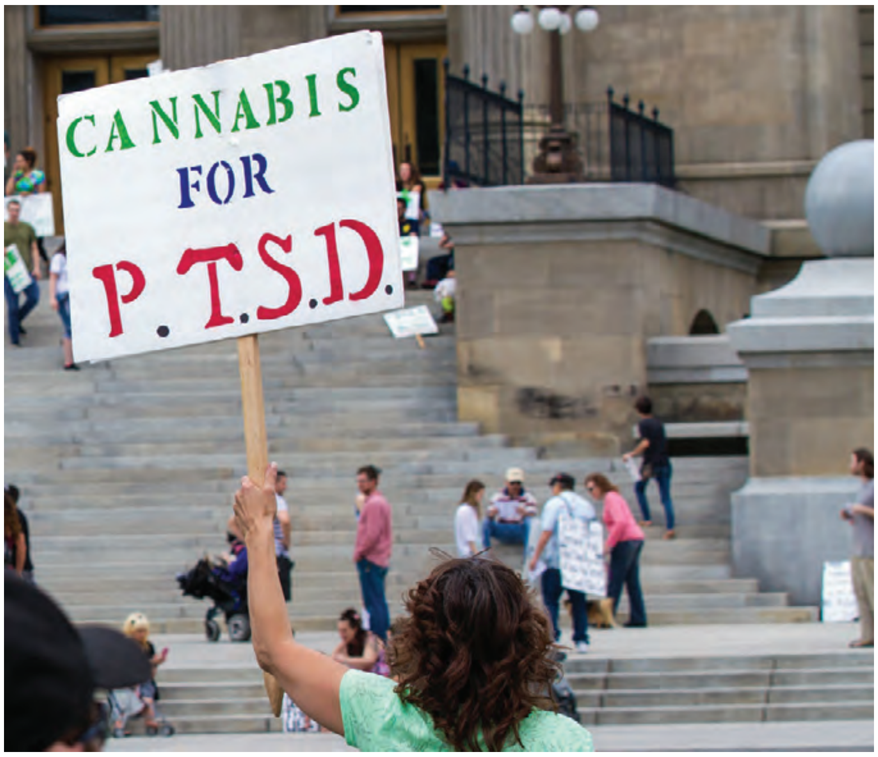
New York may be joined by New Jersey and Maryland, where legislation is pending in state courts that would mandate workers compensation insurers treat medical marijuana as a prescription and reimburse the injured worker.

"From our perspective it's hard to measure or to gain information with regard to what medication is being filled," Mr. Mazariegos said. "Hopefully, one day we'll see a better bridge of understanding between the payer and the physician in order to get the recommended and sought-after treatment that we all want."

At the federal level, Mr. Buchalski noted, there are two bills pending in Congress to address issues faced by cannabis producers operating legally within their states: the Safe Banking Act and the MORE Act of 2020.

"The Safe Banking Act I think has a better shot of passing than the MORE Act, which was introduced to take marijuana off the schedule for the Controlled Substances Act," he said.

"That would lead the way to legalization in a lot of different places, and I don't see that passing anytime soon."



The Safe Banking Act would prohibit federal banking regulators from penalizing banks and other depository institutions for providing banking services to cannabis businesses.

This year also saw the effect of recent federal legislation come to fruition, Mr. Buchalski said. The 2018 Farm Bill "essentially" legalized hemp, allowing the CBD market to explode onto the shelves.

CBD is also gaining traction as an alternative therapy in pain management, said Dr. Carlos Giron, founder of the Pain Institute of Georgia in Macon, who primarily treats injured workers.

"I was of the mindset that it did not have real medicinal purpose for many years," Dr. Giron said. "What I ended up seeing more than anything was the fact that it may provide benefit in a number of ways, but the most common was that it improved their sense of well-being and their sleep patterns, which is incredibly important when you're treating someone with pain, whether it be acute, chronic or in between."

Patients were resting better, saw improvements in their pain and function and were reducing their medications, he said.

CBD has been "a perfect fit" in managing pain and reducing opioid consumption, he said.

"It became part of my toolkit to reduce opioids, so much so that in the past seven to eight years now, we're over 65% opioid reduction in my practice," Dr. Giron said.

CBD is not covered by workers compensation insurance.

"Nonetheless, patients have come out of pocket to be able to do that for themselves and the workers comp system, to the benefit of society and improving their functional status."

"It's interesting to see how the opioid epidemic has led doctors, individuals and systems to understand how this can be used in conjunction," Mr. Buchalski said.

Looking ahead to 2022 and beyond, Mr. Buchalski shared his predictions for what's next in workers comp and cannabis, citing findings from the National Bureau of Economic Research, which studied the effect of state recreational marijuana laws and workers compensation and found that post-legalization, workers compensation propensity declined 0.18 percentage point, corresponding to a 20% reduction in workers comp income.

> "Hopefully, one day we'll see a better bridge of understanding between the payer and the physician in order to get the recommended and sought-after treatment that we all want."
>
> Ronald Mazariegos,
> Arrowood Indemnity Co.

As states continue to legalize recreational marijuana, they will see a reduction in workers comp costs, Mr. Buchalski said.

"That reduction comes from alternative pain treatment methods — and it sort of flies in the face of that trite statement that 'marijuana makes you lazy and you know you're not going to want to go to work.' This is the opposite," he said.

Injured workers who use recreational marijuana may not need expensive pain management treatment, he said.

Legal disputes, though, will likely continue for several years, Mr. Buchalski said.

Where litigation has already happened in states authorizing reimbursement, the focus will be increasingly on documenting "the positive effects" cannabis can have on workers comp.

PERSPECTIVES

Opioid tapering attracting more attention

Reema Hammoud is assistant vice president of clinical pharmacy at third-party administrator Sedgwick Claims Management Services Inc. She is based in Southfield, Michigan. She can be reached at Reema.Hammoud@Sedgwick.com.

Opioids have become part of the national conversation and have had their place in workers compensation treatment for more than 20 years, with recent years devoted to better control and weaning for substances now considered too dangerous for haphazard prescribing.

It is hard to imagine that such widespread devastation — with the U.S. Centers for Disease Control and Prevention reporting nearly 500,000 overdose deaths from 1999 to 2019 — could arise from opioids, a category of drugs originally intended to address moderate to severe pain but which have grown to include synthetic versions that make up most headlines.

Looking at the data more closely reveals that legal opioid prescriptions are decreasing slightly due to state policies enacted over the last few years. We know that while opioids have been found to be effective in managing certain types of pain, they are also highly addictive. It is when opioids are misused or abused that they can lead to unintended or unimaginable consequences.

Because of the inherent risk associated with opioids, it is important for employers to understand that precautions should be taken when opioids are prescribed and to be aware of issues around proper tapering strategies. Because of the severity and magnitude of the opioid crisis and the number of individuals affected, this has become an increasing focus of those with workforce responsibilities.

Tapering — reducing prescriptions and dosing — has been a recent focus in workers comp. Such tapering plans should be tailored to the individual and should aim to minimize symptoms of opioid withdrawal while managing pain with nonpharmacologic therapies and nonopioid medications.

"Once a decision has been made to create and introduce an opioid tapering plan for an individual, it is important to implement intended changes slowly."

There are several situations that warrant opioid tapering consideration. First is if the person requests a dosage reduction. This can indicate that the person's mindset is open to change, and they may be more successful in taking the steps necessary to make it happen. Some people claim that effective pain management depends on mental mindset and coping skills to a large degree.

Other indicators that opioid tapering should be considered are if the person is not showing meaningful improvement in pain and function; the person is taking a strong dosage with little improvement; or if opioids are combined with benzodiazepines or other drugs that make for a dangerous combination given enhanced side effects.

Signs of a substance use disorder are also concerning. For example, look to see if the person displays early warning signs of an overdose risk. This may include aberrant behavior, inconsistencies in urine screenings, breaking the "pain contract" — an agreement with one's treating physician — or using recreational drugs such as cannabis while on opioids.

Once a decision has been made to create and introduce an opioid tapering plan for an individual, it is important to implement intended changes slowly. For example, the CDC suggests a decrease of 10% in dosing per month as a starting point if a person has been on opioids for more than a year. For those who have been on opioids for a matter of weeks or months, that decrease may be 10% per week. Be certain that the person understands the elevated risk and consequences of returning to the previously prescribed dosage.

It is also important to coordinate with specialists and treatment experts as needed. Women who are pregnant or people with comorbidities are considered at higher risk and can benefit from working with specialists. Additionally, individuals with a mental health disorder or a propensity for an opioid use disorder may need assistance from mental health providers.

Patient engagement is also essential to success, and realistic expectations should be established. While there is evidence to suggest that function will improve and pain will decrease over time, each person's experience will differ. Thus, pain coaching and encouragement may be needed to continue the process.

As with any plan, it is important to monitor results to ensure desired outcomes are being achieved. At the outset, the benefits and risks of opioids should be considered. Once the plan is underway, clinical assessments and individual information can help determine the proper course of action and what adjustments are needed. Clinicians should not abruptly taper or suddenly discontinue opioid usage nor should they reverse the taper. Once the lowest dosage is reached, it may be possible to extend the interval between doses.

While the CDC has been tracking opioid usage and offering general guidance for a number of years, the recent study published in the Journal of the American Medical Association in August underscores the attention that opioid tapering is receiving. The study by researchers at University of California, Davis, made headlines for its new — and somewhat controversial — insights about the efficacy of opioid tapering and its effects on mental health and patient well-being.

According to the researchers, patients who tapered experienced a 68% increase in overdoses and twice the number of mental health crises compared with patients who stayed on their normal dose of medication. Those risks were even more pronounced among patients whose original doses were higher and who reduced their doses more quickly. While its insights raise interesting considerations, the study raises many questions and shows limitations in how the researchers may have fallen short in their approach. Among the questionable characteristics of the approach are limitations in patient population, consideration of comorbidities, and sample size.

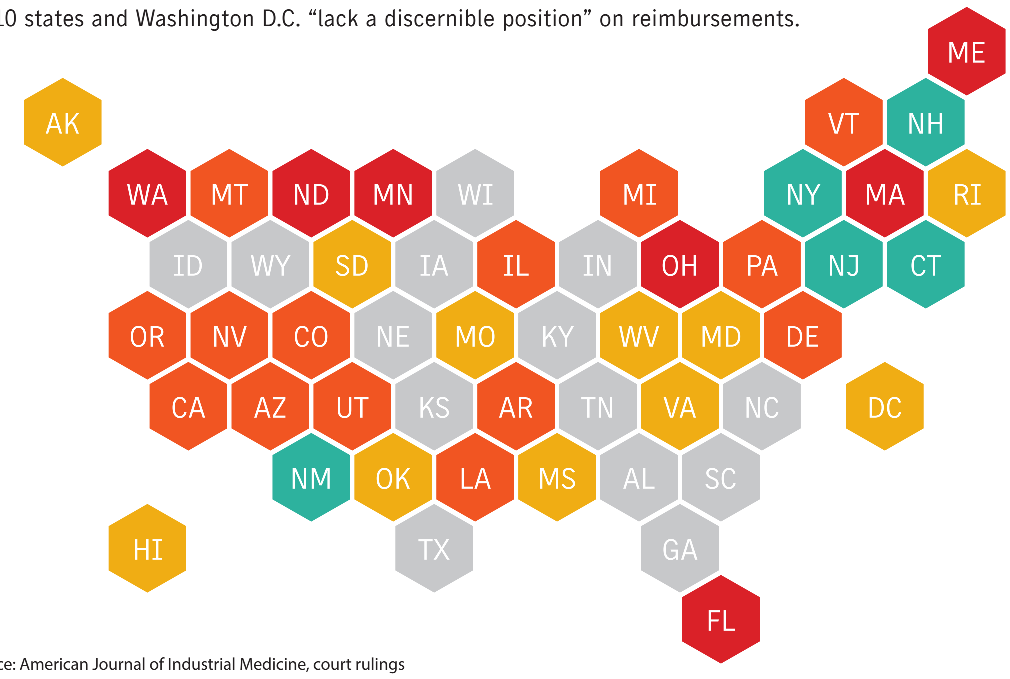
While many questions remain in terms of how best to address the opioid crisis on a broad scale, the ability to help a single individual in tapering their opioid usage based on a plan tailored to their specific needs is a very real possibility. And helping individuals reclaim their lives and the lives of those around them is worth the investment and exploration of alternatives.

