OFF HOURS: Employees' activities outside work raise risk levels - PAGE 4

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Business Insurance wins national award

Business publishing association the American Society of Business Publication Editors awarded *Business Insurance* a National Gold "Azbee" Award, its highest award in the Single Topic category, for a series of articles on the opioid crisis and its societal and business implications.

The stories, which looked at how opioid use affects employees, employers and the workers compensation system, were written by Louise Esola, *Business Insurance*'s assistant editor, and Angela Childers, the magazine's reporter specializing in workers comp and safety.

Business Insurance also won a Regional Silver Azbee Award from ASBPE for articles and research on the issue of diversity and inclusion in the insurance field.

Angela Childers Louise Esola Andy Toh

The package included *Business Insurance*'s proprietary survey researching diversity in the insurance sector. Andy Toh, director of research, planning and insights, led the research project, and Ms. Childers and Ms. Esola wrote the stories in the package of work recognized by the ASBPE.

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Biopharmaceutical companies, manufacturers, academic institutions and others striving to develop vaccines for COVID-19 have significant liability protection under a recently revived 2005 law. But experts say there's never an absolute guarantee of complete immunity against creative plaintiff attorneys. **PAGE 20**

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Business Insurance's annual Broker Profiles issue details changes in the ranks of the 10 largest insurance brokers worldwide and the top 100 brokers of U.S. business, highlights market trends and profiles the leading brokerages. **PAGES 24-37**

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VIEW FROM THE TOP

MARGARET SPENCE
Margaret Spence is the founder of The Employee to CEO Project, a global initiative aimed at increasing the representation of women, with specific emphasis on minority women, in C-level leadership roles in the insurance industry. She discusses the issue of diversity in the industry. **PAGE 18**

BUSINESS INSURANCE (ISSN 0007-6864) Vol. 54, No. 8, Copyright © 2020 by Business Insurance Holdings, Inc. is published monthly by Business Insurance Holdings, Inc., 1030 Lake Avenue, Greenwich, CT 06831. Accounting, business, circulation and editorial offices: PO Box 1010, Greenwich, CT 06836. Call 954-449-0736 to subscribe. Periodicals postage is paid at Greenwich, CT. Printed in the USA. **POSTMASTER:** Send address changes to Business Insurance at PO Box 1010, Greenwich, CT 06836.

Businesses monitor risks outside of 9 to 5

BY LOUISE ESOLA
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REUTERS

As companies reopen and try to provide employees with a safe workplace, risky activities outside work, such as workers not wearing masks in crowds, raise concerns.

Against the backdrop of large gatherings ranging from protests to political rallies to picnics at the beach, employers trying to enhance workplace safety in a time of COVID-19 are increasingly asking what they can do when their employees take risks outside of work.

"(Off-duty conduct) is a question that has frequently come up," said Katie Fechte, a St. Louis-based attorney in the labor and employment practice group for Greensfelder, Hemker & Gale, P.C. "It's so tricky."

The question poses no simple answer, experts warn, and employers that attempt to govern what a worker does off the clock may face legal challenges based on state or local discrimination laws, but they are also required by federal Occupational Safety and Health Administration standards to provide employees with a safe place to work.

On one hand employers are following sometimes-costly Centers for Disease Control and OSHA guidelines, such as taking temperatures, sanitizing workplaces, and reconfiguring worksites to provide social distancing; on the other they are worried workers are not following safety protocols on their time off, experts say.

For example, an increasing point of contention is the issue of mask-wearing; workplaces can mandate masks but what happens when a worker won't wear one when they are not at work? Can they face repercussions at work for risky activities?

"There is a real tension" between maintaining a safe work site and ensuring compliance with regulations that protect off-duty conduct, said Hilary Weddell, San Jose, California-based partner with McManis Faulkner P.C. "The employer does have the right to testing, to the temperature-taking, to engaging in measures that protect their employees from having an employee who has been infected from coming to work." Regarding off-duty conduct that is legal yet risky in a pandemic, "it would be interesting to see what a court would do with this," she said.

"The reality is you can't discipline an employee for off-duty behavior," said Melissa K. Peters, Bozeman, Montana-based special counsel for Littler Mendelson P.C. "If employee B is partying up and doing body shots at the bar there is nothing you can do to punish them."

A handful of states — California, Colorado, and New York, for example — have laws that strictly bar employers from discrimination against employees based on their lawful off-duty conduct. Federal regulations also bar penalizing workers who engage in protected civil protest — which adds another legal hurdle for employers if their employee attended a recent protest.

Employers should balance the medical safety risk for workers who could catch the virus from a less-than-careful coworker and the legal risks associated with trying to control a worker's life outside of work, said Hugh Murray, Hartford, Connecticut-based partner with McCarter & English LLP's employment law practice.

"A lot of protected activities can take place off duty," he said.

When it comes to disciplining a worker for off-duty activities, most laws say the worker must have been engaged in illegal activity. That raises the question of whether a worker who violates a strict shelter-in-place order due to the pandemic can face work consequences, such as a forced 14-day quarantine, said Ms. Peters, who argues against using pandemic response rules as a basis for illegal activity.

"You could technically say they were not complying with orders; but even that could be a stretch in some cases" since the orders are not "laws," Ms. Peters said.

Another question is whether an employer can inquire whether a worker went on a trip or engaged in any group activity, such as a dinner party, and ask them to voluntarily quarantine, said Ms. Peters.

The questions surrounding airplane travel are "justifiable," but others are not so, she said, adding that "an employer can't have every employee out because they had dinner at a cousin's house."

"We are dealing with the legal questions in situations that no one has ever talked about," she said. "Nothing is perfect (in protecting other workers) because it requires cooperation among all employees."

One area where inquiries into off-duty conduct can benefit employers is in the event an employee who tests positive for the virus attempts to file a presumptive workers compensation claim in a state that now permits them, said Jeff Adelson, Newport Beach, California-based partner with the workers comp defense firm Adelson McLean P.C.

As of the end of June, several states had either laws or executive orders in place, including California, whose presumption for COVID-19 is rebuttable, meaning if the employer can prove that the worker could have caught the virus engaging in an off-duty activity the presumption would fail, according to Mr. Adelson.

"You dig in the social media and then you have to start asking questions about the people they live with, who they visited, and on and on," he said. "You can say, you are supposed to observe social distance and I want to know what you are doing as an employee because there's ample opportunity for people to catch (COVID-19), unfortunately."

WORKPLACE SAFETY ON THE UP

39%

Companies identifying workplace safety as a top priority rose to 39% in June from 27% in April, according to a survey of employers that represent 5.3 million employees.

71%

71% of U.S. employers say they have developed workplace and employee safety policies for workers' return.

Source: Willis Towers Watson PLC

EMPLOYERS PREPARE TO CHECK TEMPERATURES, STEP UP CLEANING

Fifty-eight percent of employers are planning to conduct employee temperature or health screenings as part of reopening business plans, according to a survey of 1,010 human resources and legal executives released last month by San Francisco-based employment law firm Littler Mendelson P.C.

The survey also found that 78% plan to reopen this summer, with increasing frequency and depth of cleaning and disinfecting worksites named the top safety protocol with 90% of respondents said they intend to focus on cleaner facilities.

Meanwhile, 87% said they plan to limit or restrict employee contact in common areas; 86% plan to encourage face coverings; 78% plan to maintain distance in work areas; 78% plan to continue remote work spaces; and 68% plan to rotate work schedules.

Of those who plan to conduct health screenings, 89% said they will rely on temperature checks and 72% said they will screen for symptoms of COVID-19.

Regarding potential litigation, 71% of respondents said their counsel have expressed concerns about lawsuits over workers who contract the virus. The top three areas where respondents expect an uptick in employment-related claims and lawsuits are leaves of absence entitlements, unsafe working conditions and workers compensation, according to the survey.

The survey was conducted online between May 5 and 14, with 59% of respondents working in human resources and 31% working as in-house attorneys. Fifty-six percent of respondents worked for companies with more than 500 employees; 44% had more than 1,000 employees, according to a report on the results.

Louise Esola

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Insurtech investors take stock amid turmoil

BY MATTHEW LERNER
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Insurtech investments continue despite recent turmoil in financial markets as high-profile companies in the sector such as Lemonade Insurance Co. come to market and funding activity moves forward.

While the COVID-19 pandemic did cause some insurtech investors to pause and regroup, the sector has not been derailed, sources say.

Some insurers, however, are moving financial resources to traditional underwriting to ride the rising market, they say.

Willis Towers Watson PLC released a report in May showing that while overall insurtech funding was down 54% in this year's first quarter, deal count was up some 10%.

When insurtech first became a buzzword, senior management at conventional insurers felt compelled to invest in the burgeoning sector, some of which was "misguided," said Dogan Kaleli, New York-based co-chair, global facilities/programs practice group, and head of programs business, North America for Allianz Global Corporate and Specialty, a unit of Allianz SE.

It was "not a mature decision-making process," but it has evolved to include better due diligence and a more thoughtful process, he said.

"The result of that process has been more deals and lower dollar amounts. It's a sign investors are getting smarter," Mr. Kaleli said.

"The pattern is similar whenever you have a wave of disruption and innovation," said Marie Carr, principal of global growth strategy and U.S. financial services practice in Chicago for PricewaterhouseCoopers LLP. She compared the rise of insurtech to the dot-com era of the late 1990s, when businesses "got funding which shouldn't have. That's all part of the learning curve."

Mr. Kaleli said investors want to ensure insurtechs have minimum funding to prove their business models before moving on to later funding rounds. "Investors want to invest in proven business models," he said.

Amelia Gandara, senior investment professional in Columbus, Ohio, with Nationwide Mutual Insurance Co.'s venture capital team, said insurtech investment activity slowed as the COVID-19 pandemic became more acute. "All funds, we had to react when COVID-19 hit. We all had to look at our own portfolio, so that a slowdown occurred in the venture ecosystem."

Nationwide's venture capital team, however, did not pause long and has an insurtech deal in the pipeline it hopes to close in the next few weeks, Ms. Gandara said. The team manages a fund of some $100 million and typically makes investments of $1 million to $5 million in early stage funding rounds.

Despite the pause and the tumult gripping markets in the wake of the pandemic outbreak, "capital availability is still good," said Martha Notaras, managing partner at Brewer Lane Management LLC in Los Angeles.

Ms. Notaras said there is still "real appetite for quality deals from traditional venture capitalists," with solid management experience and capability. "The market continues to believe in insurtech," she said.

The initial public offering of Lemonade, which raised $319 million, could serve as a bellwether for the wider insurtech sector, sources said. The startup had previously raised $300 million from investors, including insurers Axa XL, a unit of Axa SA, and Allianz.

"The Lemonade IPO is an important touch point," for the insurtech sector, said Andrew Lerner, managing partner of investment firm IA Capital Group Inc. "If that goes well, I think it helps the whole sector," he said. But the converse could also be true, he added.

In late June, Planck Resolution Ltd., founded in 2016, raised $16 million in series B funding, bringing its total investment amount to $28 million. The investment round was led by Team8 Capital and included new strategic investor Nationwide Mutual.

Also in June, cybersecurity risk management startup Axio Global Inc., founded in 2013, raised an undisclosed amount in a series A1 round. The investment round was led by Fin Venture Capital and IA Capital Group and included previous investor NFP Ventures.

While insurtech firms continue to draw funding, some insurers have redeployed capital back into underwriting as rates in many commercial lines continue to rise.

"What you're seeing right now is a shift in capital across the industry, from technology into the actual balance sheet," said J. Paul Newsome Jr., Chicago-based managing director at investment brokerage Piper Sandler Cos.

"What I'm seeing now is a lot of people working on the formation of companies," or recapitalizing others, "to try to position themselves to benefit from a hard market," he said. "They think they can make better returns on traditional business because of the rate environment."

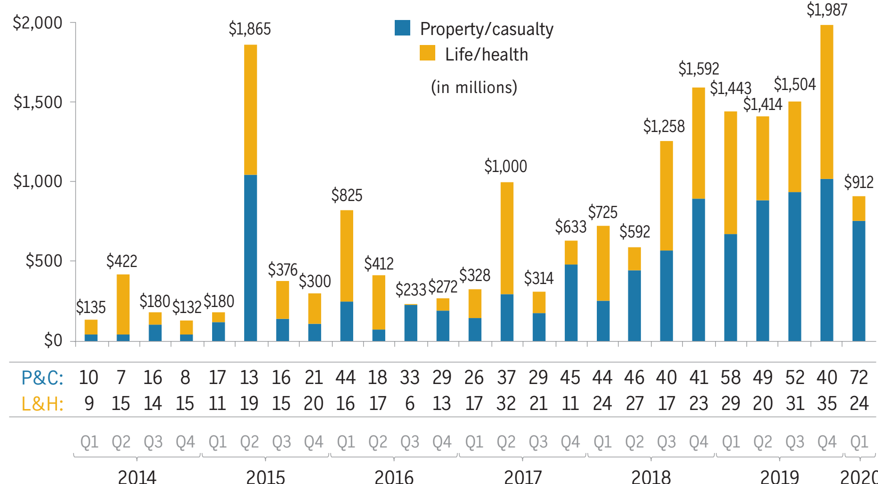
Some insurance companies may "reach a point where they feel they need to focus on the core of their business," Ms. Notaras said.

The COVID-19 outbreak has also catalyzed change at insurers, Mr. Newsome said.

"Every time you have an event of this magnitude, it really changes how you think about underwriting and the perception of risk," Mr. Newsome said. Together with rising loss cost trends, pandemic-related losses, and financial markets-related losses, "all these together drive capital into the normal core of the business," he said.

"I think insurtech is going to be around; it may just have to go through its first good business cycle downturn," Ms. Carr said. "I'm not surprised that there's a lot of money and activity that seems to be paused and on the sidelines, but I think going forward, digital is here to stay."

QUARTERLY INSURTECH FUNDING VOLUME – ALL STAGES



Source: Willis Towers Watson PLC, Quarterly Insurtech Briefing Q1, 2020

PANDEMIC CREATES OPPORTUNITY TO SHOW VALUE OF TECHNOLOGY

While the first quarter saw a downturn in insurtech funding, the social and economic disruption caused by COVID-19 may present tech firms with opportunities amid the shift to digital commerce and online interactions, sources say.

"This is exactly the right moment, the right excuse, for insurance companies and brokers to push digital transformation," said Dogan Kaleli, New York-based co-chair, global facilities/programs practice group, and head of programs business, North America for Allianz Global Corporate and Specialty, a unit of Allianz SE.

"It's now been proven, you have to support a remote working force," he said.

Insurers' increased dependence on technology to maintain operations during the pandemic may hasten further adoption.

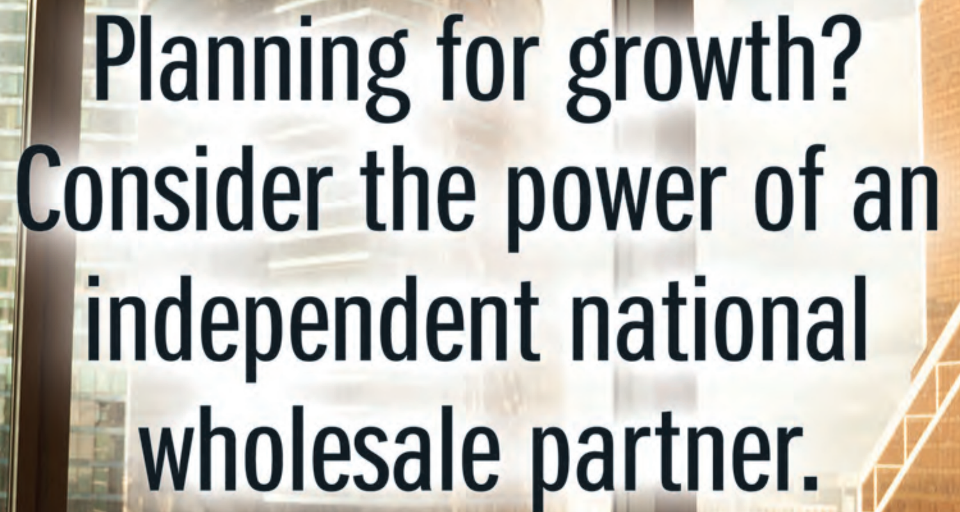
"If anything, it accelerates the urgency," said Marie Carr, principal of global growth strategy and U.S. financial services practice in Chicago for PricewaterhouseCoopers LLC.

Changes due to be made in three to five years had to be done sooner or immediately, she said. "They had to pay claims digitally, had to get those bills out," she said.

There is a lot of focus on insurtech now, said Andrew Lerner, managing partner of IA Capital Group Inc.

"It's more important than ever because people are not meeting face to face," he said. "It's accelerating the trend. Some pivot to digital we thought would happen over five years will happen in 2020."

Matthew Lerner



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NEWS ANALYSIS

Workers comp sector braces for surge in mental health claims

BY ANGELA CHILDERS
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The stress of the coronavirus pandemic may cause mental health-related workers compensation claims to rise, particularly among health care workers and first responders, experts say.

Employers can mitigate the risk of mental workers comp claims by offering workers help through employee assistance programs, peer support networks and other behavioral health interventions.

"Coping with stressful situations as a first responder and medical professional is part of the normal expectations of these types of vocations, but now that stressful situation has doubled or tripled," said Helen Froehlich, Richmond, Virginia-based vice president of case management services at Genex Services LLC. "It's really going to be a wait-and-see on how it impacts the claim numbers. I do think we should be relatively prepared that people will need our help."

More than two-thirds of frontline health care workers will likely experience psychiatric symptoms, including post-traumatic stress, acute anxiety, substance abuse, depression and suicide, according to a study published in late March by the Journal of the American Medical Association.

Nadine Kaslow, professor of psychiatry and behavioral sciences at Emory University in Atlanta, who has spent time with nursing staff at multiple hospitals during the pandemic, said nurses working in the intensive care unit face intensely stressful and profoundly painful situations.

"They've witnessed so much death, working long hours, and they have to be everything to these patients because no one else is allowed in the room," she said. "There's no question that there is an increased risk for a variety of problems — anxiety, depression, acute stress disorder now, PTSD down the road."

Since the pandemic began, Irvine, California-based Corvel Corp., a third-party administrator, has seen about a 12% rise in workers compensation claims with a mental health component and expects the trend to continue as the pandemic progresses. About three-quarters of the states in the U.S. will allow for mental-only workers compensation claims — often referred to as mental-mental claims — while the rest require a physical on-the-job injury before an associated mental condition can be considered compensable.

"We are starting to see uptick in those kinds of claims, both mental-mental in first responders and the health care sector in particular," said Michele Tucker, vice president of enterprise operations at CorVel.

The mental aspect of some of the claims relate to either COVID-19 exposure or a positive diagnosis that "seems to build over time," she said. "I think we'll continue to see that."

John Hanson, an Atlanta-based senior consultant with Willis Towers Watson PLC, also foresees an uptick in claims from first responders and health care workers who worked long shifts and were isolated from their own families, as well as claims filed by law enforcement officers and firefighters on the job during the unrest following the death of George Floyd in Minneapolis.

The challenge for the workers compensation system, however, is that it was not set up to tackle behavioral health issues, Mr. Hanson said.

"The comp system (doesn't) have resources to adequately manage the expected increased volume in claims," he said. "The magnitude of this crisis is

SURVEY TRACKS COVID-19 TOLL ON EMPLOYEES

An April study of more than 2,000 employees worldwide, conducted by Provo, Utah-based software company Qualtrics LLC, found more than 40% of workers said their mental health has declined during the pandemic. Forty percent of C-suite leaders and managers said their personal mental health had declined and 44% of individual contributors reported mental health declines.

Mental health stresses reported included:

- **53.8%** report being more emotionally exhausted.
- **53%** report increased feeling of sadness in day-to-day life.
- **50.2%** report being more irritable.
- **42.9%** report feeling generally more confused.
- **38.1%** report increased insomnia.
- **32.3%** report increased anger.
- **24.4%** report increased feelings of guilt.

Source: Qualtrics LLC

DIGITAL PLATFORM CONNECTS HEALTH CARE WORKERS TO WELLNESS RESOURCES

The mental stability among health care workers has been a longstanding issue that has been amplified by the COVID-19 crisis, experts say.

To combat the problem and provide workers with easy access to care, the University of Pennsylvania in Philadelphia partnered with UnitedHealth Group to create COBALT, a digital platform that connects University of Pennsylvania Medical System workers with curated mental health and wellness content, live groups, and individual virtual support.

"There is a lot of anxiety and uncertainty for everyone — COVID-19, racial injustice, societal unrest, the economy — everything is piling up on people," said Dr. Cecelia Livesey, creator of COBALT and chief of integrated psychiatric services in the Perelman School of Medicine at Penn. "We need to give the workforce effective tools to take care of themselves but in a way that isn't burdensome and that seamlessly integrates into their daily lives."

The launch of the platform was pushed up to help workers during the pandemic, and in the first six weeks more than 7,000 workers accessed the program — with more than half choosing to do so anonymously.

The platform uses evidence-based screening tools and contextual surveys to help provide content appropriate for each worker and refer them to the right type of provider or program for additional help, Dr. Livesey said. However, individuals can also choose a level of care, from merely viewing content to accessing peer support networks or resilience coaches, or gaining referrals to psychotherapists and psychiatrists, she said.

The platform also screens for post-traumatic stress disorder because the "sooner you can identify symptoms of PTSD and treat it the better," Dr. Livesey said.

These types of in-house behavioral support programs can help employers support their staff so that they want to continue to come back to work, said Dr. Andy Furman, executive director of the clinical excellence group at nonprofit Emergency Care Resource Institute in Plymouth Meeting, Pennsylvania.

"You'll recover tenfold whatever you invest (in mental health support)," he said. "It's very expensive to have to replace your staff."

COBALT has gained attention in the medical field, said Dr. Livesey, with Chicago-based Northwestern Medicine working with Penn to expand the platform to its workers.

Angela Childers

RETURNING WORKERS MAY BRING DRUG, ALCOHOL PROBLEMS WITH THEM

Surging alcohol and marijuana sales and a lack of access to traditional support networks during the pandemic could lead to a number of individuals returning to the workplace with substance abuse issues, experts say.

"Whenever we have a traumatic situation like COVID-19, people often fall back on maladaptive behaviors," said Perry Halkitis, dean and public health psychologist at the Rutgers School of Public Health in Piscataway, New Jersey. "Many people — especially during crises — turn to various substances to ameliorate the stresses and emotions they are experiencing."

Data also shows that many are turning to substances — both legal and illegal — to manage that stress, anxiety and depression. Sales of alcoholic beverages in March were up 55% in 2020 compared with March 2019, according to marketing research firm The Nielsen Co., and at least one state with legalized marijuana — Washington — reported record sales during the pandemic.

Noting the trend, the National Safety Council released a statement urging employers to brace for increases in worker substance misuse. The safety organization also encourages employers to implement substance abuse policies and procedures as part of their return-to-work strategies.

"People are using more substances, drinking more during the quarantine. ... This is unprecedented," said Rachael Cooper, senior program manager with the National Safety Council in Itasca, Illinois. "We don't know what will transfer back to the workplace. Just because somebody goes back to work doesn't mean

everything they've experienced (during the lockdown) goes away."

For people with pre-existing substance use issues, events such as a pandemic can "be very triggering, and we're very concerned for relapse," said Vaile Wright, senior director for health care innovation at the American Psychological Association.

Just before the lockdowns went into effect, many pharmacy benefit managers lifted their restrictions on highly controlled drugs like opioids and benzodiazepines, which allowed some workers to refill those prescriptions sooner than usual, causing some concern for potential abuse, said Dr. Teresa Bartlett, Troy, Michigan-based senior vice president of medical quality for third-party administrator Sedgwick Claims Management Services Inc.

"A lot of people did turn to alcohol and drugs," she said. "I think there will be a lot of unintended consequences (of the pandemic). ... A lot of them we haven't yet seen."

Angela Childers

... potentially unmanageable if we don't adopt new approaches to the provision of (behavioral health) therapy."

Employers are concerned with the behavioral and mental health of their employees, according to a study conducted in June by Willis Towers Watson. In a survey of 543 employers representing more than 5 million employees in the U.S., 47% said they plan to enhance mental health services and/or offer stress/resilience management services for their workforce.

The percentage of individuals who sought screening for anxiety and depression in the U.S. in May was **370%** and **394%** higher, respectively, than in January, reported Mental Health America, a nonprofit that promotes mental health in the U.S.

Source: Mental Health America

Employers who put into place specific programs aimed at treating mental health issues can also help workers obtain treatment right away without having to go through the red tape, said Dr. Teresa Bartlett, Troy, Michigan-based senior vice president of medical quality for third-party administrator Sedgwick Claims Management Services Inc., who noted that early treatment is "so pivotal" for mental health. Employees also need to be reminded of the benefits and resources — such as an employee assistance program and mental health benefits — that may be available to them, she said.

The University of Pennsylvania Health System took this approach by creating a digital platform to provide workers with immediate access to mental health care support (see story page 8).

Other options can include peer support programs, or even critical stress debriefing services, with health care providers leading discussions with workers over their stressful situations, said Washington-based Karen Thomas, director of case management innovation at CorVel.

"The earlier the support is, the better it is in trying to remedy the situation," said Melissa Burke, Southington, Connecticut-based head of managed care and clinical for AmTrust Financial Services Inc.

In New Jersey, pending legislation may offer mental health solutions for certain classes of workers through the state. S.B. 2551, introduced last month by Republican Sen. Anthony Bucco, would require the state's Department of Human Services to establish a mental health program for first responders, health care workers and others in frontline positions during the pandemic, making the program available to workers regardless of coverage through private health insurance or workers compensation and allow them or their health care providers to submit claims for reimbursement. A companion bill, A.B. 4257, was introduced by Republican Rep. Aura Dunn in the New Jersey House of Representatives.

But these behavioral health issues are not limited to health care workers and first responders, Dr. Bartlett said. For example, grocery workers may encounter customers who do not use masks or maintain social distance, exposing them to potential germs.

"That impacts you, and weighs on you heavily when you have to go home to a family and small children, and think what will it do to them," she said. "Depending on what the exposures are in a workplace, there will be some of those mental claims."

All employers need to be looking at how they can protect the emotional, mental and social health of employees, and pointing struggling workers to interventions, said Dr. Marcos Iglesias, Hartford, Connecticut-based chief medical director at Travelers Cos. Inc.

"There was a huge number of the population at large that were facing mental health issues before COVID," he said. "(The pandemic) has only exacerbated that, and none of us is immune to it."

Employers that do not provide solutions to combat the mental health issues from the pandemic are "going to lose employees, going to have turnover, more claims, worse claims outcomes, not to mention legal implications," Ms. Tucker said.

"If no changes are made to the provision of behavioral health resources for folks in these risk categories, then you will have claims ... and you will have a significant increase in the number of workers comp claims nationally," Mr. Hanson said.

The comp industry may also see mental health claims attached to physical COVID-19 claims — with workers claiming they have suffered from mental injuries as a result of acquiring coronavirus on the job — particularly in states that have created a COVID-19 presumption, said Saul Allweiss, founding partner of Allweiss, McMurtry & Mitchell in Tarzana, California.

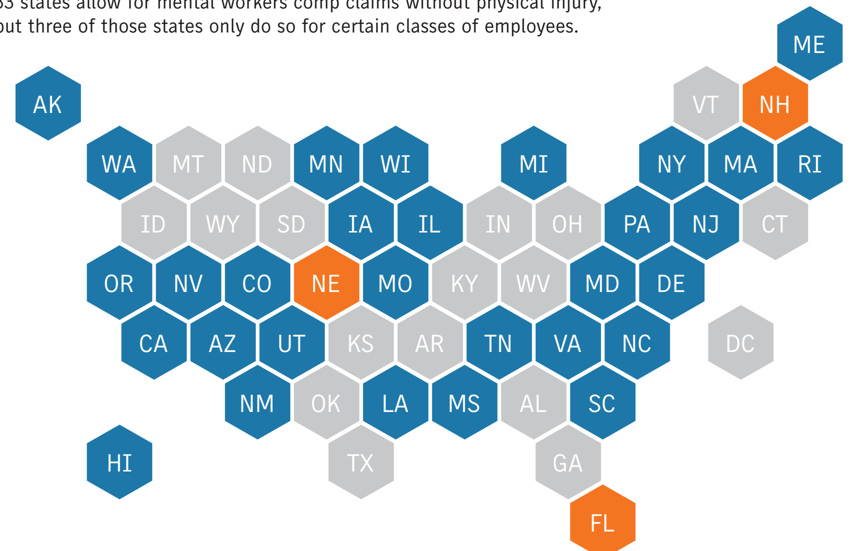
"On litigated (claims), I think these physical-mental cases are going to be quite common — it's low-hanging fruit," he said.

These mental claims can also be expensive to defend, at least in California, he said, adding that claims can "easily" cost $10,000 to $20,000.

Employers faced with coronavirus-related physical-mental claims may want to think twice about fighting the temporary disability or mental care associated with the claim, because it "will tend to mitigate any type of potential permanent disability that might ... develop down the road," he said.

MENTAL CLAIMS WITHOUT PHYSICAL INJURY

33 states allow for mental workers comp claims without physical injury, but three of those states only do so for certain classes of employees.



Source: Workers Compensation Research Institute, 2019

Coverage thins for paper industry

BY CLAIRE WILKINSON
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Managing risk in the pulp and paper industry has seldom been easy due to the complexity of the operations, but recent withdrawals by property insurers have made the task even tougher, experts say.

In an already stressed market, in which insurers are cutting exposures and limits, and pricing and deductibles are increasing for numerous industries, property insurance for paper mills can be hard to find, they say.

The shift comes as the surge in demand for paper packaging and tissues that producers experienced at the start of the pandemic slows and the overall economic outlook for the industry deteriorates. In June, Verso Corp. said it would indefinitely idle paper mills in Duluth, Minnesota, and Wisconsin Rapids, Wisconsin, to offset the "unprecedented market decline" due to COVID-19. The decision resulted in some 1,000 layoffs by the Miamisburg, Ohio-based company.

Moody's Investors Service Inc. predicts the global paper and forest products industry's operating income will decline by 4% to 7% over the next 12 months (see chart).

The insurable value on a large integrated mill can easily exceed $1 billion, in many cases, said David Arick, Memphis, Tennessee-based assistant treasurer, global risk management, at International Paper Co.

"It's a very large single facility for a lot of property insurers to write. Only a few insurers have the experience and expertise of working with forest products companies," Mr. Arick said.

There have also been some large losses affecting both paper mills and the forest products industry in general in recent years, experts say.

An April 15 explosion in a digester at the Androscoggin Mill in Jay, Maine, owned by Spring Grove, Pennsylvania-based Pixelle Specialty Solutions, caused extensive damage.

Another prominent loss was a Jan. 30, 2019, fire that destroyed the Marcal Paper mill in Elmwood Park, New Jersey, owned by Soundview Paper Co. LLC and Atlas Holdings LLC.

Historically, there have been some large losses in the industry, so the potential severity can "thin out" potential underwriting markets, said John H. Murbach, chief operating officer of Aon PLC's national property practice in Chicago.

Recent mill losses haven't necessarily driven the change in the property market for paper mills but have increased "the sense of urgency and the pace of that correction," Mr. Murbach said.

Property insurers have revisited their portfolios, as they look to restore profitability after years of underpricing, and some have pulled out of the forest products market altogether, sources say.

FM Global, the dominant player with an estimated 70% share of the pulp and paper industry in North America, is reducing its exposure to the sector and realigning with larger paper operators that can invest in loss prevention and risk reduction, sources say.

"All decisions are made on an account by account basis. We look at overall risk quality, risk improvement, and profitability of a given account," said Mark McAdams, principal underwriter for pulp and paper at FM Global in Johnston, Rhode Island.

Getting coverage for paper mills right now is "really difficult," said Gary Marchitello, chairperson of Willis Towers Watson PLC's North American property team in New York.

A risk that is well protected from a capital point of view and has effective personnel training is an "ideal circumstance," Mr. Marchitello said. Anything outside those parameters must be pieced together in the global market, "so you might have 20 to 30 markets cobbled together."

David Provost, deputy commissioner of captive insurance with the Vermont Department of Financial Regulation in Montpelier, recalls a phone call last year from a paper mill owner in upstate New York who asked: "Is there anything a captive can do for us?"

The mill's insurer had told the company one month before renewal that it was "no longer insuring paper mills" of that size, Mr. Provost said. The company's peers, other small and mid-sized mills, had a similar experience, the mill owner said.

Many paper mills are located on a river or other source of water, which means that they have flood exposure, which can also be problematic for insurers, Mr. Provost said.

Many forest products companies are "looking for alternatives," Mr. Arick said. "There are not a lot of alternatives that will write paper companies, so as a result you see increased deductibles, reduced limits, drastically increased pricing and even reduced coverage in some circumstances," he said.

Rate increases range widely but can reach triple digits in some cases, experts say.

"We've seen some (increases) over 100%. Losses would make it worse. Even a well-engineered risk is seeing severe double digits to 100%," Mr. Marchitello said.

One risk quality factor that FM Global considers is loss history and also how a policyholder responds to its engineering consultants, Mr. McAdams said.

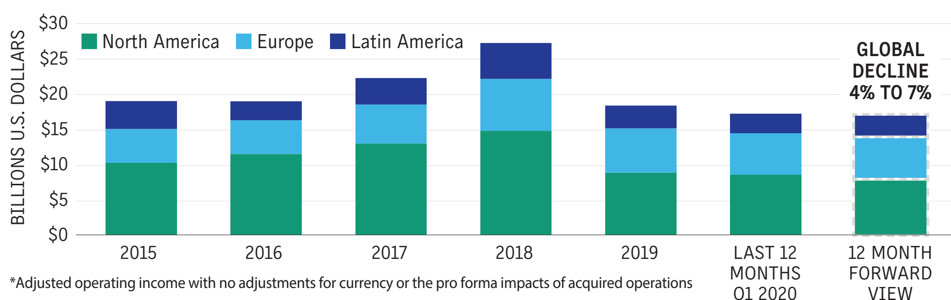
"Loss accounts are seeing much larger increases, and depending on the situation it could be just pricing, it could be pricing and deductibles," he said.

Mr. Arick said he has heard about firms trying to renew and the quote from the expiring insurers being "in excess of 30% to 50% increased from expiring, along with increased deductibles."

"It's a very tough pill to swallow from a budget standpoint," he said.

GLOBAL OPERATING INCOME PROJECTED TO DECLINE

Annual aggregate operating income from 34 of 41 rated paper and forest products companies*



*Adjusted operating income with no adjustments for currency or the pro forma impacts of acquired operations

Source: Moody's Investors Service

LOSS CONTROL COULD EASE PRICING

While a commitment to loss prevention can make a paper mill business more attractive to insurers, it may not yield more favorable insurance terms in today's hard market.

It's important "to demonstrate to insurers you are best in class, and if you're not, what is the roadmap for getting there," said David Arick, Memphis, Tennessee-based assistant treasurer, global risk management, at International Paper Co.

This might make the difference between an insurer writing an account or not and will "hopefully offset some of the increases insurers are asking for," Mr. Arick said.

Regular equipment maintenance and continued compliance with loss-control recommendations — particularly those associated with large loss expectancies — are important, said John H. Murbach, chief operating officer of Aon's national property practice in Chicago.

"It's also important to test and refresh your business continuity plans. If you can evidence all these things to underwriters, it will definitely help you be more desirable when you are trying to purchase your insurance," Mr. Murbach said.

Loss prevention is more likely to "ease the increase" in pricing, said Mark McAdams, principal underwriter for pulp and paper at FM Global in Johnston, Rhode Island.

A paper mill is an incredibly complex system of equipment and processes, and FM Global engineers "go in and look at these systems and identify the exposures and present those findings to the client," Mr. McAdams said.

This helps policyholders prioritize what's most important and how to "get the best bang for your buck as far as mitigating your risk," he said.

Claire Wilkinson

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Trade credit market in flux amid pandemic

BY JUDY GREENWALD
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The economic turmoil created by the COVID-19 pandemic is profoundly impacting the trade credit insurance market, as supply chains are disrupted and businesses struggle to remain solvent.

Trade credit insurance, which covers an estimated $600 billion in U.S. business transactions annually, protects sellers against buyers' nonpayment of debt, up to a percentage that can be as much as 95% of the bill. There are cancelable and noncancelable forms of coverage.

Experts describe a market in which claims are increasing, rates tightening, capacity diminishing, and business is intensely scrutinized by underwriters before in many cases being rejected.

Several European countries have stepped up to help the trade credit insurance industry by providing some form of reinsurance, although this has not occurred so far in the United States (see related story).

"The incidence of claims is really just starting to explode now," said Clay Sasse, New York-based managing director and U.S. practice leader for Aon Credit Solutions.

"A lot of companies are struggling to stay afloat" and not paying their bills, said James Daly, Owings Mills, Maryland-based CEO of Euler Hermes North America, a unit of Allianz.

"We have definitely started to see an increase in the number of claims we see every day due to the fact that companies aren't getting paid," and many customers are seeing requests to pay later or reschedule some payments, Mr. Daly said.

Unfortunately, "some companies aren't going to make it through," he said, pointing to recent bankruptcies. The retail, hospitality, and travel and tourism sectors are particularly affected, he said.

"The ones that were hit first were the ones that were in the most precarious position," while as the downturn continues, it "can impact a broader array of folks," said John Gibbons, vice chairman of the insurance recovery practice group at Blank Rome LLP in Washington.

Trade credit insurance rates are increasing, observers say. For the past 10 years, insurers have been pressed by the markets to lower rates and broaden coverage, said Scott B. Ettien, New York-based executive vice president, financial solutions, and global head of trade credit for Willis Towers Watson PLC.

"This is an attempt by the insurers to gain adequate returns to reflect the economic conditions in today's environment," he said.

"Right now, we're seeing very little new business being written and tougher renewal terms," with increases in the 10% to 50% range and "no clear sense of what comes next," Mr. Sasse said.

COVID-19 has had a "huge impact. It's caused full portfolio reviews, with new business very restrictive," said Mike DeLuca, Houston-based senior partner with One Source Risk Management & Funding Inc., a credit insurance broker.

Ed Yauch, New York-based U.S. trade credit practice leader for Marsh LLC, said there has been "a significant reduction in capacity and underwriter appetite," especially in the retail and automotive sectors.

Lockton Cos. Inc. doesn't bother to submit to about half of the underwriters that normally are willing to consider new submissions "because we know there's no appetite to underwrite the underlying risks," said Jerry Paulson, Chicago-based producer and senior vice president for Lockton.

Underwriters that were willing to underwrite 80% or 90% of a submission are now writing one-third, he said.

"There is a broad restriction or outright cancellation of limits," said Jim Quirk, Boston-based trade credit and political risk practice leader for USI Insurance Services Inc.

In addition, underwriters that were once flexible about issues such as sending in forms, "are now just saying, 'Let me read you the rulebook,'" Mr. Quirk said.

Underwriters are also becoming more stringent with applications, with TBDs, i.e. "to be determined," no longer acceptable. "It has to be 100% all questions answered, 100% all buttoned up," Mr. Quirk said.

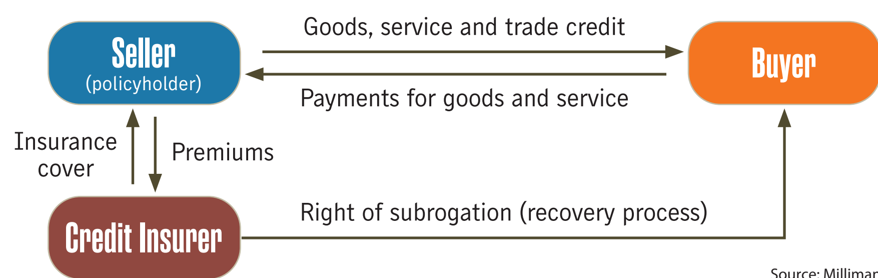
But insurers say they are not rigid. "As you would expect in anticipation of rising loss ratios, we're hardening rates and hardening policy terms, but also trying to be flexible," said Aaron Rutstein, Hunt Valley, Maryland-based senior manager-buyer underwriting for trade credit insurer Atradius Risk Services Americas.

Policies have reporting features that require past dues be reported within a certain time frame to remain in compliance, Mr. Rutstein said. "We are relaxing some of those restrictions. Some policyholders have obviously become disrupted because of the lockdowns, and Atradius is trying to be accommodating here."

"We're open for business, although "we're being much more cautious about what kind of business we're taking now and we're pricing and structuring that business commensurate with the economic condition we're now in," he said.

Euler Hermes' acceptance rate is dropping, 'but if you come to us with a new opportunity" it will be considered, Mr. Daly said.

TRADE CREDIT INSURANCE MECHANISM



Source: Milliman

REINSURANCE BACKSTOP FAILS TO GAIN TRACTION IN U.S. DESPITE LOBBYING

Several European countries are providing reinsurance assistance in some form to trade credit insurers, but despite lobbying efforts, that is not expected to happen in the United States, where the coverage is less entrenched, experts say.

Currently, some form of backstop is being offered in countries including Belgium, Denmark, France, Germany, the Netherlands and the United Kingdom.

Twenty-two U.S. trade associations across a wide range of industries, including insurance, sent a letter in June to federal officials seeking a temporary federal commercial trade credit insurance backup.

Experts say there is less of a tradition of using trade credit insurance in the U.S., which may explain why a governmental backstop has not been introduced.

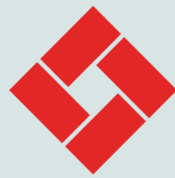
"This product has always had a much higher acceptance and penetration in Europe than in the U.S., so we were not surprised that France, Germany and the U.K., and other governments, recognized how critical this product is to trade," said Ed Yauch, New York-based U.S. trade credit practice leader for Marsh LLC.

Trade credit insurance in Europe "plays a more impactful role," said Jerry Paulson, Chicago-based producer and senior vice president for Lockton Cos. Inc.

The U.S. "has always been a bit more of a risk-taking culture," and "the market penetration of the product is not on par with what it is in Europe," said Aaron Rutstein, Hunt Valley, Maryland-based senior manager-buyer underwriting for trade credit insurer Atradius Risk Services Americas.

In Europe, there is an "institutional memory of how to put these programs in place, while no such programs have ever been instituted in the U.S.," he said.

Judy Greenwald



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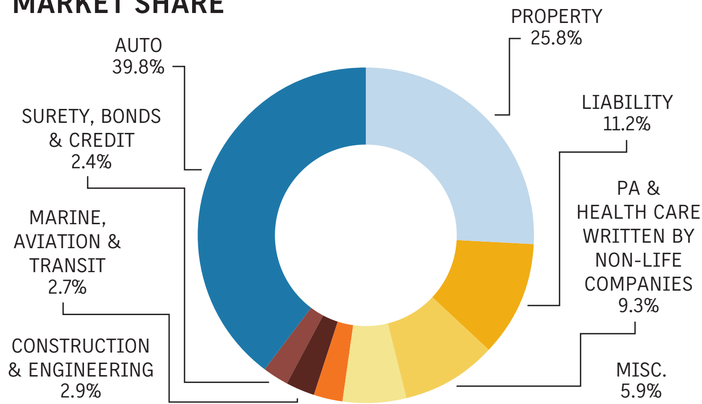
PROFILE: GERMANY

5

GLOBAL P/C MARKET RANKING

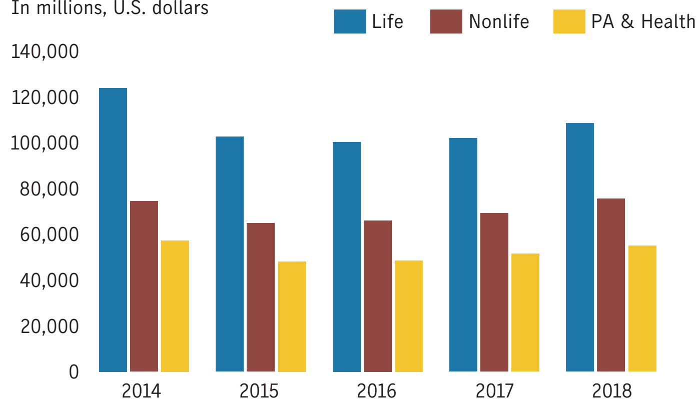
Germany rebuilt its devastated economy after World War II, becoming the richest and most powerful country in Europe and the second-largest exporter in the world. Manufacturing drives the economy, although its contribution to GDP has fallen in recent years. The German property/casualty insurance market is sophisticated and mature, with a high penetration rate in all classes. There is little organic growth in the market, resulting in fierce competition for new business and soft rates in many classes of business. Germany is a highly developed liability market. The public is claims conscious, and as legal expenses cover is widely bought, people are readily able to institute proceedings. The courts are more consumer-friendly when it comes to awards, but decisions remain consistent with precedents; so far there have been no major market losses and the market environment for insurers is generally regarded as benign.

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

AREA

137,847

square miles

POPULATION

80.2

million

MARKET CONCENTRATION

30.8%

market share of top five insurers

2020 GDP CHANGE (PROJECTED)

(6.5%)

MARKET DEVELOPMENTS

Updated June 2020

- The full impact of the COVID-19 pandemic on the German and global insurance markets remains to be seen. Initial reports suggest that as in other markets, any business interruption coverage in commercial packages will not be triggered unless specific pandemic cover has been arranged. Standalone travel cover will be affected, as will trade credit insurance.
- Preliminary figures from the German Insurance Association put total domestic direct nonlife insurance premiums in 2019 at €72.9 billion ($80 billion), up 3% over 2018. The largest classes in 2019 were auto €28.5 billion and property €21.5 billion.
- Property rates for industrial and commercial risks had been very soft for years, but a combination of repeated and substantial natural perils losses and significant individual claims have forced insurers to finally take action. While rates hardened during 2019, further increases at the Jan. 1, 2020, renewal were up to 10%.
- Storms, hail and heavy rain last year caused insured damage to property and motor vehicles totaling €3.2 billion, below the long-term annual average of about €3.7 billion. February 2020 saw Storm Sabine hit northern Germany, causing estimated claims of €675 million, making it the sixth most costly storm since 2002. Of this figure, property insurers are expected to pay €600 million and motor insurers €75 million.
- Insurers have been addressing the question of "silent cyber" cover, where insurance policies do not mention cyber risks, or they are not explicitly included or excluded. The insurance supervisory authority BaFin has urged insurers to take a closer look at the silent cyber risk. Leading insurers have been reviewing cyber risks in industrial/commercial policies and clarifying coverage.

COMPULSORY INSURANCE

- Professional indemnity for lawyers, accountants, auditors, tax advisers, real estate managers, financial investment intermediaries and insurance brokers
- Aviation liability
- Product liability for pharmaceutical companies
- Workers compensation (state scheme)
- Credit insurance for manufacturers of electrical goods, brokers, builders and travel agents
- Shipments of waste

NONADMITTED

Unauthorized insurers cannot carry on insurance activity in Germany, although there is nothing in the law to indicate that insurance must be purchased from locally authorized insurers, with some exceptions. This is generally interpreted to mean that insurers can issue policies from abroad, with exceptions, if approached by a buyer. Insurers from European Economic Area states — EU member states, Iceland, Liechtenstein and Norway — may provide insurance under freedom to provide services.

INTERMEDIARIES

According to the Trade Law, intermediaries have to be authorized to do insurance business. German intermediaries are not allowed to place business with nonadmitted insurers. In the case, however, of a foreign parent company purchasing cover from a nonadmitted insurer on behalf of a German subsidiary, a German intermediary is allowed to service that contract.

MARKET PRACTICE

In practice, global policies that include risks located in Germany are issued by insurers located outside the European Economic Area.

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R!SK PERSPECTIVES

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Lead Consultant/ Industrial Hygienist

Getting back to office after COVID-19 shutdowns:
How to prepare and what to expect

With officials starting to allow businesses to reopen after the coronavirus outbreak, it's of paramount importance to have a plan in place for employees, customers and guests to return to the workplace in a safe manner. Companies need to take an approach that encompasses all the variables that affect peoples' health and well-being. There are a number of components addressing policies, people and places that should be considered when assessing and mitigating COVID-19 risk exposures within your organization.

Policies

Government/Regulatory/Industry Standards

It's important to monitor government, regulatory, accreditation and other standards, using these as appropriate criteria prior to initiating repatriation and continuing operations. Companies need to provide regular updates on governmental COVID-19 management guidelines and explain requirements between locations in different states or countries. Corporations should use a best practice approach, encompassing various locations' governmental requirements and plan to continually flex with new requirements and ideas.

A risk assessment plan should be put in place to identify and evaluate protective measures, along with any new hazards they may introduce. The recent revision of the Occupational Health and Safety Administration's hierarchy of controls, including engineering controls, should be reviewed and considered. Companies should keep a logbook of actions on what they did and the resource/authority consulted to implement the change.

Social Distancing/Process Workflow

A multidisciplinary employment team approach should be used to develop social distancing and process workflow policies specific to COVID-19 practices. Policies should include creating one-way aisles and re-patterned workflows, as well as eliminating shared workstations to reduce multiple touches. Contactless delivery precautions should also be employed whenever possible. In addition, extra time should be allowed to conduct periodic cleaning/disinfecting, social distancing and other protective measures.

A continued work from home policy for employees not essential to onsite operations is the most effective way to minimize risk exposure. Consider a graduated approach to return to work and stagger work shifts and break times for those employees deemed essential to work onsite. Encourage alternative modes of transportation for employee travel to/from work as mass transit may increase exposure. If a decline in workforce is necessary, companies should have a plan in place to back off production/services.

Communications

Employees will undoubtedly have fears and trepidation as they head back to work, as will customers and suppliers visiting newly re-opened facilities. Having clear, well-communicated policies and procedures that are regularly reviewed and updated will allay these anxieties. Solid training plans for employees on the use of new personal protective equipment and protocols will ensure everyone feels comfortable with the new workplace norm.

People

Protection of your employees, customers and visitors to your business needs to be a top priority. Prior to anyone returning to your facilities, clear social/physical distancing and symptom monitoring plans must be in place including implementing the CDC's recommendation for wearing cloth face coverings. Educate employees on the use of new policies, procedures and personal protective equipment and review these policies on a regular basis.

Continually remind employees to: wash hands often or use hand sanitizer, minimize touching eyes, nose and mouth, use disinfecting wipes on surfaces touched, and stay home if sick. Encourage self-monitoring before leaving home, staying home and reporting feeling ill.

Human Resources processes should be in place to address the impact of reintroducing employees back to the workplace. Develop a clear strategy for utilizing the talent of vulnerable individuals within your employee population while keeping them safe. Consider including employee assistance programs, health and wellness programs, leave policies, employee availability and hiring to monitor and support employees' mental health challenges, and anxiety related to COVID-19 exposures. Plan to monitor and communicate to employees suspected and confirmed COVID-19 cases and consider how your organization will utilize antibody test results.

As you plan for the return of customers and visitors, social distancing and cloth face covering policies should be clearly deliniated. Limit the number of customers per square foot and modify customer flow patterns and/or access, minimize queuing, and use physical barriers where necessary. Alternate items/rooms used to allow for cleaning and optimize natural virus viability decay. Encourage pre-pay online or self-checkout, and continue pick-up or delivery options.

Places

To prevent the spread of COVID-19 in the workplace, well-defined disinfectant and social distancing practices must be put in place. Plan for adequate supplies of soap, paper towels, cleaning/disinfectants, hand sanitizers, and tissues with continual re-supply. Review the effectiveness and frequency of your cleaning/disinfecting plan, especially for targeted areas. Develop a deep cleaning protocol after a suspected/positive case is reported and identify cross contamination points for disinfection or removal.

Post reminders to social distance, cover coughs and sneezes, and wash hands frequently. Determine if visitors will be allowed in the facility and minimize onsite contractors to prevent exposure to infection.

Building Management should ensure maximum make up air and HEPA filters for HVAC. Other building-wide practices such as the use of physical barriers to augment or create partitions and floor markings to create perimeter zones at a minimum of six feet should be employed. In addition, small meeting rooms should be designated for virtual meetings only with one person occupying the room. In-person meetings with multiple participants should be held in large meeting rooms to properly maintain social distancing.

The New Business as Usual

In times of great uncertainly, people crave the familiar. They are eager to return to the normal routines of their daily life – whether that be working, shopping, going to the gym or salons, attending school, dining out, etc. The continued threat of COVID-19 will force these routines to look different moving forward, but the new norm will soon become business as usual.

Companies that take a multidisciplinary approach to developing, and clearly communicating guidelines for how to safely resume in-person operations will be the most prepared. Working with your organization's Human Resources and Legal department to review all policies and plans and implementing an employee participation and feedback loop to management will ensure that everyone that comes into contact with your business, including the most vulnerable, are protected.

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Baseball teams sue over virus claims

More than 20 minor league baseball teams filed suit against their insurers in federal district court for their failure to pay COVID-19-related business interruption claims.

"The result of the cancellation of much or all of the (minor league baseball) season is catastrophic financial losses for all minor league teams including the Plaintiff Teams," says the lawsuit filed in U.S. District Court in Philadelphia in *Chattanooga Professional Baseball LLC d/b/a Chattanooga Lookouts et al. v. Philadelphia Indemnity Insurance Co.; Acadia Insurance Co.; National Casualty Co.; Scottsdale Indemnity Co.; Scottsdale Insurance Co.*

"The operating model for (minor league baseball) teams is entirely dependent on receiving players, coaches and other team personnel for the (major league baseball) teams with which they have an affiliation agreement requiring that MLB team to provide players and other personnel.

"It is also dependent on being permitted by federal, state and local governments to allow" fans' admission to minor league games, the complaint says.

The lawsuit says the insurers have refused to pay their claims on the basis the teams' losses were not attributable to any physical loss or damages.

The insurers "have failed to meet their obligations" by refusing to pay business interruption claims, the lawsuit says. It charges the insurers with breach of contract and anticipatory breach of contract and seeks a judgment the plaintiffs are entitled to the full amount of coverage.

Lawsuit: Invalidate virus exclusions

A coronavirus business interruption suit filed against Berkshire Hathaway Inc. alleges that virus exclusions that have been used by insurers since 2006 should be ruled invalid because the policy wordings organizations that devised them made misrepresentations to regulators.

In the proposed class action *1 S.A.N.T. Inc. d/b/a Town & Country and d/b/a Gatherings Banquet & Event Center v. Berkshire Hathaway Inc.*, a New Castle, Pennsylvania, restaurant and tavern argued that Berkshire Hathaway wrongly denied its claim for business interruption coverage for income lost during the COVID-19 lockdown.

Like many similar suits filed by policyholders against insurers nationwide, the *1 S.A.N.T.* suit, which was filed in federal court in Pittsburgh in June, alleges that the coronavirus pandemic caused direct physical damage to the plaintiff's property, which it argues triggers business interruption coverage under its commercial insurance policy.

In addition, the suit argues that the virus exclusion in the policy does not apply because the groups that drew up the wordings 14 years ago — Insurance Services Office Inc. and the American Association of Insurance Services — told regulators that existing property polices did not cover "disease-causing agents" and the exclusions were intended to "clarify" coverage.

However, courts had previously ruled that property policies covered claims involving disease-causing agents, court papers say. The suit does not cite specific past rulings on the issue.

"The foregoing assertions by the insurance industry (including Defendant), made to obtain regulatory approval of the Virus Exclusion, were in fact misrepresentations and for this reason, among other public policy concerns, insurers should now be estopped from enforcing the Virus Exclusion to avoid coverage of claims related to the COVID-19 pandemic," court papers say.

IRS files lawsuit over captive records

The IRS sued the Delaware Department of Insurance seeking access to information on microcaptives managed by the captive management unit of Arthur J. Gallagher & Co.

In the suit *United States of America v. Delaware Department of Insurance*, filed in federal court in Delaware, the tax agency says the insurance regulator only turned over information it is seeking on 16 of 191 microcaptives managed by Artex Risk Solutions Inc.

The Delaware insurance department says that state confidentiality laws bar it from releasing the information without the consent of the captive owners.

Delaware is the fifth-largest captive domicile, with 366 captives under management, according to *Business Insurance*'s most recent ranking. Artex is the third-largest captive manager, with 729 captives under management, including 266 microcaptives, according to *BI*'s ranking.

The IRS is investigating Artex's microcaptive business and has initiated audits of the unit's tax filings since 2012, according to Gallagher's most recent annual report filed with the Securities and Exchange Commission. The agency also is conducting a broader crackdown on the microcaptive sector and has won several court rulings in which it argued that various so-called 831(b) captives were tax shelters rather than legitimate insurance vehicles.

Artex was also sued in a proposed class action in December 2018 in which a microcaptive owner alleged that the captive manager promoted 831(b) captives that it "knew or should have known" were illegal tax shelters that would be disallowed by the IRS.

A federal court compelled arbitration in August 2019 and dismissed the class-action suit. The case is on appeal with the 9th U.S. Circuit Court of Appeals.

In its suit against the Delaware insurance department, the IRS cited the Artex case, which alleged that Artex worked with the state's regulators on some of the microcaptive transactions outlined in the earlier suit. Many of the microcaptives were established by Tribeca Strategic Advisors LLC, which Artex acquired in 2010.

Miner unions sue over COVID safety

Two unions representing miners jointly filed a lawsuit to force the federal Mine Safety and Health Administration to issue an Emergency Temporary Standard protecting miners from infectious diseases in light of the closed quarters many industry workers face.

The United Mine Workers of America International Union and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union filed their petition for a writ of mandamus in the U.S. Court of Appeals for the District of Columbia Circuit.

"Working in a mine is very different from working in any other workplace," UMWA International President Cecil E. Roberts said in a statement. "The air is circulated throughout the mine, meaning an airborne disease like COVID-19 can spread among workers who are far removed from one another. A six-foot social distance is meaningless in an underground environment."

"If MSHA fails to issue an ETS to address this unprecedented crisis, the life and health of tens of thousands of miners will be placed in grave danger as a result of the miners' increased exposure to COVID-19," the filing states.

DOCKET

JUDGE DISMISSES WORKERS COMP SUIT

A district court judge dismissed a putative class-action lawsuit filed against Liberty Mutual Insurance Co. by a client who claimed the Boston-based insurer overcharged for workers compensation insurance. Judge Denise Casper of the U.S. District Court for the District of Massachusetts held that Bridgeport, Connecticut-based Valley Container Co. failed to show that the insurer engaged in breach of contract or unjust enrichment or violated the Racketeer Influenced and Corrupt Organizations Act and Massachusetts consumer protection laws.

AIG UNIT WINS DISPUTE WITH PORT DISTRICT

A federal appeals court in San Francisco overturned a lower court's decision and ruled in favor of an American International Group Inc. unit in a dispute with the Port of San Diego, stating the losses for which the port sought indemnification were not covered under the insurer's umbrella and excess coverage. The issue in the case was whether AIG unit National Union Fire Insurance Co. of Pittsburgh was obligated to defend claims and indemnify the port for losses stemming from non-litigated disputes, including costs resulting from agency orders requiring the port to remediate and abate environmental contamination and pollution.

UNION PACIFIC NOT NEGLIGENT IN FALL

A train conductor's negligence claims against his employer were unanimously dismissed by the 7th U.S. Circuit Court of Appeals in Chicago. In *LeDure v. Union Pacific Railroad Co.*, the appellate court affirmed a district court's ruling that the conductor's slip and fall was not reasonably foreseeable. Bradley LeDure, a conductor for Union Pacific Railroad Co., slipped and fell down the steps of an exterior walkway on Aug. 10, 2016, while preparing a train for departure in Salem, Illinois. He reported the incident and an inspection found a small amount of oil on the walkway.

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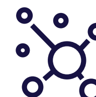
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Margaret Spence

C. DOUGLAS & ASSOCIATES INC.

Margaret Spence has spent more than two decades leading her own company that manages workers compensation claims for multinational corporations nationwide. She is also the founder of The Employee to CEO Project, a global initiative aimed at increasing the representation of women, with specific emphasis on minority women, in C-Level leadership roles within the insurance industry. An immigrant from Jamaica, she lives in West Palm Beach, Florida. Ms. Spence recently spoke with *Business Insurance* Assistant Editor Louise Esola on the issue of diversity and the insurance industry. Edited excerpts follow.

Q Companies in the insurance industry want to increase diversity in the workforce. How can this be better accomplished?

A The first thing that the insurance industry needs to do is accept that it has a racial disparity problem. There is a problem. The industry has buried its head and pretended that it does not have a diversity problem. You have a diversity problem. It is an inclusion issue as well, with regards to all groups. You have diversity issues with no Black people in leadership. You have an inclusion issue because you are not bringing in younger voices or women. And you have this sameness issue, where you are willing to continue with the same practices. The industry is not evolving. The industry hasn't asked the question: why would a minority candidate want to work in this industry? Why would we want to work here if we don't see ourselves in this industry?

Q How can companies begin to tackle the issue?

A Recruiting in this industry doesn't start at the door of a college. It starts at the door of a high school. We have to begin to go into inner-city schools and talk to students in high school about this industry. Every year, over 327,000 Black students attend historically Black colleges and universities. Where is the insurance industry in their on-the-ground recruiting? We are absent. I would have never come into insurance — my education is in psychology — had it not been for a recruiter who talked to me about this industry, who said this is a great career, this is a great place to grow. When do we do that as an industry? Do we go into the high school and say here are 99 paths in the insurance sector; here are all the places you can go? Yes. What the industry fails to understand is at-risk students, minority students do not get to see this industry. Where are we in the pipeline? Oftentimes when people think of the insurance industry they think of an insurance agent that is selling you a policy or when someone has an accident and you have an adjuster at the end of the phone line making your life miserable. Where is the positive spin on this industry?

Q What are some practical ways to go about this early recruiting?

A I want to reiterate that I don't want anyone to think they have to dumb down the education requirement to bring minorities into the industry. What I want to say is if you offer internships in high school and college where young people can see a pathway, then fantastic. Now you have a robust internship program; an externship program where you are out in the community talking about careers and investing in the community. There are a lot of entry-level positions that don't require degrees. Organizations can set up their own public/private partnerships with universities to do training to create pipelines for students, even those not in college. One of the untapped markets for all industries is people who graduate high school who start college but don't finish. That population has been underserved forever. Maybe they went to college and realized it wasn't for them or maybe they ran out of money and couldn't finish. We have an opportunity to create partnerships with colleges, universities and high schools to create pathways for them into the insurance industry. You go into communities and expose these Black students to coursework post-high school or during high school. Here in my community we have high school students who graduate as licensed practical nurses. Why couldn't we create a program that could be the insurance track?

Q What are some of the issues with advancement when it comes to diversity and inclusion at the upper levels of an organization?

A Advancement is also not happening. My mother used to say, where you start up is never where you should end up. What happens in the insurance industry is you have a mass gathering of minorities at the lower levels of an organization. That's where they enter. And they will spend 25 years in those positions and never move out of it. This is the only industry that where you start is where you end up. I mentor a Black woman in the insurance industry who has a master's degree in business administration and a law degree who was passed up for a promotion to management; they hired an outside white male candidate even though she was more qualified and had been doing the role as an interim person. They turned around and said to her, train him and get him up to speed. That is where the Black candidates are; they are not moving up. We find them in roles where they are comfortable, and we don't give them pathways to move up. As an industry, we have to create career pathways not only for minorities, but for women.

Q What's the message to minorities in this industry right now?

A Don't allow your organization to put a cap on where you need to go. It's not just about education. Invest in gaining the skills to move yourself forward. Ask yourself the critical questions: What do I want? Why do I want it? Why don't I have it now? If the answer is 'my manager keeps declining my advancement to the next level,' then that's not the organization you need to be working for, and you need to be willing to let it go. And I say move on faster. It's imperative that we understand that our career is ours to manage.

One of the untapped markets for all industries is people who graduate high school who start college but don't finish. ... We have an opportunity to create partnerships with colleges, universities and high schools to create pathways for them into the insurance industry.

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COVER STORY

PUSH TO DEVELOP VACCINE RAISES LIABILITY QUESTIONS

Scientists work hard to rush COVID-19 protections to market, but will immunity laws hold firm if something goes wrong?

BY JUDY GREENWALD
jgreenwald@businessinsurance.com

As developers race to produce a COVID-19 vaccine, federal law offers protection from liability, but that doesn't necessarily mean lawsuits won't follow.

Under a recently revived 2005 statute, vaccine developers have broad immunity against product liability lawsuits if problems arise, but there is never any guarantee of complete immunity against creative plaintiff attorneys, experts say.

FEDERAL SHIELD DATES BACK TO LIABILITY CRISIS ERA

The National Childhood Vaccine Injury Act of 1986, which was later amended as the National Vaccine Injury Compensation Program, effectively revived an insurance market for vaccines, after insurers fled to escape rising litigation.

The compensation program is funded by the Vaccine Injury Compensation Trust Fund from a 75-cent excise tax on vaccines recommended by the Centers for Disease Control and Prevention.

More than $4 billion in compensation has been paid over the program's life, according to the Health Resources & Services Administration.

The National Childhood Vaccine Injury Act is similar to the Public Readiness and Emergency Preparedness Act in that both established no-fault systems, said Christina Harris, Tampa, Florida-based product manager, life sciences, with IronHealth, a Liberty Mutual Insurance Group unit.

Its impetus was the swine flu scare of the late 1970s, when President Gerald Ford embarked on a program to vaccinate the U.S. population and it was discovered "there was no coverage, because the (insurance) industry was still rebounding from polio vaccine cases, where the courts imposed strict liability," Ms. Harris said.

"When it was enacted back in the '80s (litigation) was a big problem," to the point where some manufacturers had abandoned the vaccine business, and there was concern about not having vaccines that saved millions of lives, said Jim Walters, Philadelphia-based managing director of Aon PLC's life sciences and chemicals industry group.

The act "became the first line of defense," he said. "The incidence of litigation dropped off a cliff and really reduced significantly."

The U.S. Supreme Court held in its 2011 ruling in *Bruesewitz et al. v. Wyeth et al.*, for instance, that the vaccine act preempts all design-defect claims against vaccine manufacturers brought by plaintiffs seeking compensation for injury.

Judy Greenwald

The insurance market for life science companies, though, remains robust, even as the price of coverage firms.

Biopharmaceutical companies, manufacturers, academic institutions and others are rushing to develop vaccines to prevent the COVID-19 disease, which has killed more than 500,000 worldwide.

The World Health Organization had listed 17 "candidate vaccines" that were under clinical evaluation as of late-June, and another 132 that are in preclinical evaluation.

Vaccines must go through a three-step approval process, and it is likely more than one company will produce one, said Lee Farrow, Whitehouse Station, New Jersey-based executive vice president, life sciences industry practice leader, for Chubb Ltd.

"When you're talking about making a million vaccines or more, it's going to require more than one company to do that," he said.

Health care providers have immunity from tort liability under the 2005 Public Readiness and Emergency Preparedness Act that becomes effective once the Secretary of Health and Human Services declares a public health emergency, which Alex Azar did with respect to COVID-19.

The law, which has been invoked several times previously, confers immunity on manufacturers and authorizes a fund to provide compensation for physical injury or deaths caused by vaccines, drugs or medical devices.

Observers say the comparable no-fault Vaccine Injury Compensation Program, which was created by the National Childhood Vaccine Injury Act of 1986 and established a special vaccine court, has been effective in reducing litigation in connection with previously developed vaccines (see related story).

Pharmaceutical manufacturers may also face patent infringement litigation, experts say (see story page 22).

Pharmaceutical companies did not respond to requests for comment.

> The act provides broad liability immunity on a federal level "and it supersedes state laws and even other federal laws" to provide incentives for companies to work on vaccines and other treatments "without the fear of litigation."
>
> Jim Walters, Aon PLC

The PREP Act, which is intended to encourage companies to explore developing and manufacturing vaccines, is good for manufacturers, said Jim Walters, Philadelphia-based managing director of Aon PLC's life sciences and chemicals industry group.

The act provides broad liability immunity on a federal level "and it supersedes state laws and even other federal laws" to provide incentives for companies to work on vaccines and other treatments "without the fear of litigation," Mr. Walters said.

"Those protections will be afforded, in all likelihood, to any company that's working on a vaccine," he said. While companies must still apply for U.S. Food and Drug Administration approval, "there's a tremendous amount of confidence that the vaccine would be subject to this and the companies would have immunity protection," he said.

The PREP Act will protect manufacturers "completely, unless somebody deliberately misrepresents something in an application," said James Beck, life sciences policy analyst with Reed Smith LLP in Philadelphia. "The PREP Act has only one exception and that's deliberate misconduct," and is written very broadly, he said.

But other experts warn the PREP Act does not necessarily provide complete immunity.

The declaration invoking the PREP Act for COVID-19 expires in October 2024, or when the Department of Health and Human Services declares the pandemic to be over, whichever comes first. This leaves the question of whether vaccine manufacturers would continue to have immunity, Mr. Walters said.

Immunities "aren't always 100% foolproof effective," said Larry Reback, San Francisco-based managing principal and leader of EPIC Insurance Brokers & Consultant's policy response unit, whose focus is product liability.

See **VACCINE** next page

VACCINE PRODUCT APPROVAL PROCESS

The U.S. Food & Drug Administration's Center for Biologics Evaluation and Research is responsible for regulating vaccines in the United States.

Pre-marketing, or pre-licensure, vaccine clinical trials are typically done in three phases:

PHASE 1

Initial human studies, which are performed on a small number of closely monitored subjects.

PHASE 2

Dose-ranging studies, which may enroll hundreds of subjects.

PHASE 3

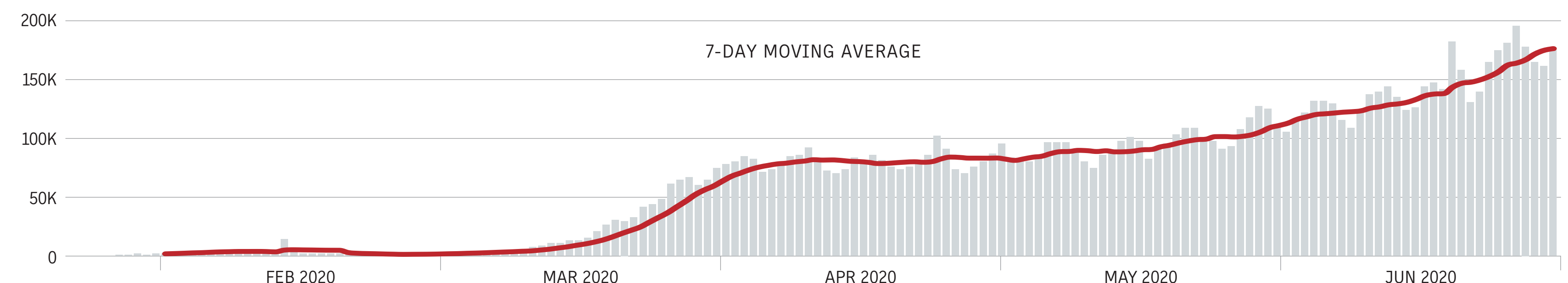
Trials that typically enroll thousands of individuals and provide the critical documentation of effectiveness and important additional safety data required for licensing.

Many vaccines also undergo **Phase 4**, which are formal studies conducted once they are on the market.

Source: U.S. Food and Drug Administration

DAILY NEW COVID-19 CASES — WORLDWIDE

Daily new COVID-19 cases worldwide since the start of the outbreak through June.



Source: Worldometer

COVER STORY

VACCINE

Continued from previous page

"They can be challenged based on specific factors, and even if they are ultimately upheld, they may cost a lot of money defending," he said.

Under product liability law, there are three principle grounds for liability: design defects, manufacturing defects, and a failure to warn, Mr. Farrow said.

"Usually, what we're most involved in is failure to warn," he said. Because most products are developed under the FDA's guidance and regulatory bodies, "the design is probably fine, unless there's a huge product withdrawal," he said.

As for manufacturing, Mr. Farrow said, "You have to make it correctly," While there are cases of manufacturers producing bad lots, "for the most part" they are made correctly, he said.

"The typical product liability exposure is always present. Bodily injury is a key driver," said Christina M. Harris, Tampa, Florida-based life sciences manager for IronHealth, a Liberty Mutual Insurance Group unit.

The PREP Act's intent "is to wash away that liability to manufacturers, distributors and developers because they want to entice them to develop vaccines themselves and understand in doing so they are open to public scrutiny and litigation," she said.

To be successful in litigation efforts, plaintiffs "would have to do it very creatively and approach with caution, especially if they've got the federal government" seeking to "honor its word, so to speak," by enacting the PREP Act to begin with, she said.

Mr. Beck said he does not believe that litigation against those who develop a COVID-19 vaccine "'are going to be looked upon very favorably by the courts and even juries." He said he is also unconcerned about the declaration's expiration date.

"Society's going to be so grateful to whomever provides a successful vaccine in this circumstance that immunity for the vaccine itself will be extended, if necessary," he said.

Meanwhile, there is a "very robust marketplace" for clinical trial insurance, Mr. Walters said. Underwriters "recognize the value and importance of immunities arising from the PREP Act and are willing to write the coverage," he said.

> "Vaccines are a little more challenging to underwriters generally speaking, so the rates may be a little bit more than other life sciences markets."
>
> Lee Farrow, Chubb Ltd.

"I would describe the market as firm," Mr. Farrow said. "Vaccines are a little more challenging to underwriters generally speaking, so the rates may be a little bit more than other life sciences markets."

A vaccine "is just part of the overall life sciences market," so "we evaluate and underwrite life science companies very similarly, regardless of whether they make vaccines" or other products, said Linda Schultz, Pittsburgh-based head of life sciences product liability for Hartford Financial Services Group Inc.

"For life sciences companies, we look at their experience with compliance with FDA regulation, their history of FDA inspections of their facilities, their ability to comply with good manufacturing practice guidances, and other regulatory requirements." Hartford also evaluates life sciences companies' supply chains because they often rely on third parties for various aspects of their manufacturing, she said.

Ms. Schultz said Hartford offers up to $10 million in policy limits, but in certain cases $15 million is available.

Vaccines are given to healthy people "and the liability exposure is more significant than if it were someone already sick, for example," Mr. Farrow said.

"We have to feel like we understand the way the products work and what the possible concerns are" to determine the right attachment point and premium, he said.

Mr. Farrow said that despite the urgency in creating a vaccine, "we still need to underwrite, and by that I mean we will review the protocols, which is the blueprint to conduct the clinical trial (and) read through the formal consent documents, which warn test subjects about concerns and potential adverse events, unknown events."

Then, if the protocol is well put together and the informed consent documents acceptable, "and we like the technology and feel good about the company as well," Chubb will write it, he said.

IronHealth's Ms. Harris said insurers will usually insure the clinical trial exposure at relatively lower limits and low retentions, then as the risk grows and the products move into commercialization, they'll modify the terms and conditions accordingly and higher limits may be bought.

Vaccines are excluded in many insurers' policies, but most if not all insurers are willing to carve back to remove the exclusion, Ms. Harris said.

INTELLECTUAL PROPERTY CONCERNS, EXISTING PATENTS MAY POSE HURDLES

As pharmaceutical companies and others strive to find a viable vaccine for the coronavirus, they need to be wary of patent infringement claims, experts say.

"Patents are critical to the success of the biopharmaceutical and pharmaceutical companies," said David Duski, Chicago-based director and national intellectual property practice leader at consulting and accounting firm BDO USA LLP.

Those seeking to develop a vaccine "need to be thinking about, in the back of their minds, whether their efforts infringe on intellectual property rights," Mr. Duski said. Failing to consider this "could drag them into litigation."

One intellectual property risk manufacturers face is whether proposed methods of treatment or steps necessary to manufacture a vaccine infringe on existing patents, said Michael J. Abernathy, Chicago-based co-leader of law firm Morgan Lewis & Bockius LLP's Disputes Practice and Life Sciences Industry Initiative.

"Presumably, as they are working on the vaccine, they are rapidly doing clearance to make sure that doesn't happen," he said.

Another risk is an attempt to invalidate a patent. Courts have been hostile to patents of naturally occurring processes, Mr. Abernathy said. In its 2012 ruling in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, the U.S. Supreme Court ruled diagnostic tests must do more than "simply state the law of nature while adding the words 'apply it.'"

Another area of concern is co-development "either between competitors or between companies that have complementary technologies," he said.

Typically, there is an agreement "that spells out the collaboration. There are provisions that describe who gets what IP protection if a drug is developed or a therapy is developed, who then gets license rights and what are the economics of those arrangements," he said.

Mr. Abernathy said that given "the very quick development time," companies should determine whether the agreements foresee and address all possible contingencies.

"These agreements really need to be very, very carefully drafted to capture those rights," he said.

Judy Greenwald

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Brokers weather pandemic uncertainties

BY GAVIN SOUTER
gsouter@businessinsurance.com

INSIDE

WORLD'S 10 LARGEST BROKERS
The biggest brokers saw some substantial organic and acquisition-related revenue gains last year. **PAGE 26**

100 LARGEST U.S. BROKERS
Business Insurance's 2020 proprietary survey of the 100 largest insurance brokers of U.S. business. **PAGE 28**

TOP 10 BROKER PROFILES
Learn more about the world's Top 10 brokers and how they are adapting to huge changes. **PAGE 32**

Wider economic events hit insurance brokers hard over the past few months, but it remains unclear how much the coronavirus pandemic will affect industry revenue for the remainder of 2020.

While the knock-on effects of a slump in business activity, sky-high unemployment and the absence of a COVID-19 vaccine will be a drag on brokerage results, the compulsory nature of many insurance purchases and the continued rise in insurance rates will offset some of the downturn, brokerage executives and analysts say.

And investors remain interested in the brokerage sector, which will likely drive continued consolidation despite a sharp drop in deals so far this year.

Meanwhile, insurance brokerages, like numerous other companies, are considering how to react to added scrutiny of corporate diversity practices following the nationwide protests sparked by the killing of George Floyd in Minneapolis in May (see story page 25).

The severe shock that coronavirus-related lockdowns have had on the global economy has been felt by insurance brokers as businesses close, reduce operations and lay off workers, which reduces demand for property/casualty, workers compensation and

employee benefits insurance products, and in turn hits brokers' commissions and fees.

The COVID-19 lockdowns "will most definitely negatively affect organic growth, so our focus is on what we can take control of," including new business, client retention, cost management and mergers and acquisitions activity, said Marc Cohen, CEO of Hub International Ltd.

Brokerage revenue is dependent on GDP growth, so economic recovery will be "an important factor in future revenue growth," said John Doyle, CEO of Marsh LLC.

The economic downturn has affected different parts of the brokerage business in different ways, said John Haley, CEO of Willis Towers Watson PLC.

Most insurance and reinsurance coverage is required for businesses to operate, he said. Other areas, however, such as "talents and rewards consulting," is "among the most discretionary of all the services that we provide."

Brokers with large employee benefits businesses could be hit by increased unemployment numbers, said Stephen Guijarro, director in New York with S&P Global Ratings Inc.

"Employee benefits is geared off the number of employees there," so some brokers could take a "significant hit" in premiums, he said.

See **BROKERS** page 30

PROTESTS PUT FOCUS ON CORPORATE DIVERSITY

BY GAVIN SOUTER

Brokerages will review their diversity and antidiscrimination practices, and in some cases have already taken action, in light of heightened concerns over racial inequality, executives at the firms say.

The widespread protests that followed the killing of George Floyd in police custody in Minneapolis in May prompted senior executives at companies in numerous sectors, including insurance brokers, to issue statements deploring racism and committing to equality.

But many brokers say they will look to move beyond statements and implement changes at their firms.

"If you don't learn something in this environment, then you are just not paying attention," said Greg Williams, CEO of Acrisure LLC in Caledonia, Michigan.

Once employees are able to meet in person safely, "we'll spend time talking openly about what's going on in the world right now," he said.

USI Insurance Services LLC is adding unconscious bias training in the fall and has expanded its employee assistance program in reaction to the increased focus on racial equality, said Mike Sicard, CEO of the Valhalla, New York-based brokerage.

In addition, USI encourages employees to report discrimination using its anonymous hotline and has also made election day, Nov. 3, a company holiday to make it easier for employees to vote.

Truist Insurance Inc., formerly BB&T Insurance Holdings Inc., closed its offices early on June 19 to mark Juneteenth and scheduled 10 "days of understanding" to bolster training for executives, Chairman and CEO John Howard said.

Brokerage executives say they want to make lasting changes.

"We want to make a meaningful long-term difference, because ultimately we talk about the ideals of our firm and what we want to be is united as a team, which means we have to be better," said Eric Andersen, president of Aon PLC.

Aon already has diversity and inclusion strategies, which include an apprenticeship program, a commitment to having a slate of diverse candidates for open positions, and mentoring and sponsorship programs, but the programs need to be expanded, he said.

Arthur J. Gallagher & Co. has had diversity and inclusion programs in place for at least 15 years, and they are proven to work, said J. Patrick Gallagher Jr., chairman, president and CEO.

"Are we where we want to be? No. Do we have efforts afoot literally on a global basis? Yes. We've embraced this for many, many years. ... We believe in diversity and inclusion, and we're just going to continue to get better," he said.

Hub International Ltd. also has diversity and inclusion programs in place, CEO Marc Cohen said.

"We have committees that are set up, we have employee work groups that have been formed, and they're all fully supported by the leadership of the organization," Mr. Cohen said.

Angela Childers, Judy Greenwald, Matthew Lerner and Claire Wilkinson contributed to this report.

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– Rob Leitner, SVP Business Development

Rob Leitner with members of Business Development

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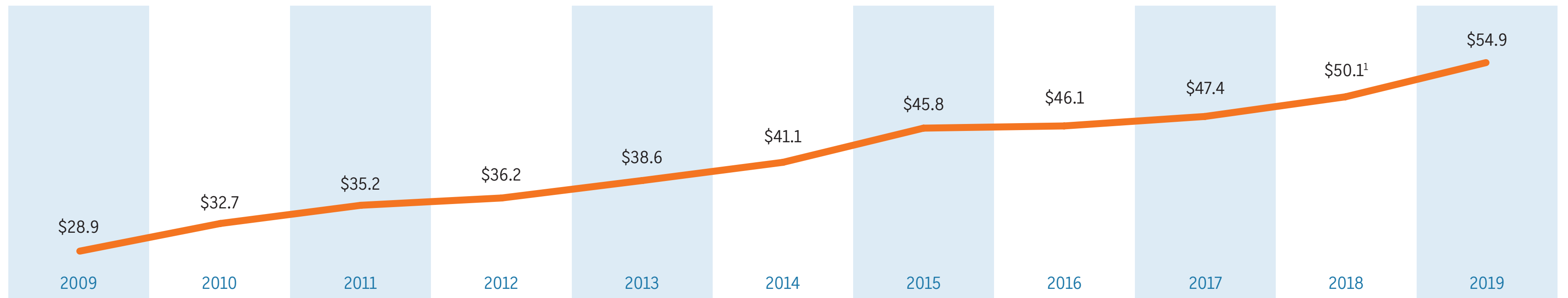

[1]Restated.
Source: *BI* survey

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2019 brokerage revenue

2020 rank	2019 rank	Company/office/website	Officers	2019 brokerage revenue	2018 brokerage revenue	% increase (decrease)	Employees	Offices	PERCENTAGE OF REVENUE*: Commercial	Wholesale	Reinsurance	Personal lines	Employee benefits	Services	Investments	Other
1	1	Marsh & McLennan Cos. Inc.[1] New York www.mmc.com	Daniel S. Glaser, president-CEO	$16,752,000,000[2]	$14,942,000,000[3]	12.1%	76,000	840	48.0%	0%	8.9%	0%	30.1%	12.7%	0.9%	(0.5%)
2	2	Aon PLC London www.aon.com	Gregory C. Case, CEO	$10,939,000,000	$10,717,000,000	2.1%	50,000	500	42.1%	0%	15.2%	0%	31.4%	0%	0.7%	10.7%
3	3	Willis Towers Watson PLC London www.willistowerswatson.com	John Haley, CEO	$8,941,000,000	$8,413,000,000	6.3%	46,600	400	26.2%	2.6%	11.3%	0.8%	50.5%	7.50%	0%	1.1%
4	4	Arthur J. Gallagher & Co. Rolling Meadows, Illinois www.ajg.com	J. Patrick Gallagher Jr., chairman-president-CEO	$5,716,400,000	$5,106,500,000	11.9%	33,247	880	32.3%	11.1%	1.4%	4.0%	17.1%	13.6%	20.6%	0%
5	5	Hub International Ltd. Chicago www.hubinternational.com	Martin P. Hughes, executive chairman; Marc Cohen, president-CEO	$2,391,788,134	$2,146,659,000	11.4%	12,633	494	47.6%	6.5%	0%	17.2%	27.6%	0.7%	0.4%	0%
6	7	Brown & Brown Inc. Daytona Beach, Florida www.bbinsurance.com	J. Powell Brown, president-CEO	$2,384,737,230	$2,009,856,649	18.7%	10,083	314	33.7%	32.8%	0%	6.2%	19.0%	8.1%	0.2%	0.1%
7	6	Truist Insurance Holdings Inc.[4] Charlotte, North Carolina www.truist.com	John Howard, chairman-CEO	$2,270,817,000	$2,016,132,000[3]	12.6%	7,412	123	30.3%	47.4%	0%	6.7%	10.9%	4.1%	0.6%	0%
8	8	Lockton Cos. LLC[5] Kansas City, Missouri www.lockton.com	Ron Lockton, chairman; Peter Clune, CEO	$1,867,579,000	$1,706,790,000[3]	9.4%	8,000	100+	57.6%	5.2%	2.3%	1.1%	32.9%	0%	0.9%	0%
9	9	USI Insurance Services LLC Valhalla, New York www.usi.com	Michael J. Sicard, chairman-CEO	$1,831,286,102	$1,665,445,136	10.0%	7,572	182	49.8%	3.9%	0%	5.2%	38.8%	0%	0.5%	1.8%
10	10	Acrisure LLC Caledonia, Michigan www.acrisure.com	Gregory Williams, president-CEO	$1,806,569,263	$1,378,108,087	31.1%	8,013	538	54.4%	2.7%	2.6%	9.9%	19.7%	0%	0.5%	10.0%

*Percentage of revenue may not add up to 100% due to rounding. [1]Acquired Assurance Agency Ltd. on April 1, 2019. [2]*BI* estimate of pro forma revenue to reflect acquisition of Assurance Agency Ltd. [3]Restated. [4]Formerly BB&T Insurance Holdings Inc. Name changed with acquisition of SunTrust Banks Inc. in June 2019. [5]Fiscal year ending April 30.
Source: *BI* survey

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100 LARGEST BROKERS OF U.S. BUSINESS*

Ranked by 2019 brokerage revenue generated by U.S.-based clients

2020 rank	2019 rank	Company	2019 U.S. brokerage revenue	% increase (decrease)
1	1	Marsh & McLennan Cos. Inc.[1]	$7,934,390,000[2]	10.6%**
2	2	Aon PLC	$4,982,714,500	7.1%
3	3	Willis Towers Watson PLC[1]	$4,291,680,000	8.5%
4	4	Arthur J. Gallagher & Co.[1]	$3,944,316,000	10.3%
5	6	Brown & Brown Inc.[1]	$2,384,737,230	18.7%
6	5	Truist Insurance Holdings Inc.[1]	$2,270,817,000	12.6%**
7	7	Hub International Ltd.[1]	$1,841,676,863	10.0%
8	8	USI Insurance Services LLC[1]	$1,812,973,241	8.9%
9	10	Acrisure