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INSURANCE JOURNAL

THE NATIONAL PROPERTY CASUALTY MAGAZINE

The Green Issue:

Managing Expectations While Going Green


DELIVERING
MORE
FROM APPLIED®

July 1, 2024 • Vol. 102 No. 12

Contents

Opening Note

Write the Editor: awells@insurancejournal.com

Auto Trust Factor

The trust factor is critical in the insurance purchasing process. When customers trust their insurance provider they feel more satisfied with the insurance buying process even in the face of rising rates.

That's according to the J.D. Power 2024 U.S. Auto Insurance Study, which found that rate increases do not necessarily erode customer satisfaction when it comes to auto insurance. The consumer intelligence company reported that when customers have a high level of trust in their insurer, customer satisfaction and brand advocacy increase considerably, even in the face of rate increases — which have been more than 11% over the last year.

"Auto insurers are in a tough position right now," Breanne Armstrong, director of global insurance intelligence at J.D. Power, said in a press release. "With repair costs still rising — and with more than 20% of vehicles involved in collisions now considered total write-offs — insurers are still losing money, despite passing along huge price increases to their customers. What's interesting in J.D. Power data is that even though high premiums negatively affect customer satisfaction, those negative influences can be offset by high levels of trust that insurers will come through when they are needed."

However, the study found 51% of customers say they have little trust in their auto insurer. Fifteen percent of customers have high levels of trust in their insurance company, and 34% have mid-levels of trust, according to the report.

J.D. Power used a 1,000-point scale to determine overall satisfaction scores for insurers across the United States. This year's study is based on responses from 41,242 auto insurance customers and was conducted from August 2023 through April 2024.

Individual dimensions measured in the study are listed below in order of importance.

- Level of trust
- Price for coverage
- People
- Ease of doing business
- Product and coverage offerings
- Problem resolution
- Digital channels

"The average trust score among customers who experience an insurer-initiated increase — but who fully understand the reasons for that increase and expect the increase — is 735," the press release said. "That is just one point lower than the average trust score among customers who experienced an insurer-initiated rate decrease (736).

Erie Insurance was named the highest-ranked insurer in the Mid-Atlantic and North Central U.S. Auto Club of Southern California (AAA) claimed that title in California, and Auto-Owners Insurance was the top-ranked insurance company in Florida.

Highest-Ranked Auto Insurers by Region

- *California: Auto Club of Southern California (AAA) (684)*
- *Central: Shelter (677) (for a fourth consecutive year)*
- *Florida: Auto-Owners Insurance (654)*
- *Mid-Atlantic: Erie Insurance (713) (for a third consecutive year)*
- *New England: Amica (709)*
- *New York: Travelers (667)*
- *North Central: Erie Insurance (710) (for a fourth consecutive year)*
- *Northwest: PEMCO Insurance (666)*
- *Southeast: Alfa Insurance (693)*
- *Southwest: CSAA Insurance Group (AAA) (683)*
- *Texas: Texas Farm Bureau (686)*
- *Usage-Based Insurance (UBI): Nationwide (842)*

Andrea Wells
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News & Markets

Cyber Extortion Reached Record High in US and Canada in 2023: Marsh

Multiple companies in the United States and Canada experienced a record number of cyber extortion events in 2023 and unprecedented demands, a new report from Marsh shows.

The report, Ransomware: A persistent challenge in cyber insurance claims, also showed an increasing number of companies refused to pay the demands.

The report's authors analyzed more than 1,800 cyber claims submitted to Marsh in the U.S. and Canada in 2023. They found the annual percentage of clients reporting at least one cyber event has was steady over the past five years, ranging between 16% and 21%. The authors say the report demonstrates that companies' cyber controls have kept pace with the growing threat and frequency of cyberattacks.

Healthcare, communications, retail/wholesale, financial institutions and education were the top five of most affected industry sectors, with healthcare and communications reaching the highest numbers of annual claims, the report shows.

Other report findings include:

- 21% of clients that purchased a cyber policy reported an event in 2023.
- In 2023, events were driven by factors including increased sophistication of cyberattacks; the MOVEit event, a wave of cyberattacks and data breaches that began in June of that year, highlighting supply chain vulnerabilities; and privacy claims.
- Ransomware represented less than one-fifth of claims reported, but remained a top concern for organizations given their increased frequency, sophistication and potential severity.

The record number of events in 2023 followed a dip in extortion events in 2022. The reasons for the decrease in 2022 is hard to say, but cybersecurity experts inside and outside of Marsh cite a temporary move away from data encryption toward exfiltration, disruptions brought on by the start of the Russia-Ukraine war, decreased willingness of some companies to pay and the successful "infiltration" of a particular ransomware group by the FBI.

The median extortion payment fell from $822,000 in 2021 to $335,000 in 2022. That trend was reversed in 2023, when the median payment increased from $335,000 to $6.5 million and the median demand increased from $1.4 million to $20 million. The percentage of the median demand paid increased from 24% in 2022 to 32% in 2023, according to the report.

During the last five quarters, the median cost of breach response expenses remained at $160,000, while the average trended from $963,000 in the third quarter of 2023 to $1 million in the fourth quarter, primarily due to a few large cyber events, Marsh said.

Ransomware claims also rose in 2023, but the report shows the number of reported ransomware events has remained under 20% of reported claims for the past two years.

"This means that privacy claims and system attacks leading to unauthorized access and potentially exposed data without an extortion component comprise a much larger share of cyber events reported by Marsh clients than do those with an extortion component," the report states.

Another report out in May found 51% of respondents ranked ransomware as the primary cyber concern for the third straight year, with 45% claiming to have been hit by a ransomware attack in the last 12 months. A large majority, 86%, said these attacks included data exfiltration. IJ

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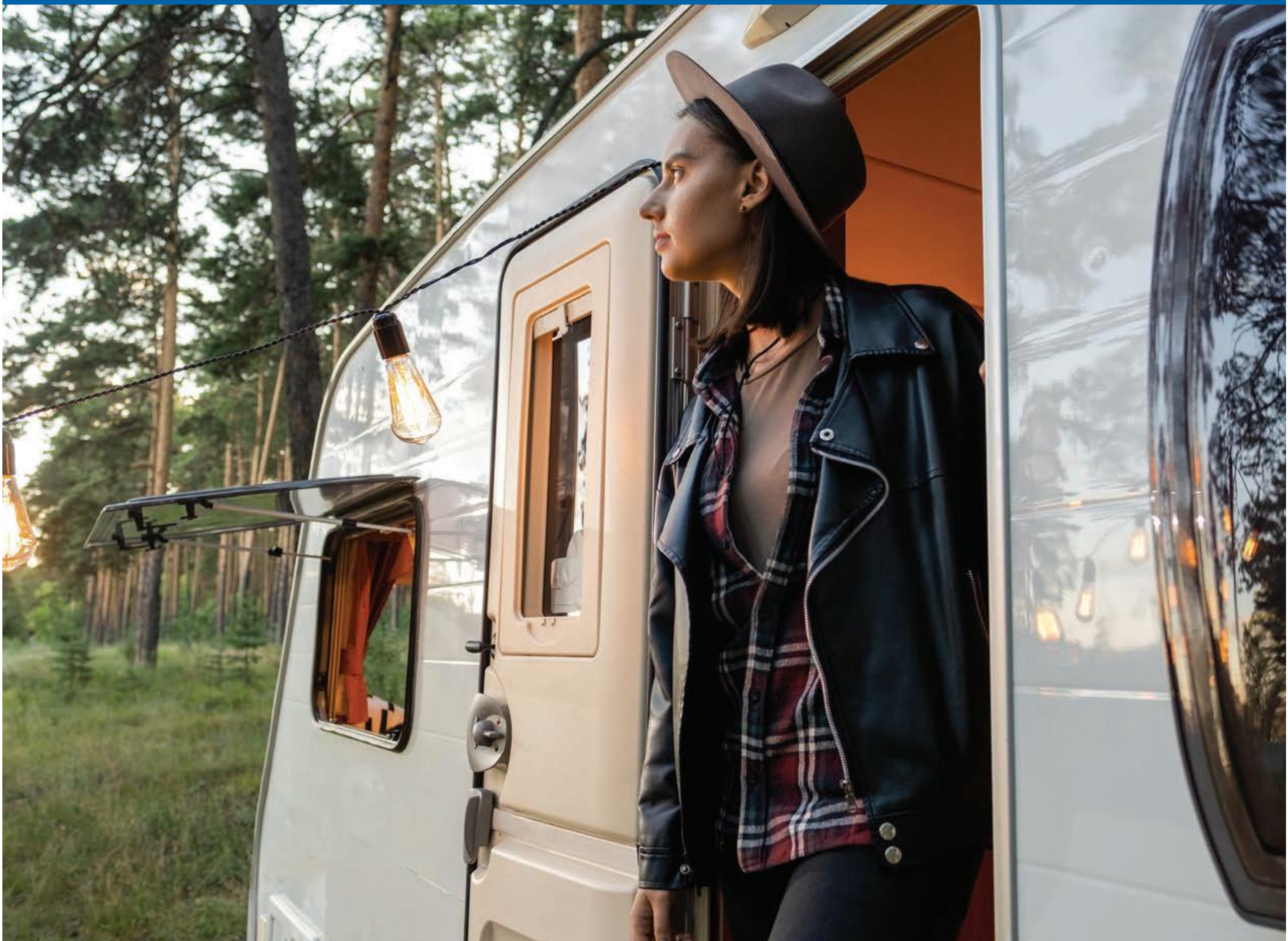

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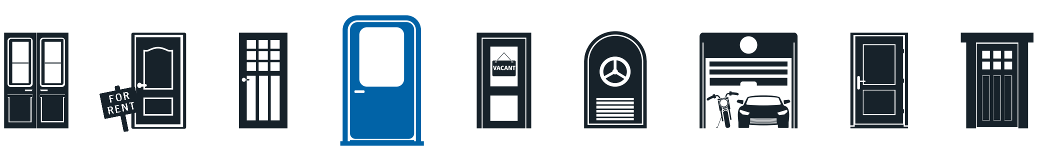

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Figures

463,000

The number of Telluride SUVs recalled by Kia America, which urged owners to park their cars outside and away from other structures until an issue posing a fire hazard is fixed. The front power seat motor on the affected Tellurides from the 2020-2024 model years may overheat because of a stuck slide knob, according to the National Highway Traffic Safety Administration. That could potentially result in a fire while the car is parked or being driven.

8%

The average rate increase settled on by North Carolina Insurance Commissioner Mike Causey for dwelling insurance policies, starting Nov. 1. The North Carolina Rate Bureau, basing its request on data from property insurers, had urged an average 50.6% increase. Insurance department actuaries had advised for the 8% settlement.

$120,000

The amount of a cash bribe offered to a juror in a Minnesota case involving a scheme to steal more than $40 million from a program that was supposed to feed children during the coronavirus pandemic. The juror was dismissed before deliberations began and a second juror who was told about it also was dismissed. The jury convicted five defendants and acquitted two others. The seven were the first of 70 to stand trial in what federal prosecutors have called one of the nation's largest COVID-19-related frauds. More than $250 million in federal funds was taken in the Minnesota scheme overall, authorities said.

$8.5 Million

The amount of a settlement a Colorado woman who was seriously injured when a freight train hit the parked police vehicle in which she sat handcuffed has reached with the towns who employed the police officers involved. Fort Lupton and nearby Platteville, which together employed the three officers sued in the 2022 crash, will together pay the settlement to Yareni Rios, said attorney Eric Ziporin, who represents the two officers who worked for Fort Lupton at the time.

Declarations

No More 'Wild West'

"Everyone using city roads needs to abide by the rules of the road. If you're able to go 25 mph like a car – you should be licensed, registered, and carry liability insurance in the event of an accident and injury."

— Said Boston City Councilor Edward Flynn in a Facebook post, adding that it "can no longer be the Wild West on the streets of Boston." The city is among several others including New York and Washington, D.C., that are cracking down on delivery companies whose employees on scooters, motorcycles and mopeds zip in and out of traffic and hop onto pedestrian-filled sidewalks as they race to drop off salads and sandwiches.

Transgender Discrimination

"This is no different than discriminating against a male because he is not tall enough or not muscular enough."

— Judge Anthony Rex Gabbert wrote in the unanimous decision by the Western District Missouri Court of Appeals that a lower court judge erred in ordering a new trial in a lawsuit over bathroom and locker room access by a transgender student in the Blue Springs School District. The decision sends the case back to the trial court to determine the reasonableness of the $4.2 million verdict that jurors awarded the student in 2021.

Social Learning, Flood Insurance

"Social learning-induced new take-ups are greater and more geographically prevalent than social learning-induced renewals. ... A back-of-the-envelope calculation suggests that Hurricanes Harvey and Irma brought in 250,000 more PIF in flooded areas and 81,000 more PIF in unflooded areas in the three years following the event."

— States a study by University of Illinois professor Yilan Xu and graduate student Sébastien Box-Couillard. The authors' study tapped the Facebook Social Connectedness Index, which measures the strength of connectedness between two geographic areas as represented by Facebook friendship ties, to gauge how policies in force (PIF), renewals and new policies were affected by a county's social connectedness to a flood.

SOUTH CAROLINA
DEPARTMENT of INSURANCE

S.C. Liability Markets

"As you are aware, South Carolina and other states have seen liability markets harden significantly over the past several years. ... Consequently, some insurers are not writing liability insurance products for certain lines."

— Reads a bulletin posted by the South Carolina Department of Insurance, which is requesting carrier data on the health of liability insurance markets in the state. The data call, with data due Aug. 9, was required by state lawmakers. The information gleaned from it should help determine why the state has seen liability insurance affordability and availability issues ... and should lead to new legislative recommendations, the bulletin said.

Caltrans
CALIFORNIA DEPARTMENT OF TRANSPORTATION

Should Have Done More

"Caltrans could have – and should have – done more to make this property safer for the motoring public who traveled above it."

— States an audit by the Office of the Inspector General for the California Department of Transportation, which found that lax oversight by the state's transportation agency contributed to a destructive blaze in 2023 that consumed a section of I-10 in Los Angeles used by hundreds of thousands of commuters. The fire was determined arson but the report found Caltrans had conducted its required annual inspections of lots under Interstate 10 only five times in 15 years and failed to fully document those inspections. It also failed to act when it discovered problems, the report said.

Coastal Structure Payouts

"Coastal communities in Maine know all too well how devastating the impacts of the climate crisis can be. ... Over the last year, Maine has been hit with multiple major storms, and climate emergencies are continuing to increase across the country."

— Congresswoman Chellie Pingree (D-Maine) said in a press release about a new bipartisan bill that would authorize National Flood Insurance Plan payouts for structures condemned due to chronic erosion or unusual flooding. The Prevent Environmental Hazards Act, backed by Pingree and Congressman Greg Murphy (R-N.C.), would allow advance payouts for demolition or relocation — up to 40% of the home's value, or $250,000 — and limit payouts to 40% if owners neglect to act before a collapse.

US Auto Insurance Market on the Mend; Homeowners Line Volatile: Fitch

The U.S. personal insurance sector is positioned for improving underwriting performance in 2024.

According to Fitch's latest U.S. Personal Lines Market Update, the change is predicted amid signs that the previous surge in claims severity from higher inflation and supply chain shortages has subsided, combined with rapid written premium growth from significant rate increases.

Personal lines insurance is the largest U.S. property/casualty insurance market sector, representing over 51% of 2023 industry net written premiums (NWP). The latest report from Fitch Ratings found the U.S. personal lines insurance sector endured a third consecutive year of underwriting losses in 2023, with the sector statutory combined ratio (CR) improving to 107% from 110% in 2022.

2023 Private Passenger Auto Market Share

	NWP ($ Mil.)	Market share (%)	NWP annual change 2018–2023 (%)
State Farm	57,856	18.9%	6.7
Progressive	47,860	15.6%	12.3
Berkshire Hathaway	39,403	12.9%	3.6
Allstate	31,234	10.2%	6.8
USAA	19,721	6.4%	6.5
Liberty Mutual	12,054	3.9%	0.8
Farmers	8,898	2.9%	3.6
Travelers	7,330	2.4%	6.9
American Family	7,213	2.4%	9.2
Nationwide	5,417	1.8%	-4.5
Industry	**306,570**		**4.9**

Note: Auto liability and physical damage.
Source: Fitch Ratings, S&P Global Market Intelligence

2023 Homeowners' Market Share

	NWP ($ Mil.)	Market share (%)	NWP annual change 2016–2021 (%)
State Farm	24,761	19.3%	6.6
Allstate	12,541	9.8%	9.5
USAA	9,750	7.6%	10.6
Liberty Mutual	9,316	7.3%	8.4
Travelers	7,352	5.7%	14.7
American Family	6,832	5.3%	15.3
Farmers	5,759	4.5%	7.4
Nationwide	3,881	3.0%	4.7
Chubb	3,393	2.7%	3.4
Erie	2,642	2.1%	9.8
Industry	**127,987**		**7.7**

Source: S&P Global Market Intelligence

Auto

The personal auto line has seen a volatile four years in the wake of a 2020 pandemic-related 24% decline in auto liability reported claims, which contributed to a CR of 92.5% — the best personal auto results in at least 25 years. Those numbers rapidly shifted to a 112% segment CR in 2022.

Substantial rate increases and underwriting actions in 2023 led to a considerably better ratio of 105%. Sustained pricing momentum in 2024 and tapering claims trends will lead to break-even or better results for the year, though the pace of recovery will vary between insurers.

For the personal auto liability lines, higher claims severity is evidenced by an increase of about 42% in the paid loss for a claim closed with payment from 2019 to 2023. Insurers are also responding to higher claims costs in reserving practices as the average loss and loss adjustment expense reserve held per outstanding claim has risen by 44% from 2019-2023 to over $23,000.

As a result, personal auto premium rates have seen double-digit percentage rises for nearly two years. Favorable pricing is anticipated to continue for the rest of the year. Still, momentum could drop when a return to underwriting profits emerges due to competitive forces and policyholder and regulator resistance to cost increases.

Underwriting performance varies widely among the 10 largest personal auto underwriters. Despite significantly weaker market conditions, the group's four publicly held entities posted an average personal auto CR below 100% for 2019-2023. Progressive is the only one with an underwriting profit in each of the past five years, posting the best result with a 93% average CR for the period, followed by Berkshire (97%), Travelers (98%) and Allstate (100%).

The six mutual and reciprocal insurers each posted underwriting losses in the past two years and a five-year average personal auto CR above 100%. State Farm (110%), Nationwide (106%) and American Family (106%) posted the highest CRs in the group for the period. While these companies continue to take significant underwriting actions, competitive forces and regulatory constraints may lead to reduced pricing momentum.

Homeowners Results Deteriorate

The homeowners' insurance segment reported underwriting losses in six of the past seven years, including a poor 111% CR in 2023. Despite no major hurricane-related losses, insured losses from inland convective storm events and rising building material and contract labor costs adversely affected results. Segment CR rose to 111% in 2023 from 104% a year earlier despite 11% growth in earned premium revenues. This result is the worst since an industry CR of 122% was reported in 2011.

Carriers in several states that have experienced heightened volatility in the homeowners' line in recent years have emphasized aggregation management of property business. Over the past two years, large homeowners' insurers have been increasingly curtailing the writing of new business and forgoing renewal of policyholders in more challenging states. IJ

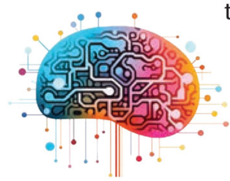
Key Emerging Risks: Cascading Effects of Natural Disasters, Supply Chain Resilience

By L.S. Howard

Key emerging risks facing global economies, businesses and the re/insurance industry include the cascading effects of natural disasters, the weakening resilience of supply chains and the repercussions of persistent underfunding of healthcare systems, according to Swiss Re's 12th SONAR – new emerging risk insights report.

"We live in an age of poly-crisis, in an environment characterised by record-breaking temperatures, extreme weather events, war, terrorism and social discontent, not least due to increases in the cost-of-living. One crisis nourishes others, a chain reaction of greater uncertainty, risk accumulation and loss potential, both of human lives and of economic/financial value," said a forward to the report, signed by Patrick Raaflaub, Swiss Re's group chief risk officer.

"Weather-related natural catastrophes are increasing in frequency and severity. While floods, wildfires and storms can lead to property damage and loss of life, the cascading effects of such events pose additional risks," said a press release accompanying the report.



"Wildfires can impact the water infrastructure by contaminating water sources or cutting access to it. Floods and storms can likewise damage energy grids and disrupt transport networks, bringing production lines to a standstill due to lack of power, leading to lost production time, materials spoilage and delays to deliveries. If critical infrastructure and supply chains are affected, the accumulation of damage can be significant," the release added.

Swiss Re identified five of the top emerging risk themes that could affect insurance and reinsurance business lines:

1. Beyond broken infrastructure — the cascading effects of natural catastrophes.

This risk theme mainly impacts property and specialty re/insurers and was rated as having a high potential impact within the next three years.

Floods, wildfires, severe convective storms and other natural peril events inflict widespread property damage as well as large economic and insurance losses. These events also cause negative effects on critical infrastructure and supply chain disruptions. "Where there is coverage, damage to critical infrastructure like transmission lines and power plants from natural peril events result in claims in property and business interruption insurance," the report said.

2. AI — unintended insurance impacts and lessons from 'silent cyber.'

This risk theme mainly impacts casualty re/insurers and was rated as having a high potential impact over the next three years.

The increasing use of artificial intelligence (AI) could trigger claims across many lines of business. Some of the AI-related events listed in the report include:

Operational shutdowns resulting from AI-system malfunctions could trigger business interruption claims

Professionals could face claims for i) erroneous advice or misinterpretations; and ii) unexplainable decisions delivered by AI-driven research or other tools that have negatively impacted end users.

Corporate leaders could face accusations of failing to oversee/mitigate the risks associated with implementation of AI-driven processes that have led to financial losses or reputational damage. D&O and liability claims may be triggered.

AI-driven hiring practices that inadvertently introduce bias could trigger discrimination lawsuits and claims against employers for unfair employment practices.

Insurers could face claims increases due to erroneous advice or misinterpretations delivered by AI-driven underwriting tools. AI-driven underwriting models that inadvertently introduce bias could trigger discrimination lawsuits and claims against insurance companies.

3. Underfunding of public health — harmful to morbidity, mortality and GDP.

This risk theme has the most impact on life and health re/insurers and was rated as having a medium potential impact over the next three years.

The report said a robust healthcare system requires countries to spend around 7% to 7.5% of gross domestic product, but 132 countries spend less than this threshold. "Over time, consistent underinvestment could lead to higher morbidity and mortality rates, potentially exacerbating future pandemics and also resulting in lower global GDP," it said.

4. Risky bets — democratizing financial information through social media.

This risk mostly impacts financial markets, which include insurers' assets. It was rated as having a medium potential impact within the next three years.

While social media is entrenched in daily life, it also opens the door to potential financial market and insurance sector risks. For example, information overload at speed and scale can lead to irrational investment decisions, losses on assets and financial market volatility, which could have repercussions on insurers' profitability. In addition, there could be increased claims for directors and officers (D&O) and credit and surety lines if there are bank-runs and fallout from a financial market crisis.

"On the upside, insurers can use social media data to more accurately identify potential risks and tailor insurance products accordingly, and also to identify claim inconsistencies and fraud," the report said.

5. Cyber-enabled fraud — a new era for organized crime.

This risk theme mainly impacts operations and was rated as having a medium potential impact over the next three years.

"The vulnerability of operating systems to technology dependency is central to macro-trend risks. That includes cyber risk, with ongoing digital innovation generating more and also new exposures," according to the report.

The potential impacts of this risk theme include operational fraud losses that may be directly monetary — for example, if criminals hack business emails that involve money-transfer instructions. Losses may also involve business-line claims fraud such as when criminals create fake emails from a hospital to healthcare insurers, requesting reimbursements for the provision of fictitious care treatment/services. "Depending on the circumstance of a fraud incident, insurance covers for liability, cyber etc. may be triggered."

SONAR's full list of 16 emerging risks are listed as follows:

- Underfunding of public health — harmful to morbidity, mortality and GDP
- Smart drugs — wrong fix for cognitive enhancement?
- Social isolation and loneliness — a growing health crisis
- FemTech: bridging the gender gap in healthcare
- Climate change — an evolving threat to international security
- Global supply chains — resilience against business interruption risk is weakening
- Big Tech — a dependency risk
- No room left — competition for space generates infrastructure accumulation risks
- Risky bets — democratizing financial information through social media
- Beyond broken infrastructure — the cascading effects of natural catastrophes
- Cyber-enabled fraud — a new era for organized crime
- Alluring abyss — deep sea mining's murky future
- Recycling — when energy infrastructure becomes hazardous
- Next generation nuclear
- AI — unintended insurance impacts and lessons from "silent cyber"
- Insurance fairness: challenge and opportunity

SONAR stands for Systematic Observation of Notions Associated with Risk, which is Swiss Re's process for identifying, assessing and managing emerging risk. IJ

Business Liability Claims Litigation Jumped in 2023: Lex Machina

By Allen Laman

After holding relatively steady for nearly a decade, the number of business liability policy claims cases jumped 28% in 2023, according to a litigation report from Lex Machina.

The report found that 3,596 business liability cases covering third-party claims regarding damages or injuries caused by a business's employees, products, premises or services were filed last year. That number was 2,799 in 2022 and 2,721 in 2021.

In follow-up correspondence, Ron Porter, Lex Machina's insurance legal data expert and editor of the report, noted that the business liability (BL) category at Lex Machina is broad. The category includes standard commercial general liability policy claims, as well as claims under workers' compensation, officers and directors' liability, commercial excess policies, title insurance and professional liability policies.

"No external factor that I am aware of would account for the increase in filings of BL cases in 2023, given the wide range of coverage included within this policy type tag," he wrote in an email. He added that "variations that occur in filings in one year may not represent a trend or anything significant other than coincidence."

When examining the numbers for 2024, he said that the business liability case filings to date are a little over 1,500 — which would project to about a 10% decline from 2023. "So, perhaps a return to pre-2023 levels is in the works," he wrote in the email.

In separate June reports, broker WTW said commercial lines insurance increased overall by an average of 6.3% during the first quarter, and Gallagher reported that 80% of business owners are worried their business insurance will not cover a specific event or loss.

In total, Lex Machina reported that 17,654 insurance cases were initiated in federal district courts in 2023, marking a 6% decrease from the number of insurance cases in the prior year. Still, the report found that the number of business interruption cases filed increased by nearly 60% year-over-year and surpassed the 10-year-high case count set in 2020. And while the number of filed hurricane-related cases dropped slightly, the yearly total of homeowners policy insurance cases, excluding hurricane-related cases, continued its climb.

The most active defendants by cases in 2023 were State Farm Fire & Casualty Co. (5,833 cases), State Farm Mutual Automobile Co. (2,138 cases) and Allstate Vehicle & Property Insurance Co. (1,368 cases).

"As insurance litigation is particularly diverse and nuanced with a wide variety of underlying claims, it is crucial to be able to hone in on the litigation trends in these different subsets of cases, as we do in this report," Porter said in a press release. "By doing so, we gain important data-driven insights into the shifts and patterns in the practice area of insurance litigation. Practitioners can use these insights to sharpen their litigation strategy and advise their clients." IJ

Business Moves

National

Marsh McLennan Agency, Fisher Brown Bottrell Insurance

Marsh McLennan Agency completed its purchase of Fisher Brown Bottrell Insurance Inc. from Trustmark National Bank for about $316 million.

All employees of Jackson, Mississippi-based Fisher Brown Bottrell will join Marsh McLennan Agency and continue working from their existing 10 locations.

The M&A agreement was announced in April.

Fisher Brown Bottrell, founded in 1936, specializes in providing commercial property/casualty insurance, surety and employee benefits services to businesses and individuals across the Southeast.

RiverStone International, Electric Insurance

RiverStone International closed on its acquisition of Electric Insurance Co. and its two subsidiaries, Elm Insurance Co. and Electric Insurance Agency.

Electric Insurance is a Beverly, Massachusetts-domiciled insurer licensed in all 50 states and the District of Columbia, Puerto Rico and Canada. Its owner, General Electric (GE), decided to sell the company for $333 million and exit the insurance business as part of its major restructuring begun in 2021, under which GE transformed itself into three public companies focused on aviation, energy and healthcare.

RiverStone International, which specializes in acquiring and reinsuring legacy and discontinued businesses, will manage Electric's legacy liability portfolios but will withdraw from personal lines in all states.

Electric Insurance wrote the commercial insurance including workers' compensation, auto and general and product liability exclusively for GE, and personal lines insurance including auto, home, yacht and personal excess liability primarily for GE employees, retirees and their families. As of Jan. 1, 2024, Electric no longer insured GE's commercial business.

Electric has created a runoff plan for its personal lines business. The plan includes a multi-state renewal rights transaction agreement with Plymouth Rock Assurance, a Massachusetts-based insurer with experience in handling 15 renewal rights and replacement carrier transactions. Plymouth Rock writes in Massachusetts, New Hampshire, Connecticut, New Jersey, New York and Pennsylvania.

Elm Insurance Co. was formed by GE in 1983 as a Vermont captive insurer to provide Electric Insurance with management, accounting and other services. Electric Insurance Agency was formed in 1992 primarily to place business with the National Flood Program.

East

Lenox Advisors, Martin/Wight & Co.

Lenox Advisors Inc., an affiliate of NFP, an Aon company, acquired Martin/Wight & Co., a Maryland-based insurance and financial services firm that specializes in serving medical professionals.

Founders Brian Martin and Ted Wight will join Lenox as partners.

Based in the Baltimore area, M&W primarily serves physicians, dentists, and medical centers, providing executive benefits as well as wealth management, financial planning, disability insurance, voluntary benefits, ancillary benefits, individual and group life insurance, and long-term care.

New York-based Lenox Advisors is a wholly owned subsidiary of NFP Corp., a financial services holding company. Lenox offers securities and investment advisory services. NFP was acquired by global insurance broker Aon for $13 billion in April.

NSM Insurance Group, Strategic Underwriters International

Global specialty insurance broker NSM Insurance Group has completed its acquisition of Strategic Underwriters International (SUI).

Based in Doylestown, Pennsylvania, SUI is a managing general agent (MGA) in the casualty facultative reinsurance marketplace. SUI offers facultative casualty reinsurance for several lines of business, including general liability, automobile liability, excess/umbrella liability and workers' compensation.

Terms of the deal were not disclosed.

NSM has more than 25 specialty insurance programs and brands around the world focused on collector cars; student health and travel; social services and behavioral health; addiction treatment; coastal condominiums; towing and garage; trucking; sports and fitness; professional liability for contractors, architects and engineers; habitational; commercial and residential contractors; medical stop-loss and managed care; staffing; and workers' compensation

Hub International, The Essex Agency

Hub International Ltd. acquired The Essex Agency Inc. of Essex Junction, Vermont.

Terms of the transaction were not disclosed.

The Essex Agency is an independent insurance agency offering personal and commercial insurance, including for the construction and real estate industries, which are among Hub's specialty areas.

David Holton, president, and John Handy, vice president, and agency team will join Hub International New England. The agency will be referred to as The Essex Agency, a Hub International company.

Headquartered in Chicago, Hub has more than 17,000 employees in offices located throughout North America.

Midwest

Hilb Group, German American Insurance

German American Bancorp closed the sale of the assets of its wholly-owned subsidiary German American Insurance (GAI) to Hilb Group in an all-cash transaction of $40 million.

As part of the transaction, German American Insurance will continue to operate throughout southern Indiana and Kentucky under the name "German American Insurance – A Hilb Group Company" and will remain under the leadership of Diana Wilderman, president of German American Insurance.

In addition to retaining all GAI team members, an ongoing referral relationship to Hilb Group will provide German American Bank customers access to insurance brokerage services.

Brown & Brown Inc., McNamara Company

Brown & Brown Inc. has acquired the assets of McNamara Company.

McNamara Company is a family-owned agency that has been servicing customers in all 50 states for four generations. Established in 1970 in Minnesota, McNamara Company provides a full-service suite of insurance solutions for businesses, families and individuals.

The McNamara team will join the Brown & Brown office in Phoenix and report to Scott Jones, the leader of the Phoenix team.

DOXA Insurance, CPH Insurance

DOXA Insurance acquired CPH Insurance, a Chicago-based MGA providing professional liability products for mental health, allied health and healthcare professionals.

Founded in 2000 by founder and President Phil Hodson to specifically serve the mental health sector, CPH Insurance provides insurance products to over 250,000 insureds across the U.S. CPH Insurance launched its first online quote in 2008 and today sells a majority of policies online through straight-through-processing technology.

CPH also partners with organizations to utilize a proprietary underwriting platform that it says enables full policy life cycle management and digital distribution.

South Central

Relation Insurance Services, First Insurance

Relation Insurance Services acquired the assets of First Insurance, an affiliate of FirstBank Inc. First Insurance, based in Durant, Oklahoma, offers commercial and personal insurance with specialties in farm and ranch.

Relation Insurance said in an announcement it is actively seeking partnerships to expand its offerings, industry expertise, and geographic footprint.

Marsh McLennan Agency, Perkins Insurance Agencies

Marsh McLennan Agency, a subsidiary of Marsh, acquired Perkins Insurance Agencies, an Abilene, Texas-based independent agency.

Founded in 1977, Perkins primarily provides commercial property and casualty and personal lines coverage to West Texas-based businesses, non-profits, and families, with specialized expertise in the oil and gas, trucking, farm and ranch, and restaurant industries.

All Perkins employees, including Mark Perkins, CEO, will continue working out of their existing Abilene and Eastland, Texas, offices.

ALKEME, Hardwick Insurance

ALKEME acquired Hardwick Insurance, a commercial and personal specialist located in Lafayette, Louisiana.

ALKEME is a full-service insurance agency providing businesses and individuals with an extensive array of commercial and personal insurance, employee and executive benefits, retirement and wealth management services.

ALKEME is based in Ladera Ranch, California.

Southeast

CLC Insurance Agency, ARCW Insurance

Clearwater, Florida-based CLC Insurance Agency has merged with ARCW Insurance, a Leavitt Group affiliate.

CLC, founded four years ago by Crystal Callahan Lawson, now Callahan-Estes, will relocate to ARCW's Pinellas Park offices.

Callahan-Estes will serve as a commercial insurance advisor. She has more than 20 years' experience in the business.

ARCW Insurance was founded in 1989 and joined Utah-based Leavitt Group in 2021.

West

Hub International, Combined HCM

Hub International Ltd. acquired the assets of Combined Benefits Inc., Combined Commercial Insurance Services LLC., and Combined Employer Services Inc.

Donny Woo, CEO, and Jonathan Zhao, vice president of payroll, and the Combined HCM team will join Hub LAOC. Combined HCM will be referred to as Combined HCM, a Hub International company.

The businesses, collectively known as Combined HCM, are located in Diamond Bar, California. Combined HCM is a human capital management broker helping clients and manage human resources, recruiting, payroll, benefits and commercial insurance.

Chicago, Illinois-based Hub is an insurance broker and financial services firm providing risk management, insurance, employee benefits, retirement and wealth management products and services.

ALKEME, InsurePro

Ladera Ranch, California-based ALKEME acquired InsurePro, located in Draper, Utah.

InsurePro is a personal and commercial specialist. IJ

People

National

American International Group Inc., headquartered in New York, appointed **Gordon Browne** global head of specialty. He will serve on the international insurance leadership team.


Gordon Browne

Browne has over 20 years of industry experience in the U.S. and the UK. He rejoins AIG from Allianz, where he served as global head of specialty since April 2023.

Ray Scotto, who has served as the Target Markets Program Administrators Association's executive director since its inception in 2002, has transitioned to senior executive.

Longtime TMPAA member **Gene Abbey** is now executive director. Abbey has been director of Insurance Services and education since 2023.

Sarah Ayars, who has been with TMPAA for 15 years, now shares management responsibilities as the director of Operations and Marketing.

Everest Insurance North America, headquartered in Warren, New Jersey, hired **Stephen Buonpane** to the newly created role of senior vice president, casualty specialty lines and industry practices.

Before joining Everest, Buonpane served as executive vice president and construction industry practice leader with Chubb. He also was co-founder and chief insurance officer for Shepherd, catering to the commercial construction space.


Stephen Buonpane

Allied World Assurance Company Holdings Ltd., headquartered in New York City, appointed **Joshua Kranz** senior vice president, North America architects and engineers division. Kranz succeeds **Doug Hamilton**, who retires July 5 and will continue in a consulting role.

Kranz has over 25 years of professional liability experience, most recently serving as professional liability national practice leader at Everest Insurance.

AXIS Capital Holdings Limited, headquartered in Pembroke, Bermuda, appointed **Paul Boulos** and **Rob Ryan** as heads of ocean marine.


Paul Boulos

Most recently, Boulos, who is based in New Jersey, served as national cargo product leader at Navigators, a brand of The Hartford.


Rob Ryan

Ryan, who is based in New York, most recently managed the New York marine branch as vice president at Navigators.

East

RT Specialty, headquartered in Chicago, made several promotions in its Hamilton, New Jersey, office, part of the RT Specialty Environmental and Construction Professional Practice (RT ECP).

Daniel Wilhelm is now account executive. He joined the company in 2018 as an account manager and most recently served as a senior account manager.


Daniel Wilhelm

Gina Bernardo was promoted to senior account manager. She has worked at RT ECP for over five years.


Gina Bernardo

Aaron Roland is now senior account manager. He joined the company as an account manager in 2022. He previously served as an account manager at ARMR Specialty Holdings, ARMR Brokerage Division.


Aaron Roland

Maddie Goodwin was promoted to account manager. She joined the company as an account administrator in 2022.


Maddie Goodwin

Zach Kalet is now account manager. He joined RT ECP as an account administrator in 2022.

Jenna Koch, whose background is sales and customer service, was promoted to account manager.


Jenna Koch

Julie Rison has joined **Alliant Insurance Services**, headquartered in Irvine, California, as senior vice president, Alliant Private Client.

Based in Virginia, Rison has over 30 years of experience in the insurance industry and previously served as senior vice president, private client division, at Marsh & McLennan Agency.

Lawley, headquartered in Buffalo, New York, hired four new employee business sales consultants.

Charlie Burt specializes in group health insurance, dental insurance, medical plans, and benefits technology. He will expand Lawley's employee benefit offerings across Connecticut. He previously served as an HCM account executive with Paylocity.

Jen Desmond has over 15 years of industry experience and will serve as an advisor to companies in the southern-tier communities of Buffalo. She previously served as a director of operations at Top Gun Staffing Inc. and as a sales and recruiting manager at Kelly Services.

Jeff Morgan previously worked as an assistant vice president at M&T Bank and a business development representative at ACV Auctions. He is versed in benefits administration solutions, like Lawley Marketplace, designed for employers with 25-99 employees.

With more than 20 years of experience, **Kalene Pencek** specializes in employee benefits, sales, and customer service. Before Lawley, Pencek held business-to-business roles at Verizon Wireless and several pharmaceutical sales positions.

Midwest

Ryan Specialty, headquartered in Chicago, promoted **Derek Pouliot** to chief reserving officer of Ryan Specialty Underwriting Managers (RSUM). .

Derek Pouliot

Pouliot most recently served as Ryan Specialty's senior vice president and chief profitability and risk actuary. Before joining Ryan Specialty, he was chief actuary and head of actuarial function for a FBD Insurance in Dublin.

Alliant Insurance Services, headquartered in Irvine, California, expanded its Midwest team by adding **Matt Richard** as vice president and **Tricia Schmidt** as senior vice president within its employee benefits group.

Matt Richard

Richard, based in Kentucky, has more than 20 years of experience in the health insurance industry. Before coming to Alliant, he was a senior vice president with Newfront.

Schmidt has more than 25 years of insurance and employee benefits experience. She most recently served as national enterprise sales leader at Accolade Inc., and as managing director, health and benefits, Midwest region leader at Willis Towers Watson.

South Central

Skyward Specialty Insurance Group, headquartered in Houston, named three new members to its media liability team

Andrea Taylor is Skyward's new vice president of media liability. Taylor has 25 years of leadership and underwriting expertise, specializing in the segment. She most recently served as vice president of media liability with ANV Media.

Skyward named **Cheech Bradford** assistant vice president of media liability. Bradford has over 35 years of specialized experience in media liability. She most recently served as vice president of media liability at QBE North America.

Skyward also named entertainment and media claims attorney **Emily Caron** vice president of media liability claims. She most recently served as vice president of media liability claims at Intact Insurance/One Beacon.

Southeast

InsureTrust, an Atlanta-based specialty broker specializing in cyber risk, named **Sonja Kozel** senior vice president.

Sonja Kozel

Kozel, with 10 years in the business, previously led sales for Cowbell, a cyber insurance company, and for Markel Specialty.

InsureTrust is a division of Starwind Specialty Insurance, a subsidiary of CRC Insurance Services.

West

SAIF, headquartered in Salem, Oregon, promoted **Todd Graneto** to chief financial officer.

Todd Graneto

Graneto, who joined SAIF in 2016, previously served as the vice president of premium audit and underwriting services. Before he joined SAIF, he was the vice president of finance for Health Net.

Nairi Chapman joined **Alliant Insurance Services** as senior vice president, director, M&A, within its employee benefits group.

Before joining Alliant, Chapman served as senior director, health and benefits, at WTW and as senior vice president at Aon Risk Services.

Lori Crandall joined Alliant Insurance Services as senior vice president within its employee benefits group. Before joining Alliant, she was a senior vice president at USI Insurance Services for 21 years.

Alliant also hired **Gavin Huihui** as vice president within its Alliant Americas division. Huihui will service clients in Hawaii and nationwide.

Before joining Alliant, Huihui was an insurance agent with an international fire and marine insurance company.

Mark Pastorius joined Alliant as executive vice president, managing director within Alliant Specialty. Pastorius' insurance career spans more than 37 years. Before joining Alliant, Pastorius was an executive vice president and managing director at Lockton Companies where he ran the data and analytics department.

Mark Pastorius

The Liberty Company Insurance Brokers named **Katie Pope** vice president, executive lines. Based in Los Angeles, Pope began her insurance career at Lockton, where she was most recently an account executive.

Katie Pope

The Liberty Company Insurance Brokers is headquartered in Gainesville, Florida.

PEMCO Mutual Insurance named **Calvin Strong** chief claims officer and **Shashi Reddy** chief data and analytics officer.

Strong will lead the claims function at PEMCO. He has more than 30 years of experience in the property/casualty insurance industry.

Reddy spent more than 15 years at companies including Travelers Insurance, and Ernst & Young.

Seattle, Washington-based PEMCO serves the Pacific Northwest.

PCF Insurance Services named **Brandon Gray** chief financial officer.

Brandon Gray

Gray, who joined PCF in March 2023, previously served as senior vice president and treasurer. His promotion to CFO follows **Felix Morgan**'s appointment to CEO from his former roles as CFO and chief operating officer.

PCF is headquartered in Lehi, Utah. IJ

NCCI Identifies 'Big 3' Workers' Comp Issues to Watch

By Jahna Jacobson

Employers will face three major workplace safety challenges in the coming years, but all can be mitigated through evolving safety solutions, workers' compensation professionals say.

The report, Challenges for Today's Worker—The Big Three: Physical Space, Mental Health and Environmental Impact, presented by National Council on Compensation Insurance (NCCI) Insights at the 2024 Annual Insights Symposium (AIS) in May, took a deep dive into top workers' compensation issues. The study identified weather-related injuries, the evolution of safety and the impacts of mental health as critical factors to watch.

Weather-Related Injuries

Across NCCI states, both hot days and cold days have more workers' compensation injuries than mild days. However, the rate of increases and types of injuries vary depending on whether extreme temperatures are hot or cold, or if precipitation is involved. As the average temperatures across the country continue to rise, more employees will be impacted by extreme highs and lows.

The study compares claims to a mild weather baseline (60-65 degrees Fahrenheit), with all other factors being equal. It strips the influence of calendar, location and exposure base to separate temperature from other factors such as mix of business, state laws and regulations, local economic conditions, or other variables of time and space. Some models include precipitation as it makes a particular difference on snowy or icy days. All claims are included in the study, whether or not they are weather-related.

All else being equal, injuries increase as the heat rises. Impacts begin just a few degrees above the baseline and rise to 5% when the temperature is in the low 80s. Injuries increase by 10% for temperatures above 100 degrees.

"For cold days, we don't see that same monotone relationship," said presenter Patrick Coate, senior economist at NCCI. "Rather, here we see work injuries peak about 5% above baseline on days when the high temperature is right around freezing."

On dry days, injury trends are commensurate with the rate of temperature variations. However, cold and wet days are different.

"So, precipitation on hot days, we see the rain attenuating the effective heat a little bit," Coate said. "But on freezing days, these wet days are much more hazardous."

On wet days when the temperature hovers around freezing, injuries increase by 10% over a dry and mild day, about the same as the impact of temperatures above 100 degrees.

Anae Myers, assistant actuary at NCCI, said the construction industry doesn't follow the "all-worker" trend. "There are fewer injuries on colder days, but the heat impacts are nearly twice as large as seen for all workers as construction is, of course, a physically demanding sector taking place largely outdoors and subject to seasonal fluctuations."

In transportation and warehousing, the heat impacts are similar to all workers, but injuries increase as the temperature gets colder, peaking at almost 25% over baseline when temperatures are below 20 degrees.

"Exposure to harsh, wintry conditions can heighten environmental hazards like driving in icy conditions or potential slips and falls while loading, unloading and making deliveries," said Myers.

Even though office workers are predominantly indoors, there is a heightened risk at 30 to 35 degrees, peaking at about 13%. At temperatures over 100, these workers see a high temperature peak of about 5% over baseline conditions. In the hottest cities, construction injuries can hit a 16% increase over the baseline.

Patterns also vary by cause of injury correlating with temperature.

"Contact and strain injuries both peak on the hottest days and are slightly lower on cold days compared to mild ones," Myers said. Slips and falls are the primary drivers of the positive relationship between injuries and freezing temperatures.

Precipitation also affects slips and falls and motor vehicle accidents. Even on dry days, cold temperatures can cause up to 40% more slip and fall incidents and a slight rise in motor vehicle accidents than mild weather.

When precipitation is added to the mix, slip and fall injuries rise by up to 75% in freezing temperatures, while motor vehicle accidents increase by 45% in those same conditions. The coldest cities have the most significant impact from precipitation, with the coldest cities seeing proportionately larger impacts than cities with milder winters.

The Evolution of Safety

The weather's impact on claims is not uniform across sectors.

"That points to the need for sector-specific safety solutions and a deeper look at frequency at the industry level," said Myers.

High-tech solutions, such as advanced wearables, computer vision and AI applications, are becoming more common ways to prevent injuries, but the most common injuries are still taking a toll.

"Across industries, over 60% of lost time claims are attributable to strains, slips and falls," she said. Notably, all sectors exhibit significant shares of both, she added.

Nearly two-thirds of all strains are caused by lifting, pushing, pulling and twisting. The lower back is particularly vulnerable. Lifting accounts for half of workers' comp low back injury claims. Strains, slips and falls account for 80% of all low back pain injuries.

Given the prevalence of these incidents across sectors, there could be promising applications of safety technology across sectors that mitigate or prevent some of these injuries.

"Safety technologies have a role to play in these trends," Myers said. "As they evolve, their transformative potential could mitigate more risk, causes and injuries if they work as intended and be a game changer for workers everywhere."

Mental Health Issues

Injuries can trigger mental health issues or exacerbate existing issues.

Workers' compensation recognizes three types of psychological injuries: Physical mental (PM), caused by a physical injury, makes up the vast majority of mental health-related claims. PM injuries make up about 8.5% to 10% of all lost time claims over the last 12 years. Mental-physical (MP), mental injury with accompanying physical injury, and mental-mental (MM), mental-only injury with no accompanying physical injury, together make up less than 2% of the total number of mental health related claims each year.

Injured workers with high-severity injuries are more likely to be diagnosed with mental disorders, particularly when experiencing chronic pain or a traumatic brain injury.

Injured workers can be subject to psychosocial risk factors such as stress and anxiety symptoms that may impact recovery. Early detection and intervention are critical to speeding physical recovery and preventing longer-lasting mental health impacts.

On average, claims with a mental diagnosis are six times more expensive than those without such diagnoses. Adjusting for a mix of medical conditions and surgery with a mental diagnosis, claims are 2.5 times more costly, indicating the higher unadjusted differential is primarily due to the mix of underlying medical conditions.

View the full AIS presentation from NCCI at https://www.ncci.com/Articles/Pages/Insights-AIS2024-Challenges-for-Todays-Worker-The-Big-Three.aspx. IJ

Special Report: Most Valuable Players:

Welcome to Insurance Journal's second annual Most Valuable Players recognition awards report for independent insurance agency customer service representatives and account managers. This report features 15 MVPs who define what it means to be a successful CSR and/or account manager in today's property/casualty agencies. These professionals have achieved impressive success throughout their careers and demonstrated key skills of what it takes to be the best service professional. They also have shown they have a passion for what they do and a commitment to professionalism and, in some cases, specialization. For them, being a CSR/account manager is more than a job. Insurance Journal's MVPs come from all regions of the country, live and work in cities or towns big and small, and know the importance of serving their customers. Information included in this report was voluntarily submitted online by individuals and management and was supplemented by other public information sources. There are more agency MVPs who deserve recognition than are profiled in this report and, hopefully, these profiles will inspire others to do what it takes to reach the top of their profession. Insurance Journal hopes to recognize more MVPs in future reports. For questions or comments on this award program, please contact, Andrea Wells at: awells@insurancejournal.com.

Ann Samuelson
TrueNorth Companies
Cedar Rapids, Iowa

Ann Samuelson joined TrueNorth in September 2020 and hit the ground running. Though she came into the agency with no insurance experience, she passed her insurance exams within her first 30 days and was helping the TrueNorth team with policy comparison spreadsheets within two months. After quickly completing the Cincinnati coverage class, being named account manager, and completing all her CISR classes, Samuelson was promoted to service manager team lead in 2021 and senior account manager in 2022.

She currently is a senior account manager within the agribusiness practice. "I grew up with an agricultural background, so joining the Agribusiness team allowed me to align my career with my passions," Samuelson says.

"My leadership team at TrueNorth, Dory Stevens & Lane Danielsen, have been instrumental in encouraging and supporting me throughout my insurance career," she adds. "Being open to learning opportunities, finding comfort in the uncomfortable, and experiencing challenges within the industry have truly helped me grow."

"She is a leader within our team and TrueNorth," her nominator said. "I am excited to see what the future holds for her!"

Alicia Poole
Acrisure
Naples, Florida

Alicia Poole has over 40 years of industry experience, launching her insurance career as a receptionist at a mom-and-pop agency in 1984. She quickly moved into the personal lines, insuring homes, autos and boats.

"After about two years, I was in much need of a challenge and moved into the commercial lines department, insuring condominium associations; the rest is history!" Poole told Insurance Journal.

Today, she focuses on working with residential condominium associations. Most of her book of business is high-rise condominium tower buildings on the Florida Gulf Coast.

Poole served as president of the Insurance Women in Collier County and has won multiple employee of the year awards while at Acrisure. She credits her professional success with surrounding herself with other professionals who share her drive, desire, passion for the industry, and vision for the future. That includes helping the future generation of insurance professionals.

"I continue to lead and mentor the new generation of insurance professionals," she said. "I enjoy sharing my knowledge and watching each one of them grow."

Michelle Fischer
Crest Insurance Group
Scottsdale, Arizona

From sticky buns to soup for a sick client – Michelle Fischer goes the extra mile to serve her customers.

"I've met clients in parking lots to give them their ID Cards or get signed forms," Fischer said. "I've gone to their homes to take pictures for underwriting or claims. I've taken clients to doctor's appointments. I've taken them soup when they are sick. Made them sticky buns to brighten their day or taken them chocolate covered strawberries just to see a smile."

Fischer, a private client account manager at Crest Insurance Group began her insurance career in 1997 as an executive assistant/receptionist. After a year, she joined the personal lines department. Soon after, the agency encouraged her to obtain her property and casualty license.

"I pushed myself to learn all aspects of insurance," she said. "I wanted to understand why something was being done and what we could do to protect a client's assets. I built strong relationships with underwriting and company representatives and always asked questions so I could understand."

She says that strong relationships with clients help her to identify exposures and find solutions that make everyone happy. Clients remember the extra effort, she said.

"A client does NOT forget," she added.

Account Managers & CSRs

Sara Wilson
Relation Insurance Services
Fresno, California

An MVP uses every opportunity as a learning opportunity, according to Sara Wilson. "Even if something feels like defeat, an MVP never quits," she says.

Wilson, an account manager at Relation Insurance Services in Fresno, California, began her career in the insurance industry 22 years ago as an assistant with no prior experience.

"I took advantage of every training opportunity and insurance course available to me and quickly worked my way up the ladder," she said. "From assistant to account manager, unit supervisor, senior account manager and finally account executive, I enjoyed every single role and valued both the experience and the relationships each position bestowed on me."

Today, she handles a diverse book of business, from property managers, developers, and non-profit organizations to for-profit hospitals, contractors, farmers and lawyers.

"No niche, you name it, and I'll learn it and handle it with utmost care and expertise," she said.

She credits her growth to working with people who share core values and dedication to excellence creates success for the team and for the client.

"While I have never set my sights on a sales role, I prioritize the relationship between myself and the producers I work with," she said. "It is truly a team effort, one that ultimately benefits our greatest asset — the client."

She added: "Every day, I get to help at least one person; that makes me an MVP."

Crystal Nielson
Leavitt Group
Cedar City, Utah

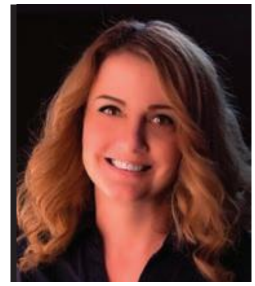
Crystal Nielsen says the most critical thing a personal lines account manager can do is listen.

Nielsen, a personal lines account manager with Leavitt Group in Cedar City, Utah, began her insurance career in 1996, working in personal lines, life insurance, health insurance and small business. Today, she oversees a personal lines department of 51 personal lines account managers. "As I train and develop personal lines account managers, I feel the most important trait a personal lines account manager should have is being a good listener," she said.

Nielsen says that showing empathy for customers and truly listening to their needs is an important key to being successful in insurance. "These traits are especially important in the insurance market today," she added.

Today's often challenging insurance market conditions puts added responsibility on account managers to educate and inform clients about changing insurance markets, and offering the best solutions to help them solve their coverage needs, she told Insurance Journal. "They will only understand this by an account manager showing understanding and empathy and listening to the insured needs," she said.

Working in personal lines, Nielson says she's rewarded by the "feeling that you have helped someone with their needs. Even [though] we don't win all the time due to the hard market, I feel we win the respect from the insured showing we care."



Laurie Graves
Inszone Insurance Services
Rancho Cordova, California

Laurie Graves's exceptional service and sales acumen make her an MVP at Inszone Insurance Services.

"She not only meets but exceeds expectations in every aspect of her work," said Inszone, who nominated Graves for the MVP award.

Graves is a commercial account manager team lead with over two decades of experience in the insurance industry. She worked as a personal lines service and service manager for the first seven years of her career, then shifted to commercial lines for the past 17 years, specializing in contractors.

"Laurie Graves has been an exceptional asset to our team, demonstrating unparalleled expertise and dedication in her dual roles as a commercial lines account manager and a top-tier sales producer," said her nominator. "Her ability to manage complex accounts while consistently driving sales growth has been instrumental in her professional success."

Her nominator said Graves' commitment to continuous learning extends to helping her team members continue their learning as well.

"The support she gives to our growing account managers as they follow in her footsteps is vital to the growth of our team and our company."

Special Report: Most Valuable Players:

Jamie Yang
IMA Financial Group
Pasadena, California

Jamie Yang has found the champions she needed in other successful women working in the insurance industry.

"Being surrounded by supportive and encouraging women has been the most helpful in my career," Yang said. "These women have lifted me up and encouraged me to pursue educational opportunities and promote myself throughout my career, even when that meant moving on to another role," she said. "I'm very fortunate to have found this support!"

Yang began her insurance career in 2014 as a client services specialist for a brokerage in Chicago. Relocating to Los Angeles in 2015, she transitioned into entertainment insurance. She has spent the last five years with IMA Financial Group focusing on technology, life science and cyber. Yang said specializing in tech and life science means each client has a unique product and/or service and needs a highly specialized insurance and risk management program.

"I take time to fully understand the exposures (through conversations with the client and additional research) so I can craft the most comprehensive program," she said. "I lean on my relationships with my underwriters to negotiate top-of-the-line coverages at competitive rates."

Since joining IMA, she earned her CIC and CRM designations, and recently co-presented on social media regulations and risk management at the Tech Assure Spring 2024 Member Conference. She also participates in IMA's Women's Network+ and in the firm's Leadership Mentoring Program as a mentee. "I hope to pay it forward as a mentor in the future."

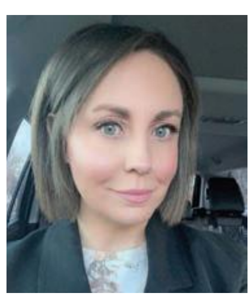
Jessica Carroll
LP Insurance Services LLC
Reno, Nevada

Jessica Carroll turned a job at her agency's receptionist desk into a 20-plus-year career in the insurance industry. She is now a senior commercial lines account manager at LP Insurance Services LLC where she specializes in construction, real estate and car dealership accounts.

She holds an associate's of leadership degree from United States Liability Insurance and has earned both the CIC and CISR designations. "I've formed a remarkable history of effectively overseeing and directing a large book of business consisting of middle to large-sized accounts," she said. "In doing so, I've created a collaborative leadership style; expertise at leading and influencing teams to ensure high levels of performance; built a talent for spearheading intricate commercial lines accounts, delivering best-in-class client service, and fostering robust client relationships."

She attributes success to her strengths which include identifying potential business opportunities, promoting cross-selling to existing clients, and driving marketing outcomes.

Mentorship is critical to navigating a successful insurance career, Carroll added. She participates as a mentor for The Risk & Insurance Professional Studies Mentorship Program at the University of Nevada, Reno. "I hope by mentoring those within my organization/team, participating in the University's insurance mentorship program and being an open resource that I'm helping to guide the next up-and-coming insurance generation," she said.



Erinn Stringer
G2 Insurance Services, a Relation Company
Walnut Creek, California

Erinn Stringer is a third-generation insurance professional. In 2010, she started her career in the mail room and as the receptionist for her family's brokerage in Portland, Oregon.

"I've since worked as a P&C broker, promoted from assistant to client manager, and now AVP/senior client manager," she said. "I've worked as a broker for more than a decade, and it's never a dull moment."

Stringer joined Relation Insurance in Walnut Creek, California, in 2022 as a part of the acquisition of G2 Insurance Services, a San Francisco-based brokerage. Her focus is on large and middle-market non-profit organizations, wineries and contractors.

"Caring about my clients and the people I work with has been most helpful in my professional career," she said. "Getting to know the people I work with gives meaning to the work I do and invigorates seemingly monotonous tasks."

Stringer said she fosters trust with her clients through client advocacy, marketing expertise, carrier negotiations, reliability and transparency.

"I'm always willing to go the extra mile to help someone out and support my community, whether it be training, backup support, attention to details, volunteering, or simply putting in extra time and effort when needed," Stringer said.

"I thrive on being a trusted advisor and advocate for others," she said. "Insurance is a great career."

Kelly McMahan
Rogers Insurance Solutions
Monroe, North Carolina

Kelly McMahan's journey to success was made by collaborating with clients every step of the way.

"I have worked with independent agencies since I started in the business," McMahan said. "I have always worked as a CSR/account manager; however, with the position I'm now in, I actually service the accounts from quoting to writing and servicing."

She has been in the industry since 1995 and earned an MBA from the University of Phoenix in 2016.

"I take pride in working with new clients to make sure they have the coverage that they need for the best price per the coverage," McMahan told Insurance Journal, adding that building those client relationships is critical.

"I strive to give the best customer service to new and existing because word of mouth (bad and good) is the best kind of advertisement," she said. "I have learned over the years to underwrite the risks that I quote as this helps the client as well as the company."

McMahan, a native North Carolinian, serves on the Independent Insurance Agents of North Carolina's Government Affairs Committee and the Diversity and Inclusion Committee.

She offers one tip for others — keep learning. "I strive to learn at least one thing a day in the insurance industry as it is an ever-changing industry," she said.

David Accurso
Inszone Insurance Services
Lee's Summit, Missouri

David Accurso joined Inszone Insurance Services in 2023 with little experience but "a positive, go-getter attitude."

While new to insurance, the commercial lines account manager immediately began learning about public entities, small business and farm accounts alongside his producer.

Accurso said his uncle got him interested in insurance. "My uncle was a commercial lines producer for 16 years. His passion and success in the industry inspired me to start my career in insurance. In the summer of 2023, he helped me get my start at Inszone," he said.

In his nomination as an MVP, Accurso was cited for his "passion for commercial insurance account management," which "drives him to continuously enhance his expertise in the field."

His firm said: "He eagerly looks forward to leveraging his insurance knowledge to cater to the unique needs of his business clients."

His nominator added that Accurso's attention to detail, his enthusiasm to support others around him, and his willingness to embrace change make him an invaluable team member.

"His hard work and dedication are something to admire and for others to strive for," they said.

For his part, Accurso cited several things he finds to be most helpful in is job: "Keep showing up; Striving to make small improvements every day; Being surrounded by teammates with high levels of knowledge and expertise in the industry."

Brea Berschig
Presley Insurance Group
Dallas, Texas

Brea Berschig's clients stay put. The account manager boasts a 90%-plus retention rate, month over month, at Presley Insurance Group.

Berschig started at the agency in 2021 and has been "tenacious" in navigating this hard market, said her nominator at Presley Insurance. "She manages $6 million of my book of business, while the agency has a total book size of $14 million that she assists with," they said. "If there is an account manager deserving of this honor, Brea is definitely a fit!"

Berschig told Insurance Journal that after Covid she struggled as a single mother to two young daughters. "During this time my cousin was working in the insurance industry and she suggested that insurance would be a good fit for my outgoing personality." She spent the next two weeks studying and passed her licensing test on the first try.

Berschig says she has "always enjoyed working with people," and credits her success to empathy and compassion for her clients especially in the past few years as inflation has put strain on many financially. She admits the work is "testing at times," especially in today's hard market.

In addition to empathy, being a good listener helps, she says. "Once I learned how to listen to the client understandably express their frustrations and not take it personally, it allowed me to then educate them on the market conditions."

Brea's most helpful tool in her bag is the fact that she shows up each day," her nominator wrote. "She shows up ready to execute."

Brandy LiCausi
Arbor Insurance Group Inc.
Allentown, Pennsylvania

Brandy LiCausi is an MVP when it comes to cross selling, upselling and turning referrals into sales for the agency, according to Arbor Insurance Group. In her MVP nomination, her nominator said: Brandy's "dedication to putting customer first is what I feel makes her the ultimate customer relationship manager on the team."

"I love helping people and solving their problems or misunderstandings with insurance," LiCausi said, adding that her teaching degree has helped her in educating customers about their insurance needs.

Licausi is licensed in both personal lines and life insurance, and has been a personal lines insurance advisor for Arbor Insurance Group for more than 15 years. She left the agency in 2022 to work for a direct carrier but returned to Arbor in October 2023 with added knowledge and expertise that has helped to support her growth at Arbor.

"My manager Roberta Kates at Arbor has been a huge inspiration to me. I look up to her for so many reasons and honestly she should also be receiving an award for the BEST manager in the world!! I have always been an overachiever and multitasker but she has taught me how to perfect those skills," LiCausi said.

"I always treat my customers the way I would want to be treated. When I tell them I'm going to get back to them by such and such time I do and if I can't they always get a call from me with an update," she said.

"Brandy plans out her day to conquer what comes at her, solve the issues and move on to the next," said her nominator. "Brandy loves to learn, and, in the market today, every day is a learning process."

Yolanda Carrillo
TCP Insurance
Torrance, California

If you need it fast, and you need it right, ask Yolanda Carrillo. That's the mantra at TCP Insurance where Carrillo has been an integral part of the team for 21 years and now serves as the agency's most senior account manager.

"Yolanda has excelled in servicing clients' everyday needs, managing client relationships, and has been a pillar in helping our agency navigate the fast-paced and ever-changing industry," said her nominator.

"She has acted as an advisor, confidant, and advocate to our clients to ensure coverage is appropriately and fairly placed," they said. She has built a rapport with our clients that makes them feel as though she is a partner in their own business; they look forward to speaking with her and sharing their successes, new upcoming projects, challenges they may face, and just overall catching up!"

Carrillo also has built strong relationships with underwriters, and she invests her time with newer agents and account managers to help foster a growth mindset and help them strive for continued success. In addition, "Yolanda has honed the ability to juggle multiple clients and their complexities to ensure our insureds' needs are addressed and solutions provided," said her nominator.

"Although we have supporting staff members, Yolanda can personally oversee that our insureds' requests are being completed from beginning to end as needed," they added. "She has the knowledge of every procedure to get the job done."

Lindsey LeClair
Kaplansky Insurance Agency
Needham, Massachusetts

Lindsey LeClair built the foundation of her insurance career at her family-owned agency, Staite Insurance. When Staite was acquired by Kaplansky Insurance in 2021, LeClair seamlessly transitioned, bringing her dedication and expertise into a new environment and her role as an account manager in the company's Needham, Massachusetts, office.

"In 2018 I was looking for a career change and I was not exactly sure what I was looking for, LeClair said. She joined Staite Insurance, owned by her aunt and uncle at the time, at their suggestion. "So, without any real knowledge of insurance I took a chance, unknowing at the time beginning my new career," she said.

Since then, she's excelled, her nominator told Insurance Journal.

"Driven by her commitment to her clients and our organization, Lindsey is consistently surpassing her target goals and pushing forward successfully," said Kaplansky in nominating LeClair as an MVP.

In addition to maintaining her property/casualty licensing, LeClair is currently pursuing other designations. "At Kaplansky Insurance I have learned even more working with a multitude of different carriers and have also become licensed in life insurance," she said.

"Lindsey's depth of knowledge and willingness to learn helps her effortlessly navigate complex client needs with confidence and expertise," said her nominator.

"Lindsey is an invaluable asset to our organization, and we are fortunate to have her on board," they said.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ASSOCIATION OF CALIFORNIA
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2024 – 2025
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D.A. in California Sues Farmers, Other Home Insurers Alleging Scheme to Underinsure

Alameda County District Attorney Pamela Price's Consumer Justice Bureau has sued multiple home insurance carriers in California, including Farmers Insurance Exchange, alleging they're operating a scheme that knowingly and systematically underinsures homes in California.

The complaint alleges these carriers provide consumers with inaccurately low replacement cost estimates, far less than what is needed to rebuild homes in the event of a disaster. The bureau says this violates insurance regulations requiring any such communication to "include the expenses that would reasonably be incurred to rebuild the insured structure(s) in its entirety."

According to the charges, insurers generate replacement cost estimates though third-party software that considers little information about a specific home to be insured, instead relying on generalized features like the home's ZIP code.

The complaint alleges the amount of insurance coverage purchased by homeowners is based on an estimate to rebuild a hypothetical home, not the actual home for which consumers are purchasing coverage. By avoiding the costs required to obtain detailed information about a home's actual characteristics, home insurers offer lower premiums to increase their competitive position in the marketplace. However, this also leads to systemic underinsurance in California, leaving homeowners without the means to replace what are often their most valuable assets.

The complaint alleges this scheme violates numerous California laws, including Insurance Code regulations and California's Unfair Competition and False Advertising Laws. The lawsuit seeks civil penalties and injunctive relief prohibiting home insurance carriers from continuing their conduct harming homeowners across California. IJ

AI, Economy, Geopolitical Conflicts Lead to Highest Level of Corporate Risk in 12 Years: Report

Economic volatility, geopolitical upheaval and artificial intelligence (AI) have driven the corporate threat level to its highest in 12 years, according to Clyde & Co's 2024 Corporate Risk Radar. The survey of C-Suite decision-makers, in-house legal teams and general counsel, conducted in partnership with research consultant Winmark Global, found escalating threats on multiple fronts are creating a "polycrisis" of risk — forces that when combined produce the chance for greater losses.

The report found that 67% of leaders surveyed say that the risk landscape is now "many times more complex" than it was just three years ago at the height of the pandemic.

Complicated and often contradictory global regulatory risk was cited as a major obstacle to corporate growth.

FOMO or "fear of missing out" on artificial intelligence (AI) is prompting a "gold rush" mentality around the disruptive technology, the analysis showed.

Attracting and retaining talent, particularly from overseas, has become increasingly difficult and more costly.

Risk caution is estimated to be costing as much as 5% of corporate revenues, with more than a quarter of respondents saying that risk perception was hindering "bold decision-making."

"Organizations are having to deal with risks that were never on their radar in the past. An unpredictable economic environment with shorter and more volatile cycles is being fueled by growing geopolitical tensions. In response, we are seeing a proliferation of sanctions and a greater regulatory burden which organizations must now navigate," said Eva-Maria Barbosa, a partner at Clyde & Co. "Add to this the growing impact of AI and the sheer number of risks could feel overwhelming for any business. With all of this to contend with, effective planning and risk prioritization is becoming crucial, with more and more companies understanding the importance of consistent horizon scanning."

Economic risk — inflation, interest rates and currency volatility — was the top threat, according to business leaders. This was followed by "people" challenges, which include attracting and retaining talent, upskilling, management and succession planning.

While respondents said AI was a potential source of competitive advantage, an urgency to embed the technology is driving a fear of being left behind, which could problematic. Divergent and sometimes contradictory regulations on AI are just one concern respondents cited, but they are part of a much wider concern about the overall regulatory burden companies are having to manage.

Regulatory and compliance risk is now the joint second biggest issue organizations are tackling, according to the report — up 9% over 2023's findings.

"With numerous regional conflicts persisting or escalating and further political uncertainty and upheaval likely thanks to an unprecedented year of elections around the world, geopolitical risk surged 11% from last year, ranking fourth," Clyde & Co. reported.

Leaders surveyed said that market disruption — including AI — was now the risk they feel least prepared for, eclipsing climate change, geopolitical and societal risks.

General counsel were the least optimistic about their readiness to deal with market disruption, the report found. Respondents said that scenario planning and risk horizon scanning was now a much bigger part of their jobs than it was just a few years ago.

The report found that some respondents highlighted the growing tension between boards and executive risk management, with the suggestion that boards were often relying too heavily on executives to identify and present risks.

"This year's report shows that the business of doing business has become more unpredictable than ever. Most of us have now come to terms with the fact that there is no longer such a thing as 'normal' and that a different mindset is needed when assessing and responding to risk. Navigating risk is not just a defensive play but a crucial enabler of commercial opportunity and global economic activity," said Carolena Gordon, senior partner at Clyde & Co. "It is encouraging to see that, despite the headwinds, businesses are increasingly taking a proactive approach to risk management." IJ

Managing Expectations While Going Green

By Andrea Wells

From increased wildfires to flooding to wind and hail and hurricanes, the risks and resulting losses from climate change grow each year.

While 2023 was the hottest year on record, 2024 is shaping up to beat that placeholder. According to the National Centers for Environmental Information's Global Annual Temperature Rankings Outlook, there is a 61% chance that 2024 will rank as the warmest year on record and a 100% chance that it will rank in the top five of warmest years ever recorded.

This year's warmer weather is also leading to near-record warm ocean temperatures and

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Room for Growth in Smaller Green Energy Market

How are insurers viewing the solar and renewable energy markets? While large risks likely have no problem, smaller to middle risks may face difficulty.

"I certainly think there's a gap in the smaller risk area," said Loren Henry, vice president, Environmental & Energy Practice, Jencap Specialty Insurance Services. "I think with the resources of some of the larger domestic carriers ... they have resources from an underwriting perspective to throw at these large wind farms, and large solar farms. They understand and have a good grasp of those type of exposures, but they're not necessarily chasing middle market or small market business that may have a different exposure base, different plans and ideology, than some of these larger exposures do."

While Henry sees the solar installation side of the market as presenting great opportunities for agents and brokers, there is a gap in the insurance market for renewable energy risks in the smaller to middle market range. However that may be changing. Recently, Henry said, a few newer MGAs have come into the marketplace that are focusing exclusively on renewable energy in various forms. One of those is Ethos Specialty.

Tayler Marshall, vice president of Clean Tech at Ethos Specialty, part of the Ascot Group, says there are a lot of unknowns in insuring renewable energy-focused

firms or other "clean tech" companies when it comes to performance over time so larger, standard market carriers are not willing to play in this space.

"We definitely see an opportunity on the smaller side with the influx of funding coming from the federal government" to support green energy, Marshall said. "We see a lot of risks that are in the startup phase. They have no prior loss experience. They're new ventures and might be in the R&D phase doing more innovative technologies and so the standard markets, where they may be willing to eventually get there, they're just not there yet," she said. "It's either too low for their minimum premium or it's a risk that they just can't wrap their heads around. But we're in a great place to really understand the technologies behind their products and services and to support them for all the work that they're doing into the future."

Marshall says Ethos Specialty will consider general liability or excess liability for commercially focused risks working on the product side, including owners or developers of battery energy storage systems or solar, and product liability coverage for manufacturers, importers and distributors of companies that are offering products that support clean energy and a more sustainable future.

"We're really interested in the commercial industrial side but when it's a manufacturing type of risk, we're interested in products that are used in residential applications," she explained. That can be anything from a manufacturer of sensors to be used in solar applications to an EV charging station to smaller scale wind and hydroelectric facilities. "We define clean tech as any product, technology or service that's supporting a more sustainable future," she said.

New interest in commercial solar projects is coming from traditional environmental markets, particularly on the solar side, as well, Henry said.

Canaan Crouch, managing director at Jencap Specialty, says interest in residential solar has declined from environmental carriers that entered the market six or seven years ago chasing residential solar business. "They were agnostic to whether it was residential or commercial and then the claims came in," Crouch said. "What you saw was a break down on what the actual risk is — a residential solar installer, or a roofer."

The market was "probably underpriced a little bit" and those carriers "learned a very swift and firm lesson," he said. "So now we're seeing somewhat of a softening of interest and a retreat where now carriers are trending more towards commercial risks that are not as heavy in residential install."

There used to be a relatively robust marketplace — seven to eight carriers — but that has dwindled, he said.

"Now there's roughly three carriers that are actively seeking that business. There's other carriers that will dabble. For example, if the account is large enough, if the premium is seven figures plus, they'll consider it but right now you see carriers being very picky and choosy."

Crouch added that there are other issues to consider. "What nobody is really contemplating is the sourcing of those materials and some of the human tragedy that goes into sourcing, for example, cobalt or cadmium or lithium," he said. "There's terrible repercussions, not just sourcing that material, but also disposing of that material."

Take solar, for example. "All of these panels have a usable life, and they're eventually going to be garbage," he said. "At this point, we don't have the capabilities to effectively and efficiently recycle solar panels. The only thing that we're able to really, truly capture as a resource from the recycling is some of the metals that go around and border these panels, but to get the material that is kind of baked into the glass, which is where many of the toxic chemicals are, we don't have the commercial recycling capabilities to extract that."

Green Design Expectations

There's a lack of "green" design specialization but that's OK, says Kevin Collins, A&E Professional Liability Practice Leader, at Victor.

"It's pretty easy to get coverage for firms that are involved in green design," Collins said. "It's easy to place coverage for engineers and there are no standard exclusions that really focus on the green building aspect." However, what may not be as easy for architects and engineers when it comes to green building is managing their expectations on how the green building will perform.

"When we talk about green design, it could be simply the materials that are being used. It could be from the standpoint of the certification of the building itself, or it could be more futuristic, dealing with issues around climate resiliency or longer term issues that need to be built into the design," he said. There are contractual exclusions that exclude warranties and guarantees for performance.

For example, many of the requirements for green building certification programs, including the USGBC's LEED program, are outside of the design control. "So in other words, you can work with the owner to try to manage and select systems or find 'points' (for certification) and build those elements" into the design "but at the end of the day, the certification process is based on performance at the end of the project," he said. And the certification is based on a third party review of that performance. "So you can't guarantee that they're going to get the LEED certification."

Andrew Mendelson, executive vice president, chief risk management and CX officer at Berkley Alliance Managers, a Berkley Company, agrees.

"Our key advice to our clients, our insureds who are architects and engineers and contractors, is to manage owners' expectations," Mendelson said. "So with green design, you're expecting a more sustainable performance of a building. You're expecting better energy performance," he said. "But the key is to manage the expectations of the project owner and not guarantee the performance from an insurance perspective." There is no guarantee. "We don't insure for warranty and guarantee as professionals. Now contractors have a warranty guarantee standard, but with regard to sustainable goals, they do not."

Mendelson says one of the main reasons why there cannot be a warranty and guarantee has to do with the owners' use of the green building and its components.

"How do they operate the building? Are they running the HVAC system, the temperature control system, the way it was designed? ... The owner's a big component and that's why it is not just about the architects and engineers or the contractor."

Mendelson added that A&E claims largely evolve out of unmet expectations. "This is why in green design, the expectations can be elevated by an owner, so you've got to manage that."

While green design may add to the complexity of the design and construction, it has also led to strong commitments from engineering associations to support environmentally responsive and responsible design.

For example, sustainable design in public entities has expanded into better management of stormwater. "That gets at the heart of resiliency and extreme weather," he said.

"Parts of green design now include retaining stormwater on site longer; keeping it on the site and not in the public storm sewer system, overwhelming the streets and causing flooding," Mendelson said.

"So that's an aspect of sustainable design that is directly related to resiliency." IJ

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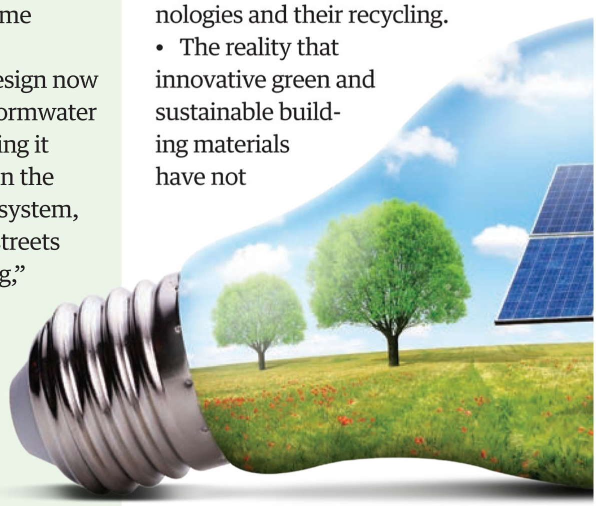
a shift to La Niña conditions, which is raising expectations for an extremely active U.S. hurricane season. The National Oceanic and Atmospheric Administration in May forecasted an 85% chance of an above-average Atlantic hurricane season, with up to 25 named storms. Colorado State University's tropical meteorology project in April forecasted 23 named storms, 11 hurricanes and five major hurricanes.

More than 32.7 million residential properties from Texas to Maine are at risk of moderate or severe damage sustained from hurricane-force winds, according to CoreLogic's 2024 Hurricane Risk Report, which equates to a combined reconstruction cost of $10.8 trillion.

The threat of increasing climate risks has energized the transition to a low-carbon economy. However this transition comes with its own set of risks and challenges. Among the concerns are:

- Heightened competition for space and resources for green energy infrastructure.
- Uncertainty over how to handle end-of-life green technologies and their recycling.
- The reality that innovative green and sustainable building materials have not



been fully tested for long-term viability.

- Reliance on critical minerals that enable some green technologies present tremendous environmental, social and human rights challenges worldwide.

These risks and challenges are evident in insurance perspectives on two of the most popular green industries: green building and the use of new materials like mass timber, and solar energy and the use of photovoltaic (PV) systems. They also are playing out in how insurers and agents view writing green business risks.

Green and Resilient Buildings

Sustainable design optimizes building performance and minimizes negative impacts on building occupants and the environment while resilient building design focuses on practices and strategies that help create buildings and landscapes that are resilient to the natural disasters of a particular region.

While the green industry, including green building and green energy, has been around for decades, there is increased interest today in building and innovating with both sustainable and resiliency goals in mind.

"Green building does have aspects of resiliency, but I also think resiliency can go beyond just green building materials," said Patrick McBride, head of construction property, Zurich NA. Nevertheless, green and resilient have become "inextricably intertwined," he added.

The nation's largest green building certification program seems to agree. In April, the U.S. Green Building Council (USGBC), developer of the LEED green building certification program, jumped into resilient building by announcing its draft rating system, LEED v5. USGBC says the newest version of LEED will provide a framework for creating sustainable, efficient and resilient built environments that will also promote environmental responsibility, economic viability and social equity. Centered around three areas, LEED v5 will seek to advance improvements in decarbonization, quality of life, and/or ecological conservation and restoration.

"Buildings offer immediate opportunities for addressing climate change, biodiversity loss, equity, health, and so much more when they are designed, built, and operated with intent," said Peter Templeton, president and CEO, USGBC, when announcing LEED v5 in April. "This is the architecture behind LEED v5, which targets areas where accelerated progress is most needed while creating pathways that are accessible and applicable."

According to McBride, there are more sustainable construction projects being built today — solar, wind, battery and energy storage facilities — many of which are utilizing green building materials and incorporating green areas into the design plans.

One example, McBride and Zurich NA are bullish on is the use of mass timber for constructing larger buildings. The family of engineered wood components known as mass timber can be used in place of steel or concrete, both of which are considered significant carbon producers. Wood/timber is also a renewable resource and developing mass timber produces less carbon emissions when compared to the energy-intensive processes needed to produce concrete or steel.

The U.S. mass timber market caught on faster in Europe, which accounts for half of the worldwide volume, according to a report from Allied Market Research. Allied forecasts 6% annual growth in the mass timber market for the next decade, but the number of new builds in the U.S. may exceed that rate, the firm said. Mass timber can be used to build everything from tall

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timber towers and long-span sports arenas to office buildings, multi-family structures, educational facilities, and more.

Since 2021, Zurich has had a large appetite for mass timber construction risks, McBride told Insurance Journal. "That's really coupled with our general desire to be one of the most sustainable companies in the world," he added.

According to McBride, mass timber is a green building material simply because it comes from a renewable source. But "it actually sequesters carbon through the life cycle of the building, so we absolutely feel that it meets one of the criteria that we look for when building out sustainability and construction strategies."

The "built" environment – which includes all man-made structures – accounts for about 39% of gross annual carbon emissions, according to the World Economic Forum, so bringing in more sustainable strategies to this sector is important, advocates say.

Aside from its greener carbon footprint, mass timber advocates say it also is a more structurally resilient building material. Mass timber buildings are cited as being able to withstand powerful earthquakes and high winds.

The growing interest in mass timber projects led to an update to the International Building Code in 2021, increasing the maximum number of stories and total square footage of buildings built with mass timber. Now towers can be built as high has 25 floors.

While Zurich remains optimistic on the mass timber construction market, some carriers are reluctant to create coverage programs for it and consider it in the same category as light wood frame construction.

A recent blog by Top 100 Agency TSIB Insurance based in Saddle Brook, N.J., said: "While mass timber is designed to be fire-resistant, it is crucial to acknowledge that no material is entirely impervious to this risk. Due to its plywood-like layers, cross-laminated timber (CLT) has been found to char at a slower rate during a fire … However, the added fuel load of mass timber can increase the fire's growth rate."

McBride acknowledges that mass timber is not without risk and exposure, but those risks are much different than those associated with a light wood frame structure, he says. "We feel it has inherent qualities that do differ (from light wood frame). Plus, it meets some of those sustainability requirements, which make us excited," he said.

While mass timber isn't a new material, loss experience on how it performs over time is still limited, McBride said. But that is changing. There are more and more large commercial projects being built with mass timber construction.

"There's actually over 2,000 projects that have either been designed, engineered and built, or are under construction today," he said. The real test will be opening the door to more insurance capacity for this exposure, he said. "I think it's incumbent upon the carriers to find creative solutions in order to support it because it is for the greater good."

Solar Rising

The U.S. Energy Information Administration (EIA) expects electricity generation will grow by about 3% in 2024 and 1% in 2025 with renewable energy sources – primarily solar – making up the most of that growth. EIA forecasts solar will provide 41% more electricity in 2024 than in 2023.

That sets up the solar industry for significant growth in the coming years, with some world leaders calling for nations to triple renewable energy, largely solar energy by 2030.

However, this growth could be hindered if insurers continue to rely on inaccurate industry standard models that underestimate the true risks associated with solar projects, according to a recent report by kWh Analytics.

"Traditional modeling assumptions fail to capture the unique characteristics and risks of solar photovoltaic (PV) systems," said Nicole Thompson, senior data science manager, kWh Analytics, in the firm's recently released 2024 Solar Risk Assessment report.

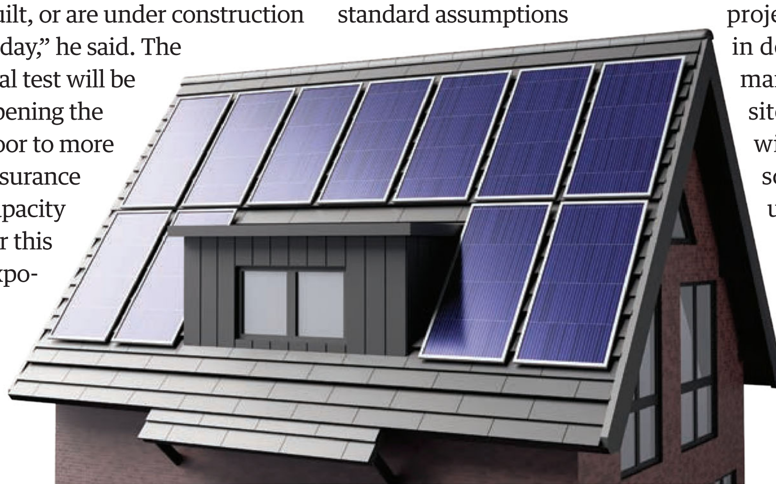
This can lead to significant discrepancies when predicting risk, she wrote, adding that standard assumptions can underestimate losses due to physical damage by over 300% in some regions.

"This inaccuracy could have serious implications: Incorrect or unreliable models can drive insurers to have outsized reactions to natural catastrophe losses (decreasing capacity and increasing insurance premiums for solar), while pushing investors to seek higher levels of insurance limits due to their inability to accurately quantify the risk," Thompson said.

Advanced PV-specific modeling methodologies enable insurers to more effectively assess and price risk, ensuring the financial viability and sustainable growth of the solar industry.

But the frequency and severity of natural catastrophe events continue to grow, and the increase in renewable energy projects in storm-prone states has led Alliant Insurance Services and others to forecast a continued insurance availability gap.

In the Solar Risk Assessment report, Alliant pointed to the value of using technology such as thick, heat-tempered panels and trackers that can protect against hail loss. More sophisticated renewable energy insurers can differentiate projects that prioritize technology selection and operating procedures, Alliant wrote in the report. "Solar project owners who invest in designing, building and maintaining resilient solar sites in combination with bespoke insurance solutions can achieve up to a 50% reduction on rate loads for highly exposed natural catastrophe zones," Alliant wrote. IJ



From the Desk of

Patrick Wraight

The margins of a page create white space. It's the part of the page where we don't write. Even as I'm typing in Word, the page automatically sets margins for the eventual printed page that Word assumes will come next.

The best thing about margins in books is that they are where I write notes. Ever since I was in college, I have read most books with a pen nearby.

I write notes so that I remember what the book made me think.
I write notes so that I remember how I might use the lessons.
I write notes because I disagree with the author.

Mostly I write notes because the margins are for thinking, wondering, and growing.

I need margin in more than just the page. I need margin in work so that I can come up with and develop new ideas. I need margin in life so that I can take care of me and mine. I need margin in money so that I can pay those unexpected bills that seem to come out of nowhere.

Excuse me while I go find some margin.

You're welcome to this margin

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ACADEMY of INSURANCE

An Insurance Journal Company

Finding New Producers

Most of our agency clients tell us they have a hard time finding producers. They want to know where to look and how to bring them in. It is not an easy task to find someone, especially a producer from another agency with a book, who is experienced and who can just come in free and clear with a book of business and easily fit into the agency's culture. Every agency is different, has different levels of support staff, different markets, training, computers, perks and contracts.

By Catherine Oak

Following are some methods an agency can use to find good people and be successful in this endeavor, gleaned from our experience in working with thousands of agencies over the past 35-plus years.

Promote From Within

We have interviewed so many agency staff in countless agencies that feel resentful that owners and managers often look outside the agency to bring in managers and new producers. They may be customer service representatives (CSRs) or account managers that have worked in the agency for a long, long time and know the customers well, the underwriters, the processes and procedures of the firm.

Often, we are told that they do not have an avenue to move up in the organization nor are they ever asked of their desire to do so even at performance review time. It is just "assumed" that they are not interested or willing to move up. They also have a big fear that if they did move into sales, they would have to go on straight commission. With this concern, even if they have a sales personality and could handle most of the commercial lines or benefits call-ins, they won't accept the job.

The answer can be a different role that some agencies have created called an account executive. They are called AEs and can handle existing books as producers do and are not expected to bring in new clients. They are usually expected to cross sell the existing account with other coverage lines, such as umbrellas, EPLI, fiduciary responsibility coverages, business interruption, cyber, etc. Most can do this if they have taken some CSR and certified insurance counselor (CIC) courses and have a good manager to lean on.

The key is how to properly compensate them. Most AEs that have that position are compensated on a percentage of the book they handle as a salary, usually in the 20% to 25% range. Usually, AEs still have CSRs to delegate to for clerical tasks, and operate more as a producer on the accounts. If they cross sell or bring in new accounts, they should receive commission for this outside of their salary.

In most agencies the personal lines sales are handled by the CSRs/account managers and not specific producers.

Hire Professionals in the Community

This was an avenue taken by a California firm we knew; they would hire people in their community that were coaches and teachers. These professionals knew everyone and had a desire and drive to win. They are usually also unable to make a lot more money in their current profession and are somewhat dead ended in their careers.

The agency we knew that did this hired about 40 of these people and they rarely ever left. They were extremely hardworking and grateful for the opportunity, and were quick studies.

Salespeople Connected to Agency Niches

Another source is to look at people that sell in the niches that the agency likes to write and already knows that specialty well. An example would be a lumber salesperson or equipment dealer salesperson and the agency has a specialty in contractors or dealers. The salesperson already knows people to connect with that are contractors and sub-contractors and can talk to them about the program the agency has that would be perfect for their needs. Another example would be a car salesman, for an agency that writes dealerships, or an attorney who can easily write law firms and has connections there.

College Marketing Projects/Internships

One of our clients found two great long-term employees through this idea, a producer and a marketing manager. They started as college business students needing to do a marketing project for a business. They were invited in and got to know what the agency does, what its marketing efforts were, and concentrated on assisting with the agency's website, mailings, ads, social media, etc.

After making recommendations for their project to the agency, they both ended up so impressed with the owner, managers and the firm, that they first interned there and when they graduated, they were offered jobs and are still there today!

Many people do not really understand the jobs in an insurance agency and how challenging and exciting it can be to work with a wide variety of clients, especially in commercial lines and employee benefits.

When I was in college we had an insurance degree at the University of Wisconsin, Madison, called Risk Management & Insurance. After earning your degree and were ready to graduate, the college would have recruiters from insurance firms come to school to interview us. It helped us get a big picture view of all the roles available in the insurance industry, and I took a job with St. Paul Fire & Marine as a Marketing trainee. I also had a summer internship, as well, with Employers of Wausau that our Risk Management professor recommended. My sister and I did not have anyone in our family that had been in the insurance business. Working there really opened up our eyes to all the possibilities there were.

Insurance agencies should go to their local colleges and community colleges to pitch their firms and explain the opportunities they have available. Often an agency can also post openings on the college website, which can help students find great jobs in insurance.

There are many colleges all over the country now besides Wisconsin that have Risk Management and Insurance degrees — which is a good place to look for prospective agency employees — such as Fullerton and Sacramento in California, Arizona, Michigan, Massachusetts, Alaska, Mississippi, Colorado, etc.

Project Invest by the Insurance Women

The National Association of Insurance Women for years has worked at getting high school students interested in considering the insurance industry as a career choice, in both carrier and agency roles. Parents of students in the school who are insurance veterans and other insurance personnel come in on career days to explain to students the opportunities that abound in insurance.

Hire a Specialist to Find Producers

There are some good recruiters that specialize in insurance. Some are specifically dedicated to insurance producers, such as Art Betancourt of Michigan. His email is Arthur.betancourt@aebetancourt.com.

Contact him to see the unique way he and his team work to teach agency owners how to do the recruiting themselves. Tell him we sent you!

There are also ads an owner can run in insurance magazines, such as the Insurance Journal and the National Underwriter to find producers.

Non-Owner Producers Competitors

There are many producers that come up against someone on an insurance sale and lose to them. If the succeeding owner or non-owner producer finds out the competing producer was not the agency owner, and they were great, the client may be willing to share their contact information. Then, your agency can reach out to see if they might be interested in a job.

Recruit Those Who Impress

Lastly, recruit those you come across that impress you. For instance, a waitress in a restaurant you are very impressed with or a clerk in a store. Are their personalities or knowledge worth exploring for your own firm?

Always remember that it is much easier to teach someone insurance, than how to close. The key is to make sure they get that insurance training from within the agency or schools that exist from carriers or organizations like the Society of CIC.

This article gives agency owners many ideas on how to find or grow the firm's own producers. Any one of these ideas has been proven by others in the business and may just open up one's eyes to the possibilities out there. IJ

Oak is the founder of the international consulting firm, Oak & Associates, based in Bend, Oregon and Sonoma, California. Oak & Associates specializes in financial and management consulting for national and international insurance agencies, including valuations, mergers and acquisitions, clusters, sales and marketing planning, as well as perpetuation planning. Phone: 707-935-6565. Email: catoak@gmail.com. Website: www.oakandassociates.com.

My New Markets

Hospitality Insurance Solutions

Market Detail: Kinsale Insurance Co. offers hospitality insurance solutions for businesses in food and beverage, travel, entertainment, nightlife, and more. Entertainment: Rage rooms, axe throwing, amusement centers, event and concert venues, and other entertainment businesses need special coverage. Special events, including sporting events, concerts, festivals, and fairs, may need limited-time coverage for the few days they take place. Find premises and liquor coverage from our entertainment and excess casualty teams. Hotels and motels: Hotels, motels, and vacation rentals all need premises coverage, and many may also need coverage for serving alcohol onsite. Find coverage for properties under 200,000 sq. ft. from small business, larger properties and liquor from general casualty, and additional coverage from excess casualty. Restaurants and bars: Restaurants, bars, and nightlife businesses typically need both premises and liquor coverage for their day-to-day operations. Find coverage from our general casualty and excess casualty divisions. Travel planners and insurance agents: Travel agents and sellers of travel insurance may also need specialized coverage for their business. Find coverage from our professional liability and excess professional divisions. Management and Operations: Hotels, restaurants, nightclubs, and other hospitality businesses may also need insurance for their executives or employment practices. Find options from our management liability and excess professional teams. Property: Hotels, motels, restaurants, bars, breweries, and entertainment businesses need property coverage. Find coverage for properties under $3.5M TIV from our small property division and above from our commercial property division.

Available Limits: Not disclosed.

Carrier: Kinsale Insurance Co.

States: Available in all states plus District of Columbia.

Contact: Marketing; marketing@kinsaleins.com; 804-289-1300

Cyber Risk

Market Detail: Safety National Casualty Corporation offers a cyber risk insurance program to protect companies against global network security and privacy risks. Program features and benefits: Coverage options address various risks ranging from liability, business interruption, reputational harm, penalties and more. Underwriting and claims decisions are made quickly and thoughtfully with a commitment to the long-term in product and appetite. Promotes client preparedness and response through a network of established privacy breach vendors. Includes a 24-hour cyber incident hotline and legal contacts available for use immediately following the discovery of a suspected cyber incident. Cyber Risk Services powered by NetDiligence. Safety National provides policyholders with complimentary online cyber risk services to assist in the prevention of network, cyber and privacy losses. Support development of your cyber incident plan and response. Remain informed about evolving risks and changing regulations. Enhance IT security and privacy defense proficiency.

Available Limits: Not disclosed.

Carrier: Safety National Casualty Corporation; admitted.

States: Available in all states plus District of Columbia.

Contact: Spencer Timmel; spencer.timmel@safetynational.com; 513-298-5171.

Investment Property Portfolio Insurance for Real Estate Investors

Market Detail: Zurich Programs offers an investor property program that provides a package policy that includes both property and general liability coverage. This package program is ideal for mid- to large-size property managers, family offices and trusts, and individual and corporate real estate investors. Ineligible risks: structures with greater than four units per building; commercial retail, manufacturing and warehouse operations; any property on barrier islands, with or without wind; wood shake/shingle and T-lock roofs; vacation rentals (e.g., Airbnb) and home sharing; no Section 8, HUD, subsidized or student housing. Coverage offered: property and general liability, monoline property, wind/hail, flood, earthquake. Find out more at: https://www.zurichna.com/insurance/zpm/property/investor.

Available Limits: Not disclosed.

Carrier: Zurich NA.

States: Most states and District of Columbia. Not available in Florida.

Contact: Marketing Dept; usz.zpm@zurichna.com; 866-329-2193.

Small Business Commercial Auto

Market Detail: Pouch offers commercial auto coverage for small business. Highlights: Over 30,000 VINs to choose from; covers over 60 business classes; limits from 25/50 to $1 Million CSL; Deducible amounts from $100 to $5,000. Available coverages: BI / PD / UM /Coll / Comp / UMBI /UIMBI / Med/ Hired Non-owned / Scheduled Auto / Blanket Additional Insured. Bill plans: paid in full, monthly EFT, via credit card or agency sweep; 10% discount for paid in full; 5% discount for EFT. Has pen; appointment required.

Available Limits: Limits from 25/50 to $1 Million CSL.

Carrier: Pouch Insurance, admitted.

States: Available in Arizona, Georgia, Illinois, Indiana, New Mexico, Tennessee, Texas.

Contact: Marketing, agent@pouchinsurance.com, 844-768-2448.


21 results
for 'tattoo'

The 10 Major Risks Shaping Insurance Today

By Robert Muir-Woods

I readily admit that lists of top risks, top threats, and opportunities for insurance are well-trodden ground, and ranking risks in order of importance inevitably triggers debate about which risk should be near the top or bottom, rather than the actual risks on the list.

And from an insurer's perspective looking down a typical list of risks, some will be dismissed as too far in the future that they can be ignored, or too obvious that they have already been considered and evaluated.

At this year's Moody's Exceedance conference, our theme was to help attendees to "See Risk Differently." We know the current risk landscape and the state of the insurance industry do not represent business as usual.

But what risks are driving these changes in the landscape, are insurers looking at the right factors, what factors are closer to reality, and what looks more like a hallucination?

Insurers have to consider so many questions. Here's just one — how will infrastructure that was designed before we knew our climate would change, cope under new extreme pressures, such as the dam failures in Libya and India?

Another question, what's next for life insurers after the major global catastrophe of a global pandemic not seen since 1918?

Risk is changing, and the business environment is changing. Supply chain shocks, the overhang of the pandemic, and geopolitical risk have escalated economic issues that have been fairly benign in many countries, driving inflation, wages and raw material price rises, with insurers reaching for an inflationary business playbook that they haven't used for 20 to 30 years.

Insurance is a business, and relies on its customers — be they homeowners, life policyholders or businesses.

Customers face the same risk and economic pressures, but for some, as climate peril risk rises along with losses, insurers have looked to pass premium increases or tighten coverage — with customer satisfaction falling and six million uninsured homes in the United States.

More customers want cyber insurance, but insurers looking to capitalize on growth have to navigate a volatile risk landscape.

Having a "See Risk Differently" conference theme means we need to show customers how, through better data and better models we can identify new business opportunities.

As part of our preparation for Exceedance 2024, we set ourselves this challenge — 10 risks (in no particular order) that represent some of the major risks shaping insurance today.

These risks are affecting all businesses, the business of risk itself, and the state of the risk landscape. Where to start?

Anytime. Anywhere. The Rapid Proliferation of Cyberattacks

Across all business sectors and all regions, as the world's reliance on the internet reaches new heights, cyber has become one of the most ubiquitous and prevalent of all the perils that organizations face, with the potential to stop operations at any time.

With an ever-changing risk landscape, and ever-changing threats, organizations see their cyber defenses tried 24/7, in a battle to close down vulnerabilities looking to be exploited by a wide range of threat actors, from lone hackers and organized crime operations, to state-backed attackers.

Cyberattacks are now just ubiquitous — an everyday occurrence.

The challenge for insurers is to use frameworks that best capture this peril, as understandably, organizations are looking to their insurers for protection against the worst excesses and losses from cyber risk, and to better manage the risk overall, to make it hard for the criminals perpetrating these attacks.

The Many, Many Tipping Points of Climate Change

Every day seems to deliver a new potential threat or a "what if?" question concerning climate change, a new "tipping point" that will then accelerate the globe

over the 1.5 degree Celsius bound and beyond. But as with all things, it is much more complex than that, individual factors are signs, such as melting sea ice, but it is climate change feedback loops, as one factor accelerates another, where the risk of reaching a definitive tipping point can arise.

Examining the complex network of feedback loops that can accelerate global warming will prove vital to establish whether we are moving fast toward true tipping points. Any accelerations mean less time to mitigate risk, resulting in increased transition risk due to the urgency to respond — potentially impacting insurers and stakeholders including governments.

The Not So Straight Path to Net Zero

Net zero has emerged as the central goal in tackling climate change, but as a measure, it is intrinsically a scientific concept. To keep the rise in global average temperatures within certain limits, physics implies that there is a finite budget of carbon dioxide that is allowed into the atmosphere, alongside other greenhouse gases.

However, net zero is much more than a scientific concept or a technically determined target. It is also a frame of reference through which global action against climate change can be (and is increasingly) structured and understood.

Achieving net zero requires operationalization in varied social, political and economic spheres.

With such an intricate path to tread to reach net zero, there are risks along the path itself. For instance, carbon capture and storage is widely touted as a route to sequestrate vast quantities of carbon dioxide, but would a sudden release from a ruptured storage facility cause new issues? New green technology presents many opportunities for insurers to open up new lines of business and look to reduce their exposure to carbon-intensive sectors, but it also presents new risks for the insurance industry.

Getting Reacquainted With Unprecedented Economic Shocks

From the mid-1980s to the 2007 crash, the "Great Moderation" provided a period of stability across a range of economic factors; for many developed and emerging economies, growth, inflation and interest rates stayed at relatively stable levels.

Post-2007 then saw intervention to maintain stability, and low interest rates to stimulate a return to growth. Central banks supported many nations, including unprecedented levels of support to keep economies functioning during the COVID-19 pandemic.

Whereas the economy was fairly benign in terms of concern, such as low and stable interest rates and inflation for developed economies for most of the 2010s, insurers, similar to most businesses, are now coming to terms with an economic environment where shocks are frequent and unpredictable, and these shocks then ripple through in the form of inflation, higher costs and higher interest rates.

For example, insurers, alongside contending with increasing risks from climate-related events are also having to contend with significant inflationary pressures, rising labor and materials costs for construction, and higher interest costs.

As consumers feel a cost of living squeeze, policies such as life insurance may not be renewed or canceled to save money, driving up lapse rates. Factoring in these issues is a central aspect of business planning, and the need to pivot in response to shocks is now the norm.

The Challenges of Insurability for Catastrophic Perils

In many U.S. states, and especially states that have suffered significant cat events such as California, Florida or Louisiana, insurers are having to contend with higher frequency, higher severity cat events, impacting higher value exposure which is located in areas that are becoming higher risk.

In addition, rising business costs, inflation, aggressive litigation and regulatory pressures, are forcing insurers to reconsider offering coverage to the highest-risk properties.

On the other side, regulators are reacting to this volatile environment, looking to ensure affordable coverage is maintained for consumers. Consumer protection laws such as Prop. 103 in California strains under calls for reform from insurers, to introduce risk-based pricing for perils, etc. But for the consumer, in certain U.S. states, the risk of uninsured properties in towns and cities is growing.

Similar to any other product, insurance

continued on page 40

continued from page 39

costs have to compete with other demands on a consumer's income, in an economic environment where housing, food and fuel costs are rising, insurers run the risk of being seen as expensive and offering no immediate value for a risk consumers perceive won't happen to them.

Insurers need to be viewed as partners in allowing for the economic viability of homeowners, businesses and the community.

To achieve this, a better understanding of the risk in front of them and efforts needed to mitigate short and long-term risk, allow insurers to be seen as active risk mitigation partners helping consumers to become more resilient and economically stable in the future.

Choppy Waters Instead of Smooth Sailing for Global Supply Chains

The global supply chain is an intricate interplay of many moving parts, but as seen with the COVID-19 pandemic or Russia's invasion of Ukraine, the smooth functioning of the global supply chain that the world has enjoyed could be an exception, rather than the rule.

Production shortages during COVID saw whole industries such as car manufacturing, air travel and tourism, grind to a halt, with a long, stumbling road back to recovery.

Then, Russia's invasion of Ukraine caused shocks to energy prices as Russia's energy exports were turned away by Ukraine's allies, and foreign businesses retreated from Russia.

Construction costs — materials and labor — can represent a sizeable slice of a property insurer's costs, and double-digit cost increases have had to be passed through in response to supply shortages, price increases, and rising labor costs in a tight labor market.

Businesses are rapidly relearning how they approach global supply chains, assuming that nothing is certain, and building resilience and contingency into their systems. Identifying the new vulnerabilities in each supply chain, recognizing that the leanest approach may not be the best fit, and that supply continuity is now the best outcome, will help to minimize future supply shocks.

Perennial Wars Rise Back to the Surface

Concern around geopolitical issues, although ever present, had been muted, as globalization and world trade looked to create new partnerships and break down barriers for many businesses over the last 20 to 30 years.

But with many states now emboldened and looking to flex their new dominance, old "perennial" wars, and new conflicts, have been brought to the fore, making it more difficult to conduct world trade in a time where conflicts are reigniting with growing regularity.

Insurers have to understand the multitude of geopolitical conflicts, and how many of these are perennial conflicts, they do not go away or get resolved, but they bubble to the surface, and can quickly escalate.

Terrorist events can be a trigger and ignite conflicts; these perennial disputes can place infrastructure, shipping routes and resources at risk, potentially writing off business for years.

No Quick Fix for Crumbling Infrastructure

Nations have infrastructure booms, for the U.S., it was 1950 to 1970, after which investment dropped off. As a result, vital infrastructure is predominantly 50 to 70 years old.

For developing nations, a different issue: By 2050, there will be 15 million miles of paved roads built around the world in total, enough to encircle the globe 600 times, and 90% of the road building will occur in developing nations. But is this new infrastructure going to be resilient in the future?

Although a direct issue for the insurer that insures an infrastructure asset, inadequate dams, flood defenses, drainage, power systems and poor housing — all contribute to escalating risk for insurers who are increasingly paying out for the events exacerbated by poor infrastructure.

This is set to worsen as infrastructure struggles to cope with an environment facing extremes — be it heat, cold, rain, snow or wind. Where infrastructure fails, businesses that rely on that infrastructure will also be hit, potentially driving up business interruption losses.

The Return of Long-Tail Liabilities

There is a growing need for (re)insurers to be prepared and even ensure reserves for the rise of "long-tail" claims from

many potential sources.

Social inflation factors — where awarded losses, higher litigation rates, or simply the backlog of court cases post-COVID seeing legislators extending claim deadlines or adjusting claim eligibility dates allowing more claimants to gain redress — bring uncertainty.

One source is simply where claims come in well after an insurance policy has expired. These have seen a resurgence recently; Munich Re reported a 33% year-on-year rise in "long-tail" claims in 2023, with policies dating back as far as 2012.

Changes to the statute of limitations — the maximum time to make a claim can change, such as for molestation claims in the U.S., can reopen liabilities.

Insurance archaeologists dig into past policies, such as potential claims navigating pollution exclusions introduced in the mid-to-late eighties liability and/or property insurance policies. Claims from pollution or liability from per- and poly-fluoroalkyl substances (PFAS) keep the scrutiny on past policies.

Where policy wordings are ambiguous or have not kept up with the rising list of potential claims and attempts at litigation, such as cases ranging from COVID-19 business continuity claims in Europe, faulty products, to data breaches/data protection, long-tail liabilities can arise.

Give and Take in Longevity and Mortality

From improvements in sanitation, housing and education, the fight against infections with the development of vaccines and then antibiotics, new technology, pharmaceuticals and screening, have seen life spans increase to 84 to 85 years old, on average, in eight countries.

Breakthroughs in transplants, gene therapy, blockbuster drugs that target cancers, and AI speeding up research, will all help to reduce the likelihood of premature death and extend lifespans further. The world already has nearly a million centenarians, around 1,000 at 110 years, and 68 at 115 years or greater.

With the COVID-19 pandemic, the issue of excess deaths came to the fore, with those over 65, and especially over 75 years old, being particularly hard hit, and reversing some of the top-line gains in longevity.

But the focus is now turning to healthy life years, years without chronic illness or disability, and this, as an example, for the European Union countries is at around 63 to 64 years. In developed and developing economies, issues around obesity, poor diet, alcohol, drugs, sedentary lifestyles, plus insufficient access to appropriate healthcare, are countering longevity gains, and making it hard to increase "healthy life" years.

This, then, places pressure on health and social care systems as more people struggle with chronic illness and disability in their later years.

For those delivering life assurance or financial security products to aging populations, the marrying up of exceptional longevity progress, and extraordinary medical breakthroughs, together with the other side of the balance sheet, of emerging viruses and possible pandemics, long COVID, and lifestyle and healthcare concerns, make it much more difficult to predict future trends without analyzing a wide range of factors.

These 10 risks are designed to challenge, raise debate, call for analysis, and help start conversations on embracing a risk landscape that seems more complex and opaque than in previous times.

Moody's prepared a data visual that illustrates each risk with charts, data and information is available at: https://www.moodys.com/web/en/us/about/insights/data-stories/10-key-insurers-risks-in-charts.html.

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Muir-Wood, chief research officer for Moody's RMS, works to enhance approaches to natural catastrophe modeling, identify models for new areas of risk, and explore expanded applications for catastrophe modeling. Muir-Wood has more than 25 years of experience developing probabilistic catastrophe models. He served as the lead author for the 2007 IPCC Fourth Assessment Report and 2011 IPCC Special Report on Extremes, and is chair of the OECD panel on the Financial Consequences of Large Scale Catastrophes. He is the author of seven books, most recently: "The Cure for Catastrophe: How We Can Stop Manufacturing Natural Disasters." He holds a degree in natural sciences and a doctorate both from Cambridge University and is a visiting professor at the Institute for Risk and Disaster Reduction at University College London.

Business Intelligence Insights:
The Six Steps an Agency Needs to Get Started

Insurance is a data-centric industry. Whether it's detailed customer information, employee performance success rates or industry trends, agencies are always collecting data.

By Anupam Gupta

The idea of harnessing this data for better decision-making isn't a new concept for insurance agencies. However, the insurance landscape is no longer static. It's dynamic and agile. Reliance on outdated, manual reporting won't cut it in this new environment. If agencies want to remain competitive, it's time they invest in business intelligence to maximize the value of their data.

Making the initial investment is just the start of an agency's data journey. Successfully integrating business intelligence solutions into an agency's operations requires a thoughtful approach and a clear, concise plan of action. Following the six steps below will give agencies the groundwork they need to utilize their newly found business intelligence insights successfully.

Step One: Define Goals and Objectives

Starting with a clear objective is the first step in any business intelligence project. Recognizing the business problem that needs solving and setting well-defined goals makes it easier to determine which data is needed.

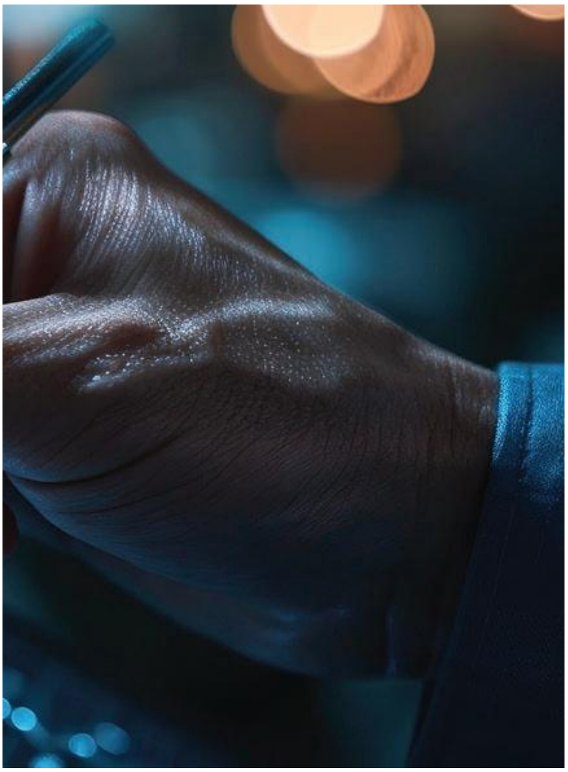
Data can solve many problems for a business, so it can be overwhelming to figure out where to start. Consider the recent report from business intelligence company MicroStrategy, which found that with the use of business insights, 64% of respondents cited improved efficiency, 51% reported better financial performance, 44% noted improved customer experiences and 43% gained more of a competitive advantage. That's a wide range of benefits. A business could consider choosing one of these areas and using its data to drill down deeper into how to improve.

Step Two: Collect and Organize

Once goals and objectives are defined, it's time to gather the data needed to create business insights. Data comes from many sources, so it must be gathered and organized into a central data repository.

This requires the agency to implement technology such as data warehouses, data lakes or other similar cloud-based solutions. An agency management system can also act as a data repository for customer and policy data for those who want to simplify their tech stack.

Each agency will have its own preference when it comes to technology. Some may choose to build their own stack, while others rely on solutions from software partners. Whatever technology the agency chooses, it should serve as a single place



where internal and external data can be organized, integrated, engineered and modeled.

Step Three: Cleanse and Standardize

Now that the data is combined in a central repository, it needs to be cleansed, filtered and standardized. According to Accenture, the world produces five exabytes (the equivalent of five billion gigabytes) of data daily. By 2025, this is set to rise to a rate of 463 exabytes per day, demonstrating just how much data is flowing behind the scenes of every business. But that doesn't mean all of that data is useful, and agencies must remove what's not needed from their central repository and replace what's missing.

Agencies relying on business intelligence tech outside of their agency management system may have data in various formats as it's coming in from multiple sources. It's important to standardize the format across all collected data to make it easier to analyze. If the data is unfiltered and irrelevant, the results of the analysis will not mean anything.

Each agency will have its own preference when it comes to technology.

Step Four: Analyze and Interpret

After the data is collected and cleansed, it is ready to be analyzed. Analyzing data is the process of using statistical techniques to examine the data and extract useful business intelligence insights.

To break down data and understand the opportunities it presents, consider the following framework: Know. Recommend. Assist. The "Know" stage is exactly what it sounds like. It uses data to understand what has happened and what is currently happening in an agency. This type of insight makes data actionable. Once the data is actionable, it can move to the "Recommend" stage. This stage leverages actionable data to better equip agencies to meaningfully impact their business goals. Think of it as the data making recommendations on how to improve the agency. Finally, "Assist," is where data and AI-driven automation intersect to solve the challenges and open the growth opportunities identified in the first two stages. By having relevant insights when and where they are needed, agencies can optimize their time and focus on the highest value work.

Step Five: Communicate

Now that an agency's data has been distilled into business intelligence insights, it's time to communicate those insights to key stakeholders. Sharing this information is just as important as analyzing the data and it is crucial that everyone understands what is being presented. In their raw form, those insights may be hard to understand. Studies show that 65% of the population are visual learners, and 40% of all learners respond better to visual materials such as pictures, graphs, charts and illustrations than text alone. Using platforms such as interactive dashboards to create visuals can help tell the story of an agency's data in a way everyone can understand.

Step Six: Learn and Improve

The business intelligence process shouldn't end once the initial goals are met. After all, according to McKinsey, data-driven organizations are 23 times more likely to acquire new customers, six times as likely to retain existing customers, and 19 times more likely to be profitable.

With ongoing improvements, the business intelligence process can grow alongside the agency, ensuring it provides a continuous, positive impact on the business. Developing a methodology to measure effectiveness and accountability will allow the agency to determine if its current process is meeting the desired outcomes and make any necessary adjustments to meet its new goals and objectives.

Building a Data-Driven Culture

Data analytics is not just about the data. It's also about the people who use the data to make decisions. To be truly data-driven, agencies must build a culture where everyone uses data to make decisions. This includes training employees on how to use data analytics and giving them access to the tools they need.

Having a framework in place will ensure an agency's success when implementing business intelligence solutions. It will create an environment in which all stakeholders have access to insights to make better decisions in their roles. Embracing new ways to maximize business intelligence insights will keep agencies competitive and enable growth in today's increasingly digital world. IJ

Gupta is chief product officer at Applied Systems Inc. He is responsible for the company's product vision and product management teams.

Spring Cleaning:

Getting Your Agency in Order for Sale

Rising interest rates have clipped the bloom from the rose in terms of sky-high sales multiples for many agency sales transactions. Despite continued strong demand for acquisitions, buyers are simply constrained by prime rates above 8%.

Unfortunately, after two decades of attractive interest rates, it seems these higher rates are here to stay for a number of years. So, what is an agency owner who is planning to sell in the next few years to do?

By Tony Caldwell

Consider a good spring cleaning of sorts to start preparing your agency now in order to maximize your sale.

A Tale of Two Agencies

In my work, I'm frequently involved in helping an agency sell or buy another independent insurance agency. In the last couple of years, colleagues involved in two separate agencies sold their businesses for radically different multiples.

The first owned a traditional commercial agency where many of the leadership and staff had reached a traditional retirement age. They had been coasting for a few years with strong retention, but new business production was practically nil. Their website was as outdated as the office furniture and they had no idea what a "tech stack" was. Additionally, leadership paid themselves higher-than-standard commissions for cash flow reasons and had financial statements cluttered with personal expenses.

The principals of the second agency were in their 40s and 50s. Non-owner producers were in their 30s and 20s and other team members represented various age groups. The agency was growing with strong new business production. Leadership paid themselves and their

employees competitive, market-rate, compensation and used a fractional chief financial officer to ensure their financials were clear of any personal expenses paid by the agency. They maintained state-of-the-art technology and had an impressive online presence.

Both agencies used a nationally known merger and acquisition (M&A) advisory firm to represent them in marketing and selling their agencies. The first agency sold for eight times EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) while the second sold for almost 15.

Regardless of what multiples may be at any given time, which result experienced by the two agencies above, would you prefer when you sell?

If you want to follow the lead of agency number two, read on for some simple, straightforward tips to tidy up your agency now, so you can ensure a higher price later.

Tips to Tidy Up in Preparation for Sale

Plan

Decide today when you want to sell and set a date. You don't actually have to sell then but it will give you a goal and deadline to work toward. Three years is a reasonable and realistic time frame for most agencies.

Even if you don't plan to sell for a decade, you'll be ready, and stay ready, for an exceptional opportunity should one arise. An additional bonus of planning is that in the process, you will likely increase your agency's profits, cash flow and value, which you can enjoy for the years you still own the business.

Prepare Your Financial Statements

Financial statements that aren't prepared for a seller's inspection can trip up an agency seller. Those who don't know better can even cheat themselves out of a higher sales price. Agency purchases may be denominated as a multiple of revenue or commission, but most buyers use a multiple of EBITDA and Discounted Cash Flow (DCF) to analyze a deal and derive a purchase price.

To make this work for you:

- Stop using business funds for nonbusiness expenses. Remove cars, country club membership fees, meals with clients who are really friends and anything else that is strictly business. If necessary, form a separate entity apart from the agency to pay and track them.
- Pay yourself a reasonable salary and reduce commissions to appropriate levels. (The IIABA Best Practices Study is invaluable here for determining this.) Take cash flow from profits, not commissions.
- Ensure you are paying market rate compensation to employees. In some cases, this may raise expenses and lower EBITDA, but the buyer will adjust your figures regardless, so you might as well do it now and help ensure reduced turnover.
- If the agency owns real estate, transfer it to a different entity and make sure rental payments are market rate.
- If you have unusual items on your balance sheet, assets that have been disposed of but not written off, or other balance sheet items that your CFO does not like, dispose of them now.

Project an impression of a business heading into a bigger future and not the sunset.

Three years of clean financials will make the quality of earnings review that every deal undergoes after the Letter of Intent (LOI) is signed considerably less painful.

People Preparation

Recent government actions, and ensuing lawsuits, have created a confusing employee contract landscape. To the extent your attorney advises, agency owners should have employee agreements that include non-piracy provisions in place for every employee of the agency. All retirement plans should be up to date and properly funded. If you have relatives on the payroll, this is the time to take them off if they don't actually work in the agency.

I frequently find agents employing people as independent contractors in an effort to avoid paying them properly. Consult your attorney for recommended changes.

Be thoughtful about the age distribution in the agency and strive to have a diversity of age groups represented within the staff.

If it's been some time since you brought new producers into the business, consider hiring one or more new producers to increase new business production. By giving a new producer some of your book or the book of another older producer to manage, you will likely increase revenue, improve retention, and lower the average age of your team while making your agency much more attractive and valuable.

Finally, use benchmarks like the "Best Practices" study or the "Insurance Agency Growth & Performance Standards" published by the National Alliance for Insurance Education and Research to ensure that your team is as productive as it should be and you have no excess staffing.

Physically Clean Up the Place

Give your agency's brick and mortar offices a facelift. Paint should be fresh and carpets clean and modern. Computers should be relatively new (three to five years old at most). Dispose of clutter and ancient records. Your employees will appreciate these efforts as will clients and prospects. Most importantly, you will send a strong signal to potential buyers that this is a growing business, not a retirement facility.

A cleaning, refresh and update should apply to your online presence as well. Be sure your website and social media reflect accurate information about your locations, people, products and capabilities. Project an impression of a business heading into a bigger future and not the sunset.

You may never plan to sell your agency, or you may want to do so tomorrow. Either way, taking the time to clean it up, maximize its efficiency and profitability, and lock in the valuable people assets who make it all work will increase its cash flow, profitability and value. IJ

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Big Data, AI and the Rate-Making Revolution Can Mean Intellectual Property Trouble for Rating Organizations

By Elizabeth Tosaris

The insurance industry has increasingly relied upon the use of big data to enhance its operations and core functionalities, and one way this trend has manifested is in the realms of property and casualty business, where big data is being leveraged using artificial intelligence and other techniques to develop rating factors, methodologies and other rate related functions — this in lieu of decades-old process of relying upon demographic information and actuarial science alone.

While many large insurers develop these tools in-house, there is a burgeoning sector of third-party providers specializing in creating proprietary software, models and rating mechanisms to modernize the underwriting process. In regulatory terms, these insurtech organizations, which assist member carriers by developing and providing loss or expense statistics and rate-making services, differ significantly from state to state and are called by different names.

For instance, California only allows "advisory organizations" under its Insurance Code §1855.2, which may develop and prepare policy or bond forms, or manuals, for use by admitted insurers. However, advisory organizations do not act in a rate-making capacity or file rating plans, although as part of their policy forms and manuals these entities can prepare policy writing rules, rating plans, classification and territory codes and descriptions, prospective loss costs, and rules regarding increased limits factors and classification relativities. Yet in Massachusetts, "rating organizations" pursuant to Massachusetts General Laws Chapter 175A, Section 6, are authorized to file manuals of classifications, rules and rates, rating plans and associated modifications.

Notwithstanding the nomenclature differences, for simplicity we shall refer to them collectively as "rating organizations" — the underlying principle is that they support insurers by collecting and analyzing data and developing information to use in rating. And because they do, these entities register with — and are consequently regulated by — state departments of insurance. Most rating organizations agree that the registration process on its own is not a terribly difficult one, nor is the attendant rule that the work product rating organizations wish to offer their members be filed in the states where carriers wish to use it. But here is the rub: Once the filing is made, and depending upon the relevant laws, state regulation can be very problematic.

[T]he tension between transparency and confidentiality remains a critical issue.

The Trade Secret Conundrum

The rating organizations developing these rating tools clearly want to preserve trade secret protections around their proprietary tools and other information that goes into product development. Indeed, the proprietary nature of the data and analytics developed by these rating organizations is a pivotal aspect of their business models, typically guarded as trade secrets to maintain competitive advantage. U.S. laws acknowledge the importance of safeguarding proprietary and trade secret information. Maintaining confidentiality is crucial to preserve the integrity and value of such data, although it can still be sold or licensed without forfeiting its protected status.

Regulators seek complete rate filings that allow them to understand the rates and other information being filed, which often calls for transparency into the rating organizations' proprietary models and data. In general, rating organizations are willing to disclose sensitive information in regulatory filings that are only viewed by departments of insurance. The challenge arises when this material becomes public by virtue of it being filed, and the degree to which this data remains confidential will vary significantly across states, leading to a complex legal landscape.

In California, for example, filings by rating organizations are available for public inspection. Consequently, a rating organization's proprietary information might need to be disclosed as part of these filings, which can create real headaches for them by virtue of the department's historic position that all information submitted for rate applications should be publicly accessible, regardless of its confidential or proprietary status.

At first glance, Massachusetts seems to adopt a different approach. That state requires filing of rates, as well, yet the operative chapter for many types of property/casualty risks (Chapter 175A) declares that nothing in the filing requirement is intended "to prohibit or discourage reasonable competition." This statement of intent appears to give the Massachusetts Division of Insurance a policy instruction that would favor preservation of proprietary information (read: trade secrets).

In addition, Massachusetts generally recognizes confidentiality over all sectors of industry governed by its laws. That being said, in a 2006 Decision and Order on Massachusetts Property Insurance Underwriting Association Rate Filings, then-Insurance Commissioner Julianne M. Bowler denied a motion to strike a report that included confidential rating information because rate proceedings, like other rate approval hearings, are public, and rate filings, which initiate the public hearing process, must be sufficient to enable any person who might seek to challenge proposed rates to fully evaluate underlying information and methodologies. To this day, the Division of Insurance takes the

position that all filings and their contents become a public record at disposition.

Together, the stances taken in jurisdictions such as California and Massachusetts present a conundrum for rating organizations and insurers, balancing between regulatory compliance and the protection of trade secrets. These legal and operational intricacies underscore the evolving challenges of insurance rate development in the age of big data and artificial intelligence (AI).

As the industry continues to navigate these complexities, the tension between transparency and confidentiality remains a critical issue for all stakeholders involved.

Conclusion

The integration of big data into the insurance industry represents a seismic shift towards a more sophisticated and tailored approach to rate-making and underwriting processes. Still, this evolution brings with it a complex interplay between innovation, competition and regulation. As insurance companies and rating organizations lean on proprietary algorithms and data analytics, the need to protect sensitive information conflicts with regulatory demands for transparency and accountability.

While some states do allow for confidentiality of rate filing information, other states, such as California and Massachusetts, highlight the challenges that rating organizations face in navigating legal requirements while striving to maintain the confidentiality of their trade secrets. The balance between facilitating reasonable competition and ensuring consumer protection is delicate and varies significantly across jurisdictions.

As the industry moves forward, it will be crucial for insurers, rating organizations, and regulators to harmonize the objectives of promoting innovation, protecting proprietary information, and ensuring fair and transparent insurance practices. The resolution of these issues will not only shape the future of insurance rate making but also influence the broader trajectory of how big data and AI are utilized in regulatory environments. IJ

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The Role of Data Analytics in Marketing for Insurance

By Brad Nevins

The strategic application of data analytics has become a cornerstone of success in the insurance industry. Data analytics and predictive modeling offer insurance entities a powerful means to identify profitable market segments, optimize pricing strategies, and refine marketing efforts.

Here are some ways that leveraging these tools allows insurance businesses to enhance their profitability and improve customer satisfaction and retention.

Identifying Profitable Market Segments

One of the primary benefits of data analytics for the insurance industry is the ability to segment markets with precision. Traditional market segmentation methods often relied on broad categories such as age, gender or geographic location. Data analytics enables insurance professionals to delve deeper into customer behaviors, preferences and risk profiles.

Predictive Modeling

Predictive models use historical data to forecast future behaviors and trends. By analyzing patterns in past data, one can predict which segments are likely to be more profitable. For instance, a model might reveal that customers in a particular demographic with certain purchasing behaviors and engagement patterns are more likely to renew policies and have lower claim rates. This allows insurance businesses to focus their marketing efforts on attracting and retaining these valuable customers.

Customer Lifetime Value (CLV) Analysis

By calculating the CLV, insurance entities can identify which segments will generate the most revenue over time. CLV analysis helps recognize not just a segment's immediate profitability but also its long-term value. This strategic insight ensures that marketing resources are allocated efficiently to nurture relationships with high-value customers.

Dynamic Pricing Models

Advanced analytics enable dynamic pricing models that adjust premiums based on real-time data. Factors such as driving behavior (for auto insurance), health metrics (for life insurance), and property conditions (for home insurance) can be continuously monitored and analyzed. This approach ensures pricing reflects the actual risk more accurately, benefiting the insurer and the customer.

Risk Assessment and Underwriting

Data analytics improves the precision of risk assessment, which is fundamental to underwriting. Insurance entities can assess risks with greater granularity by incorporating various data sources – including social media activity, telematics, IoT devices, and even weather patterns. This leads to more personalized pricing, where lower-risk customers are rewarded with lower premiums, enhancing customer satisfaction and retention.

Personalized Marketing

Through data analytics, insurance businesses can create highly personalized marketing messages that resonate with individual customers. Techniques such as machine learning algorithms analyze customer data to predict preferences and tailor communications accordingly. For example, if data shows that a customer is likely interested in a bundled home and auto insurance package, targeted advertisements and offers can be designed specifically for them.

Customer Journey Mapping

Analytics enables insurance entities to map the customer journey, identifying key touchpoints and potential drop-off points. By understanding how customers interact with different marketing channels and at what stages they make purchasing decisions, insurance organizations can optimize their marketing strategies to guide customers smoothly from awareness to purchase and retention.

Practical Implementation Strategies

For insurance entities looking to harness the power of data analytics, the following strategies can serve as a practical guide:

1. Invest in advanced analytics tools. Utilize sophisticated analytics platforms that can handle large datasets and perform complex analyses. Choose tools that provide robust capabilities for data-driven decision-making.

2. Build a skilled analytics team. Partner with predictive modeling and machine learning experts. Continuous training and development programs can ensure the team stays abreast of the latest trends and technologies.

3. Integrate data silos. Often, valuable data is scattered across different departments and systems. Integrating these data silos into a unified data warehouse allows for comprehensive analysis and insights.

4. Focus on data quality. Ensure that the data being collected is accurate, complete, and up-to-date. High-quality data is the foundation of reliable analytics and modeling.

5. Adopt a customer-centric approach. Align analytics initiatives with customer needs and preferences. This will improve marketing effectiveness and enhance the overall customer experience.

6. Leverage external data sources. Incorporating external data such as economic indicators, weather data and social media trends, can provide a richer context for analysis and better predictive accuracy.

7. Monitor and refine. Review the outcomes of analytics-driven strategies regularly, and refine models and approaches based on performance metrics and feedback. This process ensures continuous improvement and adaptation to changing market dynamics.

Insurance professionals can gain a competitive edge and drive growth by identifying profitable market segments, optimizing pricing, and refining marketing strategies. Effectively implementing these strategies requires leveraging advanced analytics tools, fostering a skilled workforce, and maintaining a customer-centric focus.

As the industry continues to evolve, the strategic application of data analytics will remain a critical driver of success for insurance businesses. Regardless of where your business falls in the insurance distribution hierarchy, it can benefit from implementing these tools and processes.

Decide on one or two that you feel will have the greatest impact as your starting point and build on it from there. IJ

Nevins is the Co-CEO of Direct Connection Advertising & Marketing. For more information visit: directconnectionusa.com.

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What Agents Need to Know About Manufacturers E&O

By Tom Rea &

Jude Sedliak

Demand for technology-related products such as computer chips, semiconductors, electric vehicle batteries and embedded software is rapidly increasing in today's tech-driven society, which is in turn increasing demand — and opportunities — for manufacturers.

But as manufacturers strive to meet the growing demands of an evolving technology sector, many don't understand the professional liability exposures that can arise during the manufacturing process and are failing to protect themselves as a result. Agents and brokers are perfectly positioned to help safeguard companies from potential liabilities and build their books of business in the dynamic technology manufacturing landscape.

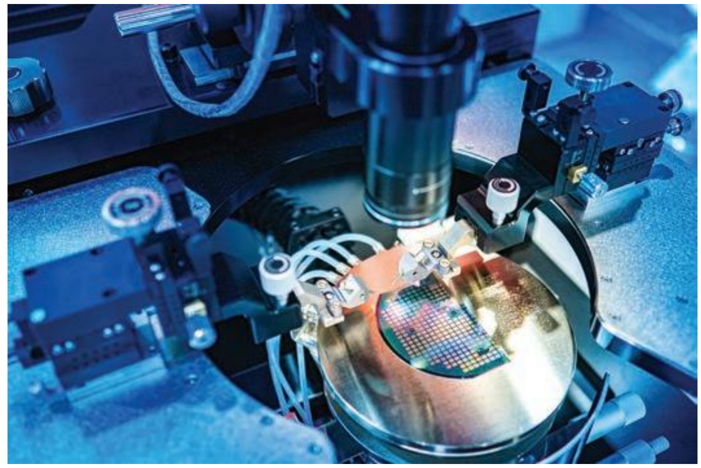
Drivers of Growth

The federal Infrastructure Investment and Jobs Act (IIJA), the Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS) and the Inflation Reduction Act (IRA), have fueled unprecedented growth in the overall manufacturing industry, according to Deloitte's 2024 Manufacturing Industry Outlook, with technology manufacturing way ahead of the pack. Investments in semiconductor and clean technology manufacturing had nearly double the commitments in 2021, close to 20 times what was allocated in 2019, Deloitte said. Additionally, Deloitte noted that an estimated 200 new clean technology manufacturing facilities were announced since the IRA passed in 2022, representing an investment of about $88 billion.

It's not surprising that manufacturers are looking to increase the speed with which new products are created and the efficiency of their product delivery. In a recent survey of manufacturing companies published by Forbes, 55% of respondents said that "improving manufacturing and supply chain visibility" is a top business priority, and 78% are "evaluating technologies that will help increase operational efficiency."

Protecting the Bottom Line

As manufacturers look to take advantage of new opportunities and improve operational efficiencies, it is easy for them to overlook the many exposures that can come along. Most manufacturers understand physical risks like property damage or bodily injury and take steps to reduce that risk with proper insurance policies. However, some are much less familiar with the professional exposure they face



from negligence that can result in defective products, design flaws or lack of quality control. That's where manufacturers errors and omissions (E&O) coverage comes in. It can protect companies from third-party financial losses and related litigation from an alleged product or work defect.

A few typical claims scenarios where manufacturers E&O coverage could apply include:

- Repetitive errors, where the wrong item is produced in mass.
- Mistakes in the design process that lead to the wrong item being manufactured or an item being manufactured incorrectly.
- Product labeling issues, for example, when information about the product is omitted or misstated on the packaging or on the product itself.
- Delays in the manufacturing or delivery process that cause delays to projects relying on that product or part.

Manufacturers E&O claims tend to be driven by severity rather than frequency, averaging about six figures. Because many technology products being created are so specialized, they may be produced by smaller manufacturers that would be devastated by a large claim, particularly if there is any reputational damage.

Many manufacturers mistakenly believe they are protected from the costs associated with E&O exposures, including any litigation, by other policies such as product liability or general liability. Manufacturers E&O policies can plug the gap between these coverages but only about one in four manufacturers buy E&O coverage. Of those that do, it may only be because they are required to by contract, so they obtain a limited policy with insufficient limits and coverage gaps.

Agents and brokers who are proactive in learning about the manufacturing segment, the current E&O risks and the overall coverage market will be a valuable resource to their clients in a time of unprecedented industry growth. IJ

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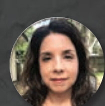
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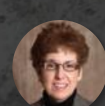
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