WORKERS COMPENSATION DATA ROUNDUP

THE GREEN WAVE: VARIANCES IN ACCESS TO POT IN COMP

A report zeroing in on medical marijuana's status in the workers compensation sector shows that although the majority of the country has laws that allow for the medical use of cannabis — 36 states to date — it's a mixed bag on whether a payer must reimburse for the drug.

- 5 of the medical cannabis access states expressly allow medical marijuana reimbursements.
- 7 states expressly prohibit reimbursements.
- 14 states grant access to reimbursements, but they are not required by law.
- 10 states and Washington D.C. "lack a discernible position" on reimbursements.



Source: American Journal of Industrial Medicine, court rulings

OPIOID SPENDING IN COMP CONTINUES TO DECLINE

Despite concerns that opioid prescribing in workers compensation would increase during the pandemic, pharmacy costs have continued to decline due to a steady reduction in opioid use.

WORKERS COMP OPIOID SPENDING HAS GONE DOWN OVER 62% SINCE 2016

62%

OPIOID SPENDING IN 2020 DROPPED TO 17% OF TOTAL COMP DRUG SPENDING, WHICH WAS ABOUT $3 BILLION

17%

Source: CompPharma LLC

COMP PAYS MORE THAN GROUP HEALTH ON SIMILAR MEDICAL SERVICES

Workers compensation insurers pay more for medical services than group health to treat comparable injuries.

In examining workers comp medical data on medical bills processed on or after July 1, 2010, for 35 states, researchers found that costs in comp were **235% higher** for chronic injuries and **160% higher** for acute injuries when compared with group health.

CHRONIC INJURIES

235%

ACUTE INJURIES

160%

Source: National Council on Compensation Insurance

EARLY THERAPY IMPROVES BACK INJURY OUTCOMES IN COMP

Early manual therapy for injured workers with lower back pain is associated with lower utilization of medical services, lower medical and indemnity payments, and shorter disability. Using data from 18 study states, researchers examined outcomes of manual therapy, which it describes as a type of physical therapy that is "hands-on ... to mobilize or manipulate joints and soft tissues with the intent to increase joint range of motion, reduce pain, and eliminate soft tissue swelling and inflammation."

The average medical cost per claim was **$4,192** for lower back pain claims with early manual therapy, **27% LOWER** than that for similar claims with late manual therapy.

Workers receiving manual therapy within two weeks of traditional physical therapy needed fewer **MRIs**, 30.3% versus 43.4%; received fewer **OPIOID PRESCRIPTIONS**, 18.6% versus 23.3%; and had fewer pain-management **INJECTIONS**, 12.6% versus 16.5%.

The average **INDEMNITY PAYMENT** per claim was 28% lower when manual therapy was initiated early, and the average **TEMPORARY DISABILITY DURATION** per claim was 22% shorter for workers with such early treatment.

Source: Workers' Compensation Research Institute

COMMUNICATIONS TECH LAG IN COMP

A recent survey of 337 workers compensation leaders nationwide who oversee claim operations shows gaps in technology when it comes to managing claims.

43% — 43% of workers comp claims management organizations reported "no implementation of tools to improve injured worker communication."

36% — 36% of organizations are using text messaging.

27% — 27% of organizations have implemented a website or injured worker portal.

26% — 26% are using mobile apps to communicate with injured workers.

Source: Rising Medical Solutions

BUSINESS INSURANCE

U.S. INSURANCE AWARDS

Celebrating Today.
Creating Tomorrow.

The 2021 *Business Insurance* U.S. Insurance Awards celebrate a wide range of teams and individuals from across the insurance and risk management sector.

Finalists and winners range from risk management teams adapting to new demands during the pandemic to brokers and insurers offering products and services to help policyholders during economic disruption and the hard market, and various companies responding to changing cultural and social concerns.

The centerpiece of the awards event, which was held virtually in September, was the presentation of the 2021 Lifetime Achievement Award to Brian Duperreault, executive chairman of American International Group Inc., who was also inducted into the *Business Insurance* Hall of Fame (see profile page 43).

The team awards recognize the achievements of groups of insurance and risk management professionals who collaborated on specific projects in the sector.

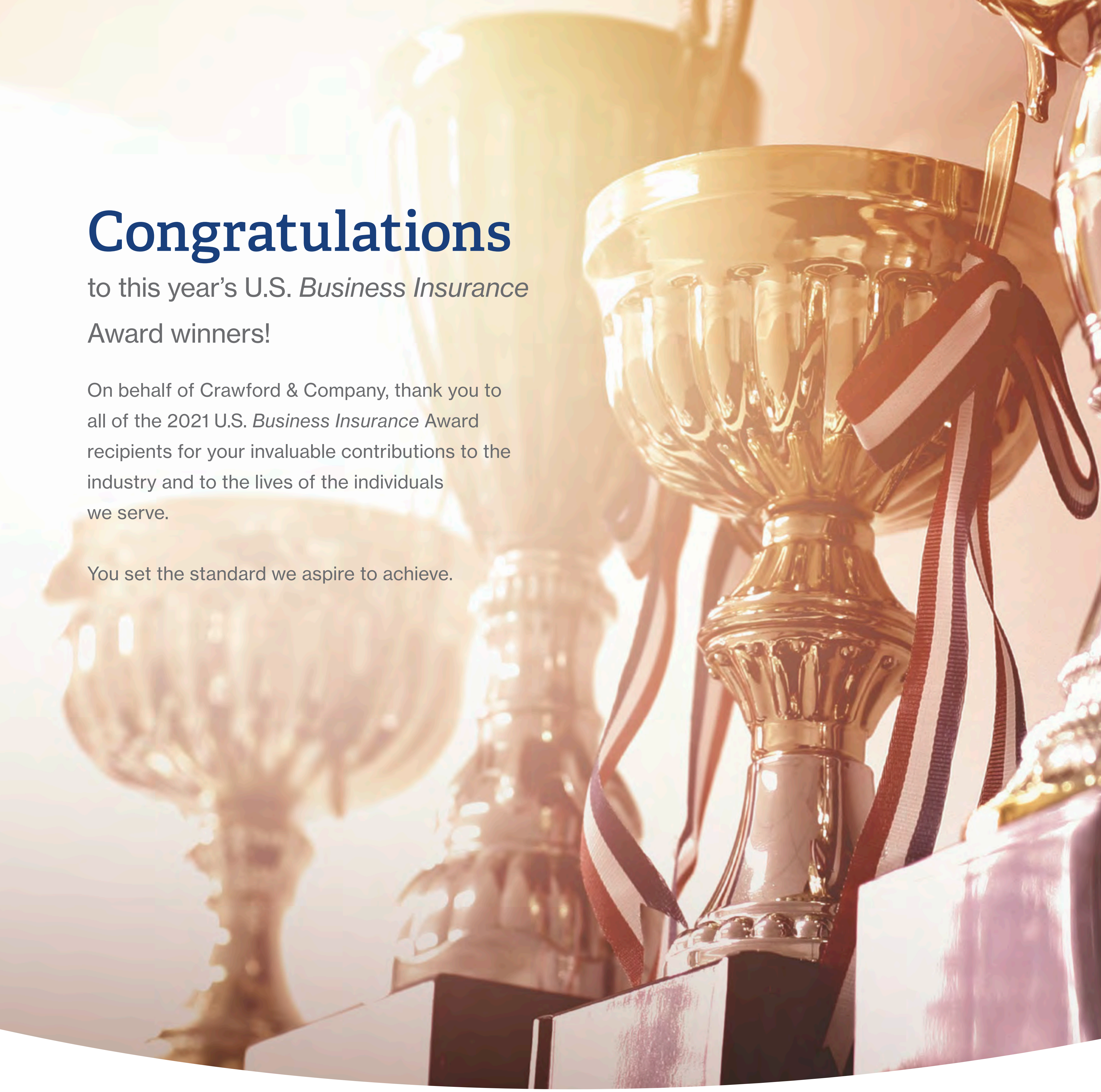
The nomination period for the awards opened in April, and we received more than 180 nominations. Finalists in 10 categories were selected by *Business Insurance* staff. The winners were selected by a panel of more than 40 risk managers who independently assessed each of the finalists.

The awards event also raised funds for the *Business Insurance* Scholarship, which was founded to help address the talent crisis facing the insurance sector and is administered by the Spencer Educational Foundation Inc. This year's recipients are Thomas Beaudet, an actuarial science major at Temple University in Philadelphia, and Charlene Hao, who is majoring in mathematics with a concentration in actuarial science at California State University-Fullerton.

Profiles of the winning teams begin on page 46. A replay of the awards event is available at businessinsurance.com.

Gavin Souter, editor

THE 2021 WINNERS



BUSINESS INSURANCE LIFETIME ACHIEVEMENT AWARD

Brian Duperreault

BY GAVIN SOUTER
gsouter@businessinsurance.com

When Brian Duperreault retires from American International Group Inc. at the end of this year, he'll be leaving the same company he joined as a trainee in the early 1970s — but a lot has happened along the way.

As the CEO of four very different insurance industry companies, he turned a specialist Bermuda company into a global player, stabilized the world's largest broker as it struggled to recover from government investigations, and launched a startup before returning to turn around the company where he started his career.

For all of the achievements throughout his career, Mr. Duperreault was presented with the *Business Insurance* Lifetime Achievement Award during the virtual U.S. Insurance Awards event in late September.

Mr. Duperreault's connection with Bermuda started long before he first left AIG to join Ace Ltd., which was headquartered on the island, in 1994. His parents separated before he was born and his mother had gone to Bermuda to be with her best friend, whose husband was stationed with the U.S. military on the island.

Born in 1947, Mr. Duperreault left Bermuda when he was five months old and was raised in Trenton, New Jersey. He attended parochial schools before enrolling at St. Joseph's University in Philadelphia and majoring in math.

Graduating during the Vietnam War, "I had no plans, but I was good at math, so I went to grad school to get my master's, but the Army intervened," he said. Rather than continuing his graduate studies at the University of Maryland, he entered the army in 1970 and served as a clerk at Fort Knox, Kentucky. While he was in the Army he got married and needed a job when he left the service in 1973.

"I found out there was this thing called actuarial science. I didn't know anything about it, but if you were a math major you had the prerequisites," he said. He found a book listing companies that had actuarial training programs and one was the National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of AIG. After writing to the company in Pittsburgh, he received a phone call from New York, where the company was actually based, inviting him to an interview.


Brian Duperreault

While he was unimpressed by the down-at-heel offices, he liked the energy at AIG and the camaraderie of the staff, so he took the job.

Starting in the research and development department, his first task was to design a divorce insurance policy to be developed with the National Organization for Women. Aimed at the mother of the bride, it provided an annuity for a woman after the breakdown of a marriage. "We didn't sell one policy, but it was my introduction to AIG and to insurance. AIG was unlike any other company," he said.

A few months later he was assigned to the casualty department to learn insurance from underwriters. The experience enabled him to witness the evolution of the liability insurance market. "D&O was being developed before your very eyes," Mr. Duperreault said.

On his return to the actuarial department, he became the company's reserving actuary. "They said there's this thing called the Bornhuetter-Ferguson method, here's the paper and here's the data, start some projections," he said.

He was running the actuarial department at 30.

In 1981, he moved to technical services and was head of international operations for accounting, claims, actuarial, administration and technology. He oversaw several thousand people, and he traveled globally.

> "The world of insurance is such a great world because we are involved in every aspect of life. You have to be aware of so many different things, and you have to be a people person."

In 1985, he went to AIG CEO Maurice R. Greenberg and said he needed a better understanding of underwriting. "He was good enough to put me in charge of the casualty operations of international and that got me into domestic casualty business in 1987," he said. During the hard market he developed a $25 million lead umbrella product that helped give AIG a leading position in the excess casualty business.

After gaining the added underwriting experience, he was sent to run AIG's operations in Japan. "That was a great experience, because it forced me to manage differently. You can't turn up in Japan as some hard-charging, New York-trained guy. You have to slow down and listen and read body language," he said.

When he returned to the United States, he was put in charge of AIG's international operations. "It was one of the greatest jobs you could have in the business," he said.

By 1994, though, he decided it was time to leave AIG and he was approached to be CEO of Ace, which was formed nine years earlier. Coincidentally, earlier that year he had applied for Bermudian status, based on his birthplace.

Ace was working through problems,

See **LIFETIME AWARD** page 44

ABOUT THE AWARD

The *Business Insurance* Lifetime Achievement Award recognizes an individual whose outstanding contributions have had a lasting impact on the insurance and risk management sector. The 2018 honoree was Maurice R. Greenberg, chairman and CEO of C.V. Starr & Co. Inc. Mr. Greenberg and the 2017 honoree, Patrick G. Ryan, chairman and CEO of Ryan Specialty Group Holdings Inc., were also the first inductees into the *Business Insurance* Hall of Fame in 2018 and were joined by 2019 honoree Martin P. Hughes, executive chairman of Hub International Ltd., and 2020 honoree Kevin Kelley, retired vice chairman of Liberty Mutual Insurance Co.'s Global Risk Solutions business.

LIFETIME AWARD

Continued from page 43

including dealing with breast implant claims, but had obtained a public listing the previous year. "Getting a job as a CEO of a publicly traded company does not happen very often, so it was such an incredible opportunity," Mr. Duperreault said.

With only 55 employees and a limited product line that was focused on D&O and excess casualty, Ace was too narrow and needed to diversify, he said.

Over the next several years, the company expanded its products and locations, and made a series of acquisitions. In 1999, it completed the transformational acquisition of Cigna Corp.'s property/casualty business. At the time, Ace had grown to 600 employees, but Cigna added 9,000 employees around the world.

"It was very risky," Mr. Duperreault said. Cigna had underwriting problems, particularly on its domestic business, and old-year liabilities, which were covered by a reinsurance arrangement in the purchase agreement, and Ace had to leverage its balance sheet to finance the deal, he said.

Having transitioned the leadership of Ace to Evan Greenberg, who joined the company in 2001, Mr. Duperreault retired in 2006 at age 57. "I did think I was retiring. I didn't think I'd go back into a full-time CEO job," he said.

Mr. Duperreault went on to do some board work and became more involved with nonprofits, but while traveling to an insurance industry golf event in 2008, he said, "God spoke to me on the way and told me I was going to be CEO of Marsh McLennan."

"I did tell them when I first joined that there's only one reason why I would leave and that's if AIG asked me to join."

Marsh & McLennan Cos. Inc., which was in serious financial and reputational difficulties after it was the subject of former New York Attorney General Elliot Spitzer's investigation into insurance industry practices, approached him to lead the company a few months later.

Running a brokerage presented different challenges than managing an insurance company, he said. "You had to manage the people not the balance sheet."

He relied heavily on Dan Glaser, now CEO of the company, to manage the retail brokerage operations while Mr. Duperreault concentrated on turning around other units and improving expense management.

While at Marsh McLennan, he was named the first chairman of the Federal Advisory Committee on Insurance in 2012. Again confident in his successor, he left Marsh McLennan at the end of that year.

In 2013, he chaired the Spending and Government Efficiency Commission in Bermuda, but the experience at Marsh McLennan had renewed his taste for running a company, and after meeting with capital providers he agreed to be the founding CEO of Hamilton Insurance Group in Bermuda in 2014.

He developed a business plan and in the next three years grew the business internationally, including establishing operations at Lloyd's of London.

"I had a full-time job that I really liked, but I did tell them when I first joined that there's only one reason why I would leave and that's if AIG asked me to join," Mr. Duperreault said.

In 2017, that happened. The insurer, which had had five CEOs over the prior decade and had faced numerous struggles since the financial crisis, brought him back to turn around its operations.

Mr. Duperreault brought in new leadership, examined the company's underwriting and overhauled its practices as part of a years-long turnaround effort. He also expanded the business through acquisitions, including buying a reinsurer.

He brought in his eventual successor — Peter Zaffino, whom he worked with at Marsh McLennan — and stepped down as CEO earlier this year. He will retire as executive chairman at the end of the year.

"I feel very, very good about where AIG is right now. It's got the right business plan, the right strategy, the right person and the right people in place," he said.

Although he entered the industry without much forethought, it has been an excellent place to develop a career, Mr. Duperreault said.

"The world of insurance is such a great world because we are involved in every aspect of life. You have to be aware of so many different things, and you have to be a people person. It was so much fun," he said.

His interpersonal skills and technical expertise have made him a great person to work with and for, said Don Kramer, founder, chairman and managing partner at Bermuda-based ILS Capital Management Ltd. Mr. Kramer previously founded Tempest Reinsurance Ltd., which Ace acquired in 1996.

"He's been so good at dealing with people. They love to hear him and listen to him and work with him, and he's been honest and straight," Mr. Kramer said.

Broker Team of the Year

Marsh

As the pandemic descended upon the nation in March and April 2020 executives at Marsh clients became concerned about their overall liquidity and access to bank capacity, said Carrick Bligh, New York-based senior vice president, commercial and bank surety, for Marsh LLC.

They began drawing down from their revolving credit lines just to make sure they maintained liquidity, he said.

Marsh's surety team decided to explore the help it could provide to its clients in this process, seeking "a true credit product that was embedded within the insurance industry," Mr. Bligh said.

Unlike a typical letter of credit issued by a bank, an insurer-issued surety bond does not count against a company's overall borrowing capacity, and its pricing is not tied to interest rate fluctuations.

While team members are "big advocates for posting traditional surety bonds," with the pandemic "we're a lot more focused on those instances, where … the obligee or beneficiary would not allow for a traditional surety bond to be posted," and a letter of credit is needed, Mr. Bligh said.

The solution developed by Marsh's team was a bank-issued letter of credit 100%

Carrick Bligh

backed by a surety bond. The initiative won the brokerage the Insurance Broker Team of the Year award in the 2021 *Business Insurance* U.S. Insurance Awards.

"We could help clients free up bank liquidity," potentially at a cost at, or below, what they would have paid for a traditional letter of credit, Mr. Bligh said.

He said that while these types of arrangements have been used internationally in the

> "We're a lot more focused on those instances, where … the obligee or beneficiary would not allow for a traditional surety bond to be posted."
>
> Carrick Bligh, Marsh

past, they are new to the U.S. and Canada.

In one instance involving a transportation client, the program was used to replace $127 million in letters of credit held as collateral by various casualty insurers on general liability and auto policies in the U.S. and Canada. The program freed up bank capacity for other corporate purposes and resulted in annual cost savings of more than $800,000 for the client.

In another case, a transaction involving an international home furnishings company freed $22.5 million of bank capacity and generated annual cost savings of more than $50,000.

Since introducing the product last year, Marsh has completed 30 deals for about 20 clients. It has worked with about 10 different surety companies and seven or eight international banks, Mr. Bligh said.

"The market is massive," and demand in the short and medium term will far outpace the supply, "because what we're doing is … lining up bank capacity and limits for surety carriers to be able to execute these transactions," marrying banks with insurers, Mr. Bligh said.

Judy Greenwald

FINALISTS

- **Aon PLC** — Aon's client leadership team developed The Hard Market Playbook, which featured 50 "high impact" solutions.
- **Beecher Carlson Insurance Services LLC** — The Beecher Carlson team's book of business includes public and private real estate, hospitality, manufacturing and university accounts.
- **CAC Specialty** — Cobbs Allen created CAC Specialty in 2019 as a specialty business focused on large public companies and financial sponsors that combined strategies and risk capital from investment banking and traditional insurance.
- **Cross Insurance** — Cross Insurance's risk management team helps clients achieve strategic business objectives through innovative risk mitigation and transfer strategies.

Community Outreach Project of the Year (Donations)

Captive Alternatives

Captive Alternatives LLC, an Atlanta-based insurance consultancy, opened an operation in Puerto Rico in 2016, and it quickly and repeatedly witnessed firsthand how the island has struggled to recover, physically and financially, from the natural disasters that hit in recent years.

Medical expenses have buried low-income families in debt, and health insurance premiums and medical costs have risen, said Mark Sims, president of Captive Alternatives.

To help its adopted community, the company partnered with RIP Medical Debt, a nonprofit that raises funds to relieve medical debt. The group buys debt in bundled portfolios for a fraction of what is owed, which means that donations have an impact of 100 times their value, Mr. Sims said.

The program won Captive Alternatives *Business Insurance*'s 2021 U.S. Insurance Award for Community Outreach Project of the Year (Donations).

Mark Sims

At the start of their campaign in 2018, Captive Alternatives and RIP Medical Debt identified more than $2 million owed by individuals in Puerto Rico who met strict criteria for low-income eligibility. Captive Alternatives appealed to its clients and employees in the international insurance sector to raise enough donations to forgive well over the initial $2 million debt total.

Since the initiation of the outreach program, Captive Alternatives has acquired enough funds to forgive $3.4 million in medical debt in total, benefiting nearly 1,200 Puerto Rican families, Mr. Sims said.

Before Captive Alternatives domiciled in Puerto Rico, it had other options to have its private insurance structure regulated in the U.S. and other domiciles, Mr. Sims said.

"We chose Puerto Rico because of their entrepreneurial spirit, and we've stayed because of the Puerto Rican regulatory bodies — easy to work with, yet still maintain high integrity for regulatory compliance," he said.

"We are just big fans and believers of the Puerto Rican people and their government. Any way that we can serve in a public way, we're always looking to do that."

As Captive Alternatives approaches its fifth year of operation on the island, Mr. Sims says continuing to find innovative ways to contribute to the Puerto Rican community will remain a priority.

> "We chose Puerto Rico because of their entrepreneurial spirit, and we've stayed because of the Puerto Rican regulatory bodies."
>
> Mark Sims, Captive Alternatives

Danielle Ling

FINALISTS

- **Acrisure LLC** — In 2020, Acrisure made a pledge to establish the Acrisure Center for Innovation, a virtual research center, at Spectrum Health's Helen DeVos Children's Hospital in Grand Rapids, Michigan.
- **American International Group Inc.** — In 2020, AIG and the AIG Foundation contributed millions to nonprofits globally, benefiting organizations focused on COVID-19 relief and advancing racial equity.
- **AmTrust Financial Services Inc.** — In 2020, AmTrust raised and donated funds to hospitals, schools, nonprofits, homeless shelters, food banks and fire departments through its outreach program AmTrust Gratitude. The company launched the program early in the pandemic to support essential workers.
- **CBIZ Benefits and Insurance Services Inc.** — The CBIZ Women's Advantage outreach program provides professional development programs, mentorships, recognition and career enhancement opportunities.

Community Outreach Project of the Year (Pro Bono and Volunteer)

Aon

When the legal team at Aon PLC was asked earlier this year to address a situation in Louisiana that harkened back to the Jim Crow era, the decision to get involved was unanimous.

Aon, with one of its law firm partners, is acting as a legal team for the Jim Crow Juries project, formed to rectify biases created by earlier jury practices in Louisiana and overseen by the Promise for Justice Initiative. It has also garnered *Business Insurance*'s U.S. Insurance Award for Community Outreach Project of the Year (Pro Bono and Volunteer).

"Once I heard about this project and started presenting it to my colleagues, it was clear that there was no choice," said Peter Banick, senior counsel at Aon in Minneapolis.

Mr. Banick explained that about 125 years ago Louisiana held a constitutional convention that created the split-jury rule, which stated that a unanimous vote was not needed to convict someone — only nine out of 12 votes were needed. The result was higher incarceration rates, disproportionally affecting the Black community, he said.

In 2018, Louisiana amended its constitution, removing the split jury rule.

Peter Banick

But the change was not made retroactive, which affected some 1,800 incarcerated people. "Of those prisoners, 62% were serving life sentences — and 80% of them were Black," Mr. Banick said.

A U.S. Supreme Court decision in the spring of 2020, however, determined that anyone who applies will receive post-conviction relief within one year. This meant that individuals could request a new trial or other resolution.

> "Once I heard about this project and started presenting it to my colleagues, it was clear that there was no choice."
>
> Peter Banick, Aon

"So there has been a push to get post-conviction paperwork on file, so that it can work its way through the system," Mr. Banick said.

The project's goal is to help as many of the 1,800 eligible people as possible to remedy the injustice. As a result, "They can get a new trial, or get the district attorney to negotiate in lieu of a trial, or get a reduced sentence," he said.

"We have nine people involved in the project, six of whom took on individual client cases," he said. "We're still working through the process."

He added, "We at Aon are still waiting for results from our cases, but there are reports of cases being resolved. So, it's just a matter of time."

Caroline McDonald

FINALISTS

- **American International Group Inc.** — AIG partnered with Yes!Solutions, a neighbor-to-neighbor service organization, to feed homeless and food insecure New Yorkers during a pandemic-era Thanksgiving, Christmas and Valentine's Day.
- **Falvey Insurance Group** — In the wake of the coronavirus pandemic, Falvey began and partially funded specific challenges for employees to give back to the community. Among other things, employees raised money for various causes and organized meal deliveries.
- **Higginbotham** — Higginbotham employees get involved in community outreach by joining the Higginbotham F.O.R.C.E. — Family of Responsible Caring Employees. Volunteers are allowed flexible work hours, and each office determines its projects.
- **Marsh LLC** — With online "Mapathons," organized in coordination with Missing Maps, Marsh employees helped create map data for volunteer organizations to locate populations at risk from COVID-19 and the impacts of government-imposed lockdowns.

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Diversity & Inclusion Initiative of the Year

Ryan Specialty Group

The Bureau of Labor Statistics reported in 2019 that only 12.3% of people employed in the insurance industry were Black.

To try to rectify the disparity, Ryan Specialty Group Holdings Inc. joined forces with the Ryan Insurance Program for Success and Equal Opportunity (R.I.S.E.) Foundation, Fisk University and the Spencer Educational Foundation in a collaborative diversity initiative. The effort won Ryan Specialty Group the Diversity & Inclusion Initiative of the Year award in *Business Insurance*'s 2021 U.S. Insurance Awards.

R.I.S.E., a part of the Ryan Family Foundation, is dedicated to increasing diversity in the risk management and insurance sector by promoting recruitment, training and placement of underrepresented members of society through all levels of the commercial insurance industry.

The recently created initiative is in the process of establishing a risk management program at Fisk University, in Nashville, Tennessee, as well as a professional development program in two Chicago high schools, said Patrick Phillips, CEO of the R.I.S.E. Opportunity Foundation.

Patrick Phillips　　Michael Blackshear

The program at Fisk University started in September. "We already have a cohort of 14 students. We were fortunate to meet them on campus in Nashville recently," Mr. Phillips said.

For Michael Blackshear, chief compliance and privacy officer at Ryan Specialty Group, who is part of the initiative, the project is personal. "I've been in the insurance industry for more than 30 years," he said. "I have been involved in some large organizations where we had D&I strategies, but those strategies have not impacted the metrics of changing the face of diversity across our industry."

The real momentum for the initiative came after the death of George Floyd in May 2020. "A few of us at Ryan Specialty got together and we created the Diversity & Inclusion Council and developed a mission statement," Mr. Blackshear said.

He and Mr. Phillips agree that making students aware of the career possibilities the industry offers, and helping them build a foundation of professionalism, branding and an understanding of insurance and business is critical.

To this end, Fisk University and the Spencer Educational Foundation are developing a risk management 101 course, which they hope to launch in the spring.

Also important is having industry leaders and professionals meet with students, which can lead to mentoring and internships. "I would love for this to trigger a panel of the chief leaders in this industry, to come together as a collective group to push this initiative," Mr. Blackshear said.

Caroline McDonald

FINALISTS

- **Arthur J. Gallagher & Co.** — The brokerage developed Gallagher Connect Partners, a network of diverse certified insurance companies. It also is forging partnerships with other diversity groups, growing its network from 25 partners to 60.
- **CapSpecialty Inc.** — CapSpecialty WOMEN+ was started in the beginning of 2021 by six senior women leaders within the specialty insurer. Its goal is to create sustainable opportunities and a support network for women at all levels of the organization.
- **QBE North America** — In 2021, QBE refocused its diversity and inclusion efforts and created several new initiatives. Awareness and educational programs were created to deliver QBE employees content through various formats, including workshops focusing on unconscious bias.
- **Woodruff Sawyer & Co.** — Following the death of George Floyd, Woodruff Sawyer took action to enact meaningful change. A diversity, equity and inclusion council designed the DEI framework, identifying priorities, executive sponsorships and a path forward.

Insurance Consulting Team of the Year

Ernst & Young

When Ernst & Young LLP decided to bring together experts in a variety of disciplines to provide captive services, there were no concrete plans to grow it into an international team of professionals working on some of the most complex arrangements in the world of alternative risk financing.

Eight years later, that's what EY's Americas Captive Insurance Services team has become. The team is a global network with a U.S.-based group of around 20 experts and 250 others around the world who are specialists in insurance, risk management, taxation, actuarial services, transfer pricing, audit and other disciplines.

"It was a conscious decision to form the team, but an evolutionary process to get to where we are today. We started out with a handful of insurance, actuarial and tax experts and built it from there," said Jim Bulkowski, senior manager in the financial services risk management practice with EY in Hoboken, New Jersey.

Jim Bulkowski

The scope of the team's expertise, geographic reach and work on large and complex captive-related transactions are among the reasons it won the *Business Insurance* 2021 U.S. Insurance Award for the Insurance Consulting Team of the Year.

Mr. Bulkowski said 2020 was a banner year for the team. "The amount of benefit that we offered to clients in the last year was the best we've ever done."

Among its successes was a more than doubling of the size of a captive for a large company that involved billions in premium. The transaction was extremely complex, Mr. Bulkowski said, requiring support from experts in insurance, actuarial modeling, state and federal tax, and transfer pricing to structure the captive's parametric coverage for pandemic and business interruption risks.

"This is arguably the largest-ever single captive premium transaction," he said.

Also notable for the firm's Americas Captive Insurance Services team was its work to restructure an insurance and captive arrangement for a Fortune 250 transportation company. The new structure expanded the captive's scope — generating around $1 billion in new premium — redomesticated the insurer, created capital utilization and tax efficiencies at the state and federal levels, and provided a solid mix of first- and third-party business, according to Mr. Bulkowski.

This work, along with work on other new and expanded captives, resulted in new premiums of more than $8 billion in 2020, he said.

Michael Bradford

> "The amount of benefit that we offered to clients in the last year was the best we've ever done."
>
> Jim Bulkowski, Ernst & Young

FINALISTS

- **Aon PLC** — Aon Inpoint helps insurers and reinsurers understand the physical, transitional and liability risks and opportunities in moving to a net-zero world.
- **Conner, Strong & Buckelew** — The brokerage brings industry knowledge and expertise to help clients make critical insurance and risk management decisions.
- **Consilio LLC** — By establishing a full-service "insurance vertical" made up of 12 consultants and analysts, Consilio provides legal spending management and other tools to insurers, risk managers and claims professionals.
- **Trion Group** — Trion is a Marsh & McLennan Agency LLC unit that offers alternative funding programs for employers that want to reinsure employee benefits in captives.

Insurance Underwriting Team of the Year

Liberty Mutual

During the early days of the COVID-19 pandemic, the health care and medical malpractice insurance market scrambled to deal with mushrooming issues of coverages and exclusions in a fast-changing market.

"At one point, a need from our brokers and clients was just to get quotes," said Dennis Cook, president of IronHealth, the health care division of Ironshore Insurance, a unit of Liberty Mutual Insurance Co. and Insurance Underwriting Team of the Year in *Business Insurance*'s 2021 U.S. Insurance Awards. "Then additional needs began to pop up as new deliveries or types of health care services were presenting themselves."

One example of the changing market is the city of Chicago. "There were COVID-only senior care facilities as well as other COVID-only facilities," he said. "There were hospitals opening up different locations, convention centers being used for response, and there were all the testing services being put together for vaccines and world-wide delivery of those vaccines. There was also the need to support many of the front-line workers."

The changing circumstances led to a disruption in insurance coverage for some

Dennis Cook

health care policyholders, he said.

To tackle these issues, IronHealth developed a strategy for helping companies across the health care industry respond to the coverage issues they faced.

While many conversations were not easy, "clients appreciated having that open dialogue and trying to come up with a solution that worked for everybody," he said.

The approach IronHealth developed was an underwriting team response. "We looked at exposures that presented themselves and worked to figure out endorsements, or which form would best fit that type of exposure," Mr. Cook said.

The outcome has been favorable for clients and the company. "Our book has grown quite a bit," Mr. Cook noted. "A lot of our competitors in that space put a moratorium on new business or decided to step back from the space. We embraced it and wrote more of that business."

Overall, he added, "I'm proud of the team and Liberty Mutual and the way they stepped up, the way claims continued to work with clients and attorneys, and the way our health care brokers and clients stepped up."

Caroline McDonald

> "We looked at exposures that presented themselves and worked to figure out endorsements, or which form would best fit."
>
> Dennis Cook, Liberty Mutual

FINALISTS

- **Axa XL, a unit of Axa S.A.** — In 2020, Axa XL's professional liability team quickly transitioned from a collaborative office environment to a collaborative online team, all while serving its brokers and policyholders. The team uses a collective underwriting process, which it refers to as the "roundtable."
- **Crum & Forster** — Crum & Forster launched its credit and structured products group in 2019, within its surety, credit and programs solutions division. When the COVID-19 pandemic hit in March 2020, the team of senior professionals came together to offer global coverage solutions.
- **QBE North America** — To help mid-sized businesses respond to rapidly changing risks, QBE North America launched an artificial intelligence-based policy offering that gives brokers and underwriters the ability to tailor a program for each individual customer.
- **Swiss Re Corporate Solutions** — The Swiss Re risk solutions team launched parametric HAIL, a real-time, data-based insurance product that is index-based and pays out in less than four weeks. The coverage has no deductible and virtually no mandate for how to use the funds.

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Legal Team of the Year

Anderson Kill

Robert M. Horkovich, managing partner in Anderson Kill P.C.'s New York office and chair of the firm's insurance recovery group, says he is excited about the team's work.

"We go in every day and get money for environmental cleanups; money which goes into trust to pay people injured by asbestos; money for companies closed down by COVID, so they can reopen and hire people," said Mr. Horkovich, who is now in his 32nd year with the firm.

He gets excited "not because insurance itself is a riveting topic but because what the team does is help individual policyholders, and by doing that you can see in the aggregate it creates social change," he said.

The firm's work in representing corporate policyholders earned it the *Business Insurance* 2021 U.S. Insurance Award for Legal Team of the Year.

Team members Marshall Gilinsky, Rhonda D. Orin, Dennis J. Artese, Mark Garbowski, Joshua Gold, Pamela D. Hans, Bill Passannante, Finley Harckham, Bob Chesler, Steve Pudell and Diana Gliedman all contribute to Anderson Kill's work, which ranges from COVID-19-related cases, power plants and energy, and asbestos trusts to cyber

Robert M. Horkovich

liability and ransomware cases, Mr. Horkovich said.

Among its notable wins, as lead trial counsel for Bioenergy Development Group LLC, a biodiesel company seeking recovery of property damage and business interruption losses resulting from a fire at its Memphis, Tennessee, plant, Anderson Kill netted the policyholder a March 2019 appraisal award exceeding $24 million.

Later, Bioenergy secured a summary judgment for all unpaid amounts awarded in appraisal and additional business interruption amounts pursuant to the policies' escalation clause.

In December 2019, the New York Appellate Division revived Bioenergy's bad faith and consequential damages claims, worth over $35 million. In December 2020, the court unanimously affirmed the trial court's summary judgment, dismissing three appeals challenging the judgment.

Mr. Horkovich says the team is zealous about supporting policyholders' COVID-19-related business interruption claims. "Our policyholders are people, and they employ people and they want to keep their businesses running and keep people employed and keep making payroll," he said.

While insurers have won a majority of initial COVID-19-related business interruption cases, the issue will ultimately be decided on appeal in federal and state courts, where policyholders may find more success than in federal court, which relies more heavily on precedent, Mr. Horkovich said.

Anderson Kill has been retained by more than 170 businesses seeking coverage for income losses triggered by potential coronavirus contamination.

Matthew Lerner

FINALISTS

- **Blank Rome LLP** — The firm's national policyholder insurance recovery practice has recovered billions in the past decade. The unit employs 35 policyholder lawyers and has more than doubled since 2016, adding eight partners.
- **Jones Day** — The firm's insurance recovery practice pursues insurance recovery for COVID-19, opioid litigation, data breaches, #MeToo and other sexual misconduct claims, and natural disasters in the U.S and globally.
- **Pasich LLP** — The firm recovered tens of millions in business interruption coverage on behalf of an entertainment company that was forced to close hundreds of facilities nationwide during the COVID-19 pandemic.
- **Wilson Elser Moskowitz Edelman & Dicker LLP** — The firm's transportation crisis management and emergency response team has 70 attorneys working on incident scene management, government investigations, aviation and aerospace, litigation and risk mitigation, and training.

Risk Management Team of the Year

McKesson

When the U.S. government selected McKesson Corp. as the central distributor for COVID-19 vaccines, its risk management team quickly mobilized to assist in the company's pivotal role in setting up vaccine distribution centers.

From the onset of the pandemic, and as a key member of McKesson's crisis management team, risk management had been involved in meeting the increased demand for personal protective equipment and ancillary supplies amid critical shortages at hospitals across the country.

After McKesson was selected to support the government's COVID-19 vaccine distribution efforts, the risk management team expanded its focus to ensure a successful vaccine rollout.

Critically, McKesson led the operation with no production time lost at any of its distribution centers.

McKesson is the winner of the *Business Insurance* 2021 U.S. Insurance Award for Risk Management Team of the Year.

McKesson set up a dedicated operation to manage the COVID-19 vaccines. To meet the demand and scale of this mission, the Irving, Texas-based pharmaceutical distributor added 3.3 million square

Jane Sandler

feet of new distribution space.

Many obstacles had to be overcome to deliver the vaccines within the expedited time frame. Risk management mobilized to ensure McKesson's resources and expertise were well-positioned in all parts of the operations to identify and mitigate risks and help ensure the operation's success.

Risk management's efforts contributed to the success of the operation in various important ways. For example, the team reviewed and provided modeling of insurance coverage along with key risk priorities and contributed to negotiations of key agreements.

It also supported implementation of risk mitigation standards and critical safety capabilities with a focus on operational resilience and assisted the company's operations in Canada and Europe at different stages of response.

Risk management also established leadership guidelines to navigate the pandemic, tracking the impact of changes in the regulatory environment and rules for workers compensation and safety, said Jane Sandler, Alpharetta, Georgia-based vice president, global risk management, at McKesson.

The risk management team's efforts supported McKesson's distribution of over 185 million vaccines in the U.S. as of July 31, 2021, and more than 65 million vaccines to countries around the world under the direction of the federal government.

Risk management played "an important role as part of the crisis management team, overcoming obstacles and finding innovative solutions in record time," Ms. Sandler said during a video reception honoring all *Business Insurance* 2021 USIA award winners.

Claire Wilkinson

FINALISTS

- **BioMed Realty L.P.** — BioMed's risk management team has worked with all departments to expand its enterprise risk management approach as the company's operations and its pipeline grow.
- **Google LLC** — The Google risk management team developed insurance coverage for businesses that use its cloud services, created a corporate indemnity catastrophe bond and provided critical COVID-19 pandemic response.
- **JetBlue Airways Corp.** — JetBlue made changes to its risk management program, applying technology and implementing processes designed to ease the claims administration burden for crew members injured on the job.
- **Jordan Foster Construction LLC** — Jordan Foster Construction's risk management team has enhanced its best practices, developing new programs to train staff to minimize or eliminate risks and safety concerns on a corporatewide basis.

TPA Team of the Year

Gallagher Bassett Services

Putting the worst claims in the best hands is the notion behind Gallagher Bassett Services Inc.'s GB Transportation program.

In its first five months, the program was used to successfully close 500 of 1,200 lingering commercial trucking liability claims — deemed among the most difficult to tackle given that they often result in awards in excess of $1 million.

"It's clear that juries and the plaintiffs bar have compelling arguments to make and juries are awarding significant amounts of money at a great pace and at higher numbers," said Charlie Lamberta, Houston-based executive vice president, director of operations, for Gallagher Bassett Specialty.

With variances by state in statutes of limitations, lawsuits "can trail for years," he said, adding that "a fair number of plaintiffs are potentially treated for a long period of time and are not of the mindset to accept a settlement. It's also a strategy in litigation; plaintiffs will attempt to enhance whatever damages or future damages they may be able to put in front of a jury."

Noticing this trend of "nuclear verdicts," with adverse verdicts against transportation companies of $1 million or more increasing by 967% between 2010 and 2018, Gallagher Bassett in 2020 created GB Transportation.


Charlie Lamberta

The team brings together more than 100 third-party administrator professionals — from information technology experts and front-line claims managers to resolution handlers and transportation industry-attuned attorneys — to be "in lock step" to better focus on the difficult claims, he said.

Starting in September 2020 the team triaged 1,200 files, focusing on claim severity and time sensitivity, and sought litigation control opportunities. Overall, the team managed that 1,200 open-claim inventory with a reserve reduction of more than $3 million and with incurred outcomes 60% lower than the traditional TPA approach, according to Gallagher Bassett.

"These statistics are indicative of the type of results you can expect when a TPA devotes itself to an industry in this sort of segmented way," Mr. Lamberta said.

The team, for its quick success in closing 44% of those most challenging claims in months, earned *Business Insurance*'s U.S. Insurance Award for TPA Team of the Year.

"In order to service our clients beyond the blocking and tackling of claims, which is what you would expect from any TPA, we wanted to throw in our best," Mr. Lamberta said. "That's what our focus is. We have these individuals who have lived and breathed transportation claims. … they can work with plaintiffs and plaintiffs attorneys to get to the end of the game sooner," he said.

Louise Esola

"We have (staff) who have lived and breathed transportation claims."

Charlie Lamberta,
Gallagher Bassett Specialty

FINALISTS

- **Constitution State Services LLC** — A subsidiary of Travelers Insurance Cos., Constitution mobilized the talent and technology to deliver claim capabilities for a gig economy company's insurers.
- **CorVel Corp.** — In 2017 a retail chain had a dated workers compensation program, which CorVel helped improve with 24/7 nurse triage to help manage injuries at the onset, telehealth services and analytics.
- **Crawford & Co.'s Broadspire** — A team working on a clothing company's account improved outcomes by enlisting data and analytics to help identify delays in care and proper treatment that contributed to higher disability.
- **Keenan/AssuredPartners** — The company formed a task force of claims operations, medical management, loss control, investigators, legal counsel and customer service team members to help manage nuanced COVID-19 claim activity.

Wholesale Brokerage Team of the Year

Non-Profit Insurance Services

As liability insurance costs for nonprofit organizations climbed along with the trend toward so-called nuclear verdicts, wholesale broker Non-Profit Insurance Services Inc. spent three years developing a coverage program that would lower costs for the service-oriented organizations.

But, in what eventually turned out to be an advantage, the Community Services Insurance Program failed to launch in 2019, said Justin Wiley, Orlando, Florida-based vice president of programs at NPIS, a unit of Ballator Co.

"We had a deal with an insurer that was acquired by a private equity group," Mr. Wiley said. With a new owner, the insurer significantly reduced its program business and the NPIS program became a casualty, he said.

"It took about a year to regroup and find new partners," he said. The new strategy involved multiple insurers and a multi-line package that provided coverage for general liability risks, professional liability, abuse claims, commercial auto and workers compensation insurance.

The work by NPIS to overcome early obstacles and launch the program serving nonprofits earned the company a

Justin Wiley

Business Insurance 2021 U.S. Insurance Award for the Wholesale Brokerage Team of the Year.

The Community Services Insurance Program is a better version than the one originally planned, Mr. Wiley said, because its multi-insurer, multi-line approach provides better ability to control costs.

"Our goal is to have an efficient insurance product, and the way we do that is by putting together a multi-line package," he said. "It gives you a little bit more leverage" to adjust rates and keep the cost of the package stable, Mr. Wiley said.

"Any kind of savings that drops to their bottom line, they can utilize for their mission, which is helping people," he said of nonprofits that are insured under the program.

The launch of Community Services Insurance Program was well-timed, according to Mr. Wiley. By late 2020, big jury awards against businesses and organizations were growing larger, he said.

"Other carriers in the space had exited or significantly reduced their capacity," Mr. Wiley said, and rates were rising and limits shrinking. "All of this combined made it a difficult hard market."

"One of the reasons for our success is our team has a can-do attitude," Mr. Wiley said. "We want to make it work and if we have to get creative to make it work, we will find a way."

> "Our team has a can-do attitude. We want to make it work and if we have to get creative to make it work, we will find a way."
>
> Justin Wiley, Non-Profit Insurance Services

Michael Bradford

FINALISTS

- **Amwins Group** — Amwins Insurance Brokerage of California relies on its long-standing relationships with insurers to get the best coverage for each risk, rather than relying on a single master program.
- **Brown & Riding Insurance Services Inc.** — The wholesaler's "Team Bading" comprises dedicated analysts with a track record of consistent growth in the company's largest property book of business.
- **Burns & Wilcox Brokerage** — The company is known for its expertise in difficult-to-place property/casualty risks and set new-business records in the past year.
- **Risk Placement Services Inc.** — Among the successes of the executive lines brokerage team at RPS was the development of a cyber coverage for entities with strong controls in place.

COMMENTARY

Recruiting to fill the talent gap

U.S. labor market analyses make for confusing reading as economists and statisticians try to figure out whether headline unemployment rates reflect the reality that jobless people experience.

The 4.8% rate reported in September — when extra unemployment payments ended — is considerably lower than the nearly 15% at the height of the lockdowns last year, but it remains unclear what the official numbers signify.

The unemployment rate measures the number of people actively looking for a job, but many people have stopped working, retired early or otherwise retreated from the job market as a result of the pandemic, and they would likely still be employed full time had COVID-19 not struck.

Gavin Souter
EDITOR

What isn't so difficult to work out is that the insurance industry is still facing a dearth of talent. Officially, the unemployment rate for insurers and brokers is 1.9%, and you don't have to spend too long talking with managers in the industry before the topic of "the war for talent" comes up.

As we record in our pages and on our website, there seem to be an awful lot of people changing jobs within the industry this year, but most of the time the stories are about insurers and brokers inadvertently trading talent rather than bringing new people into the sector.

Insurance is not the only sector seeking to attract workers at all levels, but when you take a close look at the range of jobs available in the insurance sector, it's perhaps a little surprising that the industry doesn't have more success.

Traditional jobs in actuarial, underwriting and risk management departments have always attracted people with an aptitude for math or an interest in risk, but data science is increasingly becoming part of the process and workers with those skills not only can find employment in insurance but will be able to shape the industry for years to come as it transitions.

But you don't have to be a genius with numbers to find a technology job in the industry. People with skill sets ranging from cybersecurity to operating drones can find roles.

Salespeople have long had some incredible opportunities in the sector, and the financial rewards available for top performers may surprise some. And in the wider marketing context, insurers selling hard-to-visualize and often similar products have produced some iconic ad campaigns.

Meanwhile, as more and more workers head back to offices and job sites, many companies in the sector are easily able to offer more flexible working arrangements to those who have gotten to like working from home.

Regardless of the attractions of the industry that insiders are aware of, however, companies will likely be fighting a lost cause if they try and sell insurance as a cool place to work. By focusing on the numerous interests that can be satisfied through individual careers available the sector might have better luck.

INSURANCE INDUSTRY EMPLOYMENT

2.86M	1.9%	$69,130	$80,740
Employment, all employees (seasonally adjusted)	Unemployment rate	Insurance sales agents' average annual pay	Insurance underwriters' average annual pay

Source: U.S. Bureau of Labor Statistics

VIEWPOINT

Supply chain breaking point

BY CLAIRE WILKINSON
cwilkinson@businessinsurance.com

When the garage door to our house stopped opening last month, I figured the battery on the remote opener needed replacing and it would be a quick fix. But even with a supply of fresh batteries the door didn't shift. Cleaning the eye of the sensors that are programmed to stop the doors in their tracks for sudden obstructions like skateboarding children didn't work either. Neither did realigning the sensors.

After a visit from the guy at the local company that has been fixing garage doors for more than 80 years, we learned that the problem was a broken spring. Easy fix, right? Not so fast. The springs are on backorder.

A call to the company that manufactures the doors informed us that there's been a problem getting the springs and that shipments are few and far between. Garage door parts shortages are apparently widespread. Need a spring? Be prepared to wait weeks. Need a new garage door? The wait will be months.

Production delays and shortages due to the pandemic have left garage door parts in high demand and short supply, along with many other goods. Prices are also up as manufacturers struggle to keep up with the demand.

The pandemic has thrown business interruption into the spotlight, and supply chain disruption is top of mind for many corporate risk managers. The fragility of the interlinking system that underpins the economy and flow of goods around the world is being tested like never before. As we report on page 8, supply chain risks are complex and encompass not just ships, but shipping containers, warehouses, trucks, rail facilities and labor, all of which are in short supply. Accumulations of risk at the multiple chokepoints in the system are a rising concern.

Traditional business interruption insurance policies generally would cover disruption at a manufacturing plant due to physical damage — and natural disasters like Hurricane Ida and winter storm Uri earlier this year have highlighted the need to be better prepared for such events. But clearly there are many other complex, interrelated causes that can leave a business without the parts or resources to operate.

Several insurance coverages may come into play but whether they will respond is open to question. Cargo delays, unless they involve spoilage of perishable goods due to delay, are unlikely to be covered. Contingent business interruption insurance might be another source of relief for commercial property policyholders, if a covered loss — think a fire or hurricane — caused physical damage resulting in business interruption at the location of a supplier.

There are also some specialty supply chain policies available that can be tailored to cover disruptions that are not the result of physical damage, such as government actions, virus-related losses and civil unrest. Trade credit insurance is another important coverage seeing increased demand out of the pandemic that protects businesses against the risk of non-payment.

Whatever policies they have in place, businesses should be taking a renewed look at their coverages and, crucially, the terms and conditions including limits, sub-limits and exclusions that may apply to their individual policies. Innovative insurance coverage is part of the answer, but risk managers, too, have an important role to play in shifting business mindsets and strategies to build a more sustainable approach to withstand future supply chain disruptions.

CFC Underwriting expands US terrorism coverage

■ London-based managing general agent CFC Underwriting Ltd. said it has expanded its North American terrorism and sabotage policy.

Changes to the coverage include loss of attraction, which covers loss of income after an attack within one mile that leads to a reduction in business, and threat coverage, which covers loss of rent or business interruption in the event of a terrorist threat.

Other additions include reimbursement or repair to property and contents due to looting after an attack; brand rehabilitation, such as post-loss publicity costs; and pollution coverage for clean-up costs if a pollutant is stored at a covered property.

CFC offers up to $200 million in limits for terrorism coverage.

Mosaic office to focus on cyber, transactional liability

■ Mosaic Insurance Holdings Ltd. said it is ramping up its North American distribution with the opening of an office in New York for its cyber and transactional liability underwriters and other employees.

The Bermuda-based insurer, which launched its transactional coverage in the U.S. in July, already has cyber and transactional liability underwriters based in Chicago, and other employees in Los Angeles, Boston and Virginia.

The New York office opened in mid-October and will accommodate technology staff and finance executives in addition to cyber and transactional liability lines staff, Mosaic said.

Cowbell partners with E&S firm Palomar

■ Cowbell Cyber Inc. said it has entered a strategic partnership with La Jolla, California-based Palomar Excess & Surplus Insurance Co.

Jack Kudale, founder and CEO of the Pleasanton, California-based cyber insurer, said in a statement the partnership diversifies Cowbell's programs in non-admitted markets and further expands its capacity.

Cowbell Cyber recently launched Cowbell Rx, an online marketplace for services related to cyber insurance.

Origami Risk unveils workers comp bundle

■ Origami Risk LLC, a Chicago-based safety and insurance technology company, announced it has packaged its online workers compensation claims administration services into a standard offering for insurers, third-party administrators, risk pools and managing general agents.

Origami Risk, which manages more than 83 million claims on its platform, provides compliance tools, analytics and claims reporting capabilities, and other services through its standard workers compensation claims administration package.

"As the largest segment of the U.S. casualty insurance market, workers compensation continues to draw widespread interest and investment from all sectors of the insurance industry, including established multiline carriers, newly formed specialty MGAs and risk pools," Christopher Bennett, president of the Core Solutions division of Origami Risk, said in a statement.

Core Specialty, RPS team on lawyers liability

■ Core Specialty Insurance Holdings Inc. said it is joining with Risk Placement Services Inc. to provide lawyers professional liability insurance for small and midsize firms, with up to $5 million in limits available.

Cincinnati-based Core said its program with RPS, a unit of Arthur J. Gallagher & Co., is currently available on a nonadmitted basis, but the company plans to offer admitted coverage upon completion of its filings. It will be available nationwide, except in Arkansas.

The program is being offered for law firms with up to 50 attorneys, Core said. Coverage features include claims expenses in addition to the limit of liability, first dollar defense deductibles and pre-claims assistance.

It also offers a broad definition of professional services, a 50% reduction of up to $25,000 for an agreement to use mediation and if the claim is settled at mediation, per claim and aggregate deductible options, and a relaxed consent to settle clause.

One Call launches mobile physical therapy service

■ One Call, a provider of workers compensation services, has added mobile physical therapy to its offerings.

The mobile physical therapy service connects an injured worker with a mobile physical therapist, who is assigned to the worker for the duration of care, Jacksonville, Florida-based One Call said in a statement.

Under the program, a therapist will visit an injured worker with equipment for personalized sessions.

One Call offers mobile physical therapy in 31 metropolitan markets across the country, with plans to increase to 51 markets by early 2022, the statement said.

Lockton launches 'silent cyber' coverage

■ Lockton Cos. LLC has introduced a standalone policy for "silent cyber property" risks, offering limits of up to $150 million per occurrence and in the annual aggregate.

The policy provides coverage against property damage and ensuing time element losses that result from cyberattacks or terrorism, the brokerage said in a statement.

The policy is offered through an exclusive program with a London-based cyber and property consortium, Lockton said.

Lockton said, if needed, additional market capacity is available.

The policy also provides coverage for extra expense, loss of rent, prevention of access, protection and preservation of property, debris removal, fire services charges, expediting expense, an extended period of indemnity, interdependency and spoilage.

Consultancy introduces automated claims TPA

■ Boston-based consultancy Xceedance Inc. said it has launched Xceedance Claims TPA for insurers.

Xceedance Claims TPA provides insurers automated claim handling and status reports, Xceedance's statement said.

The project is led by James Maddiona, former American International Group Inc. senior vice president of excess casualty claims.

Mr. Maddiona said in the statement Xceedance Claims TPA will help a claims process now suffering from a lack of transparency and communication barriers between stakeholders.

DEALS & MOVES

Gallagher buys brokers based in Iowa, Ohio

Arthur J. Gallagher & Co. announced it has acquired a retail property/casualty agency and employee benefits consultant in Ohio and an Iowa-based retail property/casualty brokerage in separate deals.

Terms of the transactions were not disclosed.

Gallagher said it has acquired Cincinnati-based W.P. Dolle LLC. Founded in 1872, W.P. Dolle focuses on manufacturing and distribution clients in the greater Cincinnati region.

Gallagher also said it had acquired Dubuque, Iowa-based River Valley Capital Insurance Inc. River Valley, founded in 2007, specializes in trucking industry coverage, with a focus on long-haul trucking companies in the Midwest.

Jencap buys specialty wholesale brokerage

Jencap Group LLC said it has acquired specialty wholesale brokerage and managing general agency Russell Bond & Co.

Terms of the transaction were not disclosed.

Buffalo, New York-based Russell Bond will operate under the Jencap Specialty Insurance Services division. The Russell Bond website shows about 25 employees.

John F. Jennings, CEO of Jencap, said in a statement the deal will expand the wholesaler's geographic footprint.

NFP purchases Chicago brokerage

NFP Corp. said it has acquired Chicago-based brokerage TF Holdings LLC, which does business as Thompson Flanagan.

Thompson Flanagan's more than 60 employees, including its leadership team, will join NFP, the New York-based brokerage said in a statement.

The acquisition, which closed Aug. 1, adds significant scale to NFP's growing property/casualty presence in the central region and locally in Chicago, NFP said.

Howden acquires UK broker Aston Lark

U.K. insurance brokerage Howden Broking Group Ltd. has bought insurance broker Aston Lark from Goldman Sachs Asset Management LP and Bowmark Capital LLP, the firms said.

Howden paid £1.1 billion ($1.5 billion) for the acquisition, according to a source familiar with the matter, its largest acquisition to date.

PEOPLE

"Nuclear verdicts and settlements are challenging in terms of pricing our product for these long-tail liability lines of business. Coupled with inflation trends, it makes upfront pricing more difficult."

UP CLOSE

Coy Rudd

NEW JOB TITLE: Jersey City, New Jersey-based executive vice president, excess and surplus lines, IAT Insurance Group Inc.

PREVIOUS POSITION: Jersey City, New Jersey-based senior vice president, excess casualty midmarket, IAT Insurance Group Inc.

OUTLOOK FOR THE INDUSTRY: The insurance industry outlook is very bright, with significant opportunity as new capital is introduced into the market. Insurers are focused on leveraging technology to improve processes and workflow. That will lead to more efficiencies and an improved customer experience for agents, brokers and clients.

GOALS FOR YOUR NEW POSITION: Our near-term goal is to expand IAT's footprint in the surplus lines wholesaler distribution space. IAT has strong broker relationships, and we want to provide additional tools to our partners to help them grow with our current product offerings of excess casualty, primary casualty and binding authority for general liability, property and package.

CHALLENGES FACING THE INDUSTRY: Nuclear verdicts and settlements are challenging in terms of pricing our product for these long-tail liability lines of business. Coupled with inflation trends, it makes upfront pricing more difficult. The hardening market appears to be stabilizing, although we are still seeing some double-digit rate increases in certain segments of the market. Excess and umbrella is currently one example. However, for those insureds who focus on minimizing their risks, implementing strong loss control practices and controlling losses, there is opportunity in the market to see favorable renewal pricing.

FIRST EXPERIENCE: Claims adjuster for auto and homeowners liability with State Farm Insurance Co.

ADVICE FOR A NEWCOMER: Be open and flexible to change and keep learning the business.

DREAM JOB: General manager for New York Knicks or Brooklyn Nets.

LOOKING FORWARD TO: Working with the entire, newly branded excess and surplus lines team and expanding IAT's footprint across our three businesses.

COLLEGE MAJOR: Economics.

FAVORITE MEAL: Almost anything cooked on a grill.

FAVORITE BOOK: "Keep Going No Matter What: The Reginald F. Lewis Legacy: 20 Years Later."

FAVORITE TV SHOW: "Chicago PD."

ON A SATURDAY AFTERNOON: Barbecuing and attending or watching college football.

ON THE MOVE

Alliant Insurance Services Inc. recruited **John Hill** as senior vice president in San Diego. He was previously a commercial insurance broker at McGriff, the retail brokerage unit of Truist Insurance Holdings Inc., for 30 years.

Ed Broking Group Ltd. named former Marsh LLC executive **Kristina Juul** head of casualty, Bermuda. Ms. Juul was most recently senior vice president, Bermuda, at Marsh and prior to that a divisional director at BMS Group Ltd.

Corvus Insurance Holdings Ltd. named former American International Group Inc. global chief underwriting officer **Madhu Tadikonda** as its first president. Boston-based Mr. Tadikonda is the co-founder of Archipelago Analytics Holdings Inc.

Lockton Cos. LLC hired former Aon PLC broker **Jonathan Mycyk** as a senior vice president in its Pittsburgh office. He joins Lockton after 15 years at Aon, where he was a vice president. Lockton opened its Pittsburgh office in 2019.

Arthur J. Gallagher & Co. promoted **Jay Gates** to managing director of its restaurant practice group. Lincoln, Nebraska-based Mr. Gates previously was a claims consultant at the brokerage. He was a 2017 *Business Insurance* Break Out Award winner, when he was director of risk management at RMH Franchise Holdings Inc., which does business as Applebees.

Canopius Group Ltd. named London-based **Kate Roy** group chief operating officer, effective in early 2022. Previously, Ms. Roy was COO at Willis Towers Watson PLC.

SEE MORE ONLINE

Visit *www.businessinsurance.com/ComingsandGoings* for a full list of this month's personnel moves and promotions. Check our website daily for additional postings and sign up for the weekly email. *Business Insurance* would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to *editorial@businessinsurance.com*.

BUSINESS INSURANCE®

BEST PLACES TO WORK 2021

Best Places program lists leading insurance industry firms

Best Places to Work in Insurance is an annual feature presented by *Business Insurance* and Best Companies Group that ranks the agents, brokers, insurers and other providers with the highest levels of employee engagement and satisfaction.

The 2021 report features 100 companies of various sizes, from 25 employees to more than 8,000. What these honorees have in common is a commitment to attracting, developing and retaining great talent through a combination of culture, benefits and other programs that their employees value.

Harrisburg, Pennsylvania-based Best Companies Group identifies the leading employers in the insurance industry by conducting a free two-part assessment of each company. Through an employer questionnaire on policies, practices and demographics and a confidential employee survey, Best Companies Group assembles the data points and analyzes them according to eight core focus areas:

- Leadership and planning
- Corporate culture and communications
- Role satisfaction
- Work environment
- Relationship with supervisor
- Training, development and resources
- Pay and benefits
- Overall engagement

The program divides employers into the categories of small, or those with 25-249 employees; medium, for organizations with 250-999 employees; and large, those with 1,000 or more employees. The 2021 overall winners, by employer size, are:

S Burnham Benefits Insurance Services
M Captive Resources
L IMA Financial Group

The following report highlights what makes these and other companies in the insurance industry among the best places to work.

IMA

WEST BEND A MUTUAL INSURANCE COMPANY

LOCKTON

CAPTIVERESOURCES

HIG Houchens Insurance Group

HYLANT

Burnham A BALDWIN RISK PARTNER

questpro

worthy INSURANCE

LARGE EMPLOYER CATEGORY (1,000+ U.S. Employees)

Rank	Company	U.S. Employees
1	IMA Financial Group	1,219
2	West Bend Mutual Insurance Company	1,377
3	Lockton Companies	5,339
4	Higginbotham	1,465
5	USI Insurance Services	8,202
6	OneDigital	2,563
7	Philadelphia Insurance Companies	1,917
8	CBIZ Benefits & Insurance Services Inc.	1,476
9	NFP Corp	4,110
10	Baldwin Risk Partners (BRP)	1,694
11	Shelter Insurance Companies	1,990
12	Risk Strategies	2,184
13	AF Group	1,469

MEDIUM EMPLOYER CATEGORY (250-999 U.S. Employees)

Rank	Company	U.S. Employees
1	Captive Resources	261
2	Houchens Insurance Group	301
3	Hylant	810
4	Assurance	547
5	Athens Administrators	370
6	RSUI Group Inc.	409
7	Origami Risk	388
8	Brown & Riding	306
9	Riskonnect Inc.	354
10	Holmes Murphy	985
11	TMNA Services	437
12	Amerisure Mutual Insurance Company	670
13	Society Insurance, a mutual company	331
14	Safety National	570
15	Euler Hermes North America	364
16	INSURICA	607
17	BXS Insurance	667
18	Tokio Marine America	315
19	Starkweather & Shepley Insurance Brokerage Inc.	267
20	The Liberty Company Insurance Brokers	254
21	SageSure Insurance Managers	353
22	Propel Insurance	447

SMALL EMPLOYER CATEGORY (25-249 U.S. Employees)

Rank	Company	U.S. Employees
1	Burnham Benefits Insurance Services LLC	121
2	Questpro Consultants	28
3	Worthy Insurance	30
4	McConkey Insurance & Benefits	103
5	Acrisure LLC, DBA VAST	53
6	Falvey Insurance Group	104
7	Employee Benefit Services of Maryland	32
8	RBN Insurance Services	33
9	Reliance Partners	166
10	Velocity Risk	143
11	Gehring Group | Bentek	101
12	Christensen Group Insurance	171
13	One Agents Alliance (OAA)	25
14	At-Bay	67
15	Coterie Insurance	81
16	SET SEG	83
17	Chalmers Insurance Group	94
18	Apex Benefits	69
19	Rockford Mutual Insurance Company	84
20	Transtar Insurance Brokers Inc.	35
21	The Partners Group	181
22	Socius Insurance Services Inc.	87
23	Pathpoint	30
24	Connor & Gallagher OneSource (CGO)	91
25	Company Nurse	49
26	Kapnick Insurance Group	181
27	Fred C. Church Insurance	155
28	Virtual Benefits Administrator	87
29	American Global LLC	79
30	Simkiss & Block	53
31	Ieuter Insurance Group	44
32	Plastridge Insurance	87
33	TexCap Insurance	42
34	Origin Specialty Underwriters Agency LLC	26
35	MGIS	63
36	Key Risk	151
37	QEO Insurance Group	100
38	ECBM Insurance Brokers and Consultants	88
39	Lipscomb & Pitts Insurance LLC	130
40	Midlands Management Corporation	85
41	White & Associates Insurance Agency Inc.	88
42	Simply Business	202
43	Hoffman Brown Company	60
44	Frank Winston Crum Insurance	70
45	The Plexus Groupe LLC	114
46	Bradley & Parker Inc.	59
47	Tokio Marine Highland (formerly WNC Insurance Services)	216
48	BKCW Insurance	42
49	IPMG	112
50	Virtus	66
51	Benefix	39
52	MarketScout	56
53	Liberty Insurance Associates Inc.	28
54	Public Entity Partners	34
55	Rockingham Insurance Company	111
56	Wallace Welch & Willingham	121
57	Delta Dental of Kansas	122
58	Deeley Insurance Group	54
59	Alkeme	95
60	American Integrity Insurance	230
61	SullivanCurtisMonroe	135
62	The Jacobson Group	83
63	Acclamation Insurance Management Services Inc. (AIMS)	177
64	AIM Mutual Insurance Companies	170
65	Odell Studner	60

BUSINESS INSURANCE®

BEST PLACES TO WORK 2021

Large employer (1,000+ employees)

IMA Financial Group Inc.

The top large employer in Best Places to Work in Insurance is IMA Financial Group Inc., an integrated financial services company that offers retail insurance brokerage and wealth management services. Denver, Colorado-based IMA was established more than 40 years ago. Today, its more than 1,200 associates particularly value IMA's commitment to flexibility in helping associates strike a balance between their professional and personal lives. In addition, associates appreciate the company's stock purchase plan, which enables employees to own stakes in IMA's growth and success.

West Bend Mutual Insurance Company took second place in the large-employer category in the 2021 Best Places to Work in Insurance. The West Bend, Wisconsin-based company has more than 1,370 associates and has been in business for 127 years. Its associates especially value West Bend's support for the community and encouragement of volunteerism, as well as its flexible, family-oriented benefits.

Lockton Companies, a longtime Best Places to Work in Insurance honoree, took third place in the large-employer category. Among the things Lockton's more than 5,300 U.S. associates value are its culture of service and caring, celebration of individual achievements and social events. They also value Associate Dreams, a program Lockton introduced three years ago that celebrates associates by providing time and/or money to make a goal reality.

1 **IMA Financial Group**

2 **West Bend Mutual Insurance Company**

3 **Lockton Companies**

IMA Financial Group associates raised funds in the American Cancer Society's Part of the Cure walk.

Medium employer (250-999 employees)

Captive Resources

Among medium size employers, Captive Resources earned first place in Best Places to Work in Insurance. The Itasca, Illinois-based company was founded more than four decades ago and specializes in advising member-owned group captives. Captive Resources today has more than 260 employees, who value its work-from-home options and flexible work hours, as well as a free, full-service fitness center, and generous medical benefits.

Runner-up in the medium size category was **Houchens Insurance Group**, a retail agency in Bowling Green, Kentucky, with more than 300 employees. The company was founded 100 years ago, as a small agency in 1921, growing to serve clients nationwide with complex property/casualty insurance and risk management services. Its employees especially value Houchens' Employee Stock Ownership Plan, its family-friendly atmosphere, and a variety of appreciation events during the year.

Captive Resources' company softball team is one way for employees to build camaraderie.

Third place in this category was Toledo, Ohio-based retail brokerage **Hylant**. Family-owned Hylant was founded 85 years ago. Its mission then and now is to treat employees and clients with kindness, honesty and respect. Hylant offers commercial and personal insurance, employee benefits and risk management services. Its more than 800 employees nationwide appreciate the company's culture, which values workers as people and employees, and makes Hylant a fun place to work.

1 **Captive Resources**

2 **Houchens Insurance Group**

3 **Hylant**

Small employer (25-249 employees)

Top honors in the small-employer category of Best Places to Work in Insurance went to **Burnham Benefits Insurance Services LLC** (see profile on next page).

In second place among small employers was **Questpro Consultants**, a Dallas, Texas-based insurance and risk management staffing and consulting company with 28 employees. Placing third was **Worthy Insurance**, a Skokie, Illinois-based retail insurance agency with 30 employees.

1 **Burnham Benefits Insurance Services**

2 **Questpro Consultants**

3 **Worthy Insurance**

Burnham Benefits Insurance Services offers employees a book club, with opportunities to discuss uncomfortable topics and celebrate diversity.

BUSINESS INSURANCE®

BEST PLACES TO WORK 2021

Insurers/Providers

RSUI Group Inc.

The top insurance company in the 2021 Best Places to Work in Insurance is RSUI Group Inc., an Atlanta-based underwriter of wholesale specialty insurance. RSUI's more than 400 employees appreciate the company's telecommuting policy, which applies to all, as well as a hybrid at-home and in-office format. A wellness program, featuring a dedicated fitness room and on-demand lifestyle/wellness app, is another offering that RSUI employees particularly enjoy. A culture that promotes connections, through parties, celebrations and family field outings, fosters a sense of camaraderie.

RSUI employees enjoyed teambuilding activities at a group outing in Los Angeles.

BEST PLACES TO WORK IN INSURANCE 2021: INSURERS/PROVIDERS

Rank	Company	U.S. Employees
1	RSUI Group Inc.	409
2	SET SEG	83
3	Rockford Mutual Insurance Company	84
4	West Bend Mutual Insurance Company	1,377
5	Key Risk	151
6	Amerisure Mutual Insurance Company	670
7	Society Insurance, a mutual company	331
8	Frank Winston Crum Insurance	70
9	Safety National	570
10	Philadelphia Insurance Companies	1,917
11	Euler Hermes North America	364
12	Public Entity Partners	34
13	Rockingham Insurance Company	111
14	Tokio Marine America	315
15	Delta Dental of Kansas	122
16	American Integrity Insurance	230
17	Shelter Insurance Companies	1,990
18	AF Group	1,469
19	AIM Mutual Insurance Companies	170

Agents/Brokers

BEST PLACES TO WORK IN INSURANCE 2021: AGENTS/BROKERS

Rank	Company	U.S. Employees	Rank	Company	U.S. Employees
1	Burnham Benefits Insurance Services LLC	121	36	Holmes Murphy	985
2	Worthy Insurance	30	37	Lockton Companies	5,339
3	Houchens Insurance Group	301	38	QEO Insurance Group	100
4	Hylant	810	39	Higginbotham	1,465
5	McConkey Insurance & Benefits	103	40	USI Insurance Services	8,202
6	Assurance	547	41	ECBM Insurance Brokers and Consultants	88
7	Acrisure LLC, DBA VAST	53	42	Lipscomb & Pitts Insurance LLC	130
8	Falvey Insurance Group	104	43	OneDigital	2,563
9	Employee Benefit Services of Maryland	32	44	Midlands Management Corporation	85
10	RBN Insurance Services	33	45	White & Associates Insurance Agency Inc.	88
11	Reliance Partners	166	46	Simply Business	202
12	Velocity Risk	143	47	Hoffman Brown Company	60
13	Gehring Group | Bentek	101	48	The Plexus Groupe LLC	114
14	Christensen Group Insurance	171	49	Bradley & Parker Inc.	59
15	One Agents Alliance (OAA)	25	50	Tokio Marine Highland (formerly WNC Insurance Services)	216
16	At-Bay	67	51	BKCW Insurance	42
17	Coterie Insurance	81	52	INSURICA	607
18	Chalmers Insurance Group	94	53	IPMG	112
19	IMA Financial Group	1,219	54	BXS Insurance	667
20	Apex Benefits	69	55	Virtus	66
21	Transtar Insurance Brokers Inc.	35	56	CBIZ Benefits & Insurance Services Inc.	1,476
22	The Partners Group	181	57	NFP Corp	4,110
23	Socius Insurance Services Inc.	87	58	MarketScout	56
24	Pathpoint	30	59	Liberty Insurance Associates Inc.	28
25	Connor & Gallagher OneSource (CGO)	91	60	Wallace Welch & Willingham	121
26	Kapnick Insurance Group	181	61	Starkweather & Shepley Insurance Brokerage Inc.	267
27	Fred C. Church Insurance	155	62	The Liberty Company Insurance Brokers	254
28	American Global LLC	79	63	Deeley Insurance Group	54
29	Simkiss & Block	53	64	Baldwin Risk Partners (BRP)	1,694
30	Ieuter Insurance Group	44	65	SullivanCurtisMonroe	135
31	Plastridge Insurance	87	66	SageSure Insurance Managers	353
32	TexCap Insurance	42	67	Risk Strategies	2,184
33	Brown & Riding	306	68	Propel Insurance	447
34	Origin Specialty Underwriters Agency LLC	26	69	Odell Studner	60
35	MGIS	63			

Burnham Benefits Insurance Services LLC

Irvine, California-based benefits brokerage and consulting firm Burnham Benefits Insurance Services LLC is the top agent/broker in the 2021 Best Places to Work in Insurance — for the second consecutive year. Since 2013, Burnham has appeared annually on the list of Best Places to Work. Burnham's more than 120 employees appreciate their employer's commitment to social and environmental performance, career development programs, work/life harmony and year-round celebrations. As a certified B Corp since 2015, Burnham is recognized for meeting standards of community engagement and environmental performance, accountability and transparency.

Burnham Benefits Insurance Services helped its team stay connected through online cooking classes.

BUSINESS INSURANCE.

BEST PLACES TO WORK 2021

How insurance firms attract talent

What does it take to join the list of the Best Places to Work in Insurance? A number of attributes set apart the companies on the 2021 list. One frequently cited quality is flexibility, which honorees continue to show during the pandemic era. While many of the Best Places to Work in Insurance have flexible work policies for years, others have extended or made such policies permanent since the coronavirus quarantines began in 2020.

Employees appreciate perks and amenities, though a longer-lasting component of satisfaction stems from honorees' focus on cultures of employee engagement and career development.

Best Companies Group analyzes the responses to confidential employee surveys in eight core areas. These areas show significant differences between the best employers and those that did not make this year's list:

Leadership and planning. This area includes understanding of the company's strategy, confidence in leadership, adequate planning and follow-through and care about employees' well-being. For all companies on the 2021 list, the number of positive responses in this area averaged 92%, vs. 84% for companies that failed to make the list.

Corporate culture and communications. Components of this area include clear and frequent communication, trust, a spirit of cooperation, a feeling that employees are valued and a culture of diversity. Positive responses averaged 89% for companies on the list, and 81% for other companies.

Role satisfaction. This area looks at how employees like the work they do, their ability to balance work and life, and whether they feel valued and part of a team. Positive responses averaged 91% for the top employers, vs. 87% for others.

Work environment. Positive responses about physical working conditions, comfort and safety averaged 94% for the top employers and 92% for others.

Relationship with supervisor. Fairness, respect, trust and feedback are elements of this area. For the Best Places to Work, positive responses averaged 93%, vs. 90% for other employers.

Training, development and resources. Initial and ongoing training, adequate and dependable equipment, room to advance and promotions and rewards for good work are among the components of this area. Positive responses for the top employers averaged 88%, vs. 83% for others.

Rockford Mutual Insurance Company employees donated and planted 125 trees in honor of the insurer's125th anniversary.

Pay and benefits. Fair compensation and satisfaction with benefits such as paid vacation, health care, dental and retirement plans are among the components of this area. For the Best Places to Work in Insurance, positive responses averaged 89%, and 79% for other employers.

Overall engagement. This area includes employees' overall satisfaction with the employer, a sense of pride in working there, willingness to give extra effort, willingness to recommend the employer's products or services, and recommend working there to others. Positive responses here averaged 92% for the Best Places to Work in Insurance, and 86% for employers not on the list.

Houchens Insurance Group employees show their team spirit during the NCAA March Madness tournament.

Worthy Insurance employees celebrate the agency's 15th anniversary.

VIEW THIS YEAR'S FULL LISTING AT
BusinessInsurance.com/BPTW2021

HOW TO GET INTO BPTW

To participate in the Best Places to Work program, an organization must:

- **Be a for-profit or non-profit business**
- **Be publicly or privately held**
- **Have a facility in the United States**
- **Employ at least 25 people in the United States**
- **Be in business for at least 1 year**

Eligible insurance organizations are: retail agents/brokers, wholesale brokers/managing general agents, reinsurance intermediaries, claims services companies, benefit brokers and consultants, property/casualty insurers, group life/health insurers, and reinsurers. Non-profit insurance associations or service organizations aligned with the commercial insurance industry also are eligible.

For more information and to participate in the 2022 program, please contact Susan Stilwill at 312-636-7222 or sstilwill@businessinsurance.com, or visit www.bestplacestoworkins.com.

Social media big with scammers

Social media fanatics won't like this: Social media sites rank in the top third of places where people get scammed the most, according to a survey of 726 internet users.

For its first State of Internet Scams report, online people research company Social Catfish also analyzed data released this year by the Internet Crime Complaint Center, the Federal Trade Commission and the FBI to find that a record $4.2 billion was lost by Americans in online scams in 2020.

Of the top platforms that people get the most scammed on, Facebook ranked No. 1 "due to the number of fake profiles that are made within this social media network," followed by Google Hangouts and Instagram. Dating sites also made the list: Plenty of Fish, Match.com and Tinder ranking at five, six and 10, respectively.

The No. 1 tip for avoiding being scammed? "Do not give money to someone on the internet whom you have never met in person."

Insurer training takes playful turn

Hamilton, Bermuda-based Hiscox Ltd. isn't playing around with training its new hires — or is it?

The international insurer said it plans to train more than 90% of its junior underwriters with a "gamified simulation training app" created specifically for those new to insurance.

Built by Attensi, the "3-D Insurance Training Simulator for Underwriters" app offers "a way for underwriters to learn the key demands of the job by challenging them to compete in a series of scenarios that are both realistic and gamified," according to a statement on the company's newest training program.

By using gaming technology, Hiscox says it seeks to close the knowledge gap with new hires.

ARGUMENT OVER 'FRIDAY THE 13TH' RIGHTS SLASHED

Original "Friday the 13th" writer Victor Miller killed it in federal court, four decades after writing the screenplay for the horror franchise's inaugural film, featuring a mentally unstable and once-drowned Jason Voorhees murdering everybody in sight at creepy Camp Crystal Lake.

The 2nd U.S. Circuit Court of Appeals affirmed Mr. Miller's victory in a copyright termination battle that gives him the domestic rights to the franchise, according to the Hollywood Reporter, which said the ruling should "frighten Hollywood," as Mr. Miller "attempted to leverage the part of copyright law that allows authors to reclaim the rights to what they once created" after waiting a statutory time period.

"Friday the 13th" producer Sean Cunningham argued that Mr. Miller contributed his screenplay as a work made for hire and that it was ineligible for termination, which a federal judge ruled against in 2018.

Misspellings can prove costly

Companies peddling cryptocurrency online say one of the biggest enemies of scams involving stolen passwords and money comes down to bad spelling.

As reported by The Washington Post, phishing scammers are buying such domains as "wwwblockchain.com," "hlockchain.com" and "blpckchain.com" hoping that someone wishing to access their account at www.blockchain.com will misspell the domain, access a fake site, supply their passwords, and give the dark web easy access to their online assets.

"If someone steals your credentials, they can immediately start transferring your money out of your account," a computer science professor at Stony Brook University told the Post.

He warned that if scammers manage to steal, users have no recourse because they've lost cryptocurrency rather than regular money.

Feds: No need to mask at home

Federal contract workers who telecommute from their home office do not need to mask up or maintain social distancing to meet President Joe Biden's requirements for managing COVID-19.

Thanks for clearing that up, Safer Federal Workforce Task Force, which addressed the concern in the question-and-answer section of its recently released paper COVID-19 Workplace Safety: Guidance for Federal Contractors and Subcontractors.

According to the document, a "covered contractor employee's residence is not a covered contractor workplace. … While in the residence the individual need not comply with requirements for covered contractor workplaces, including those related to masking and physical distancing, even while working on a covered contract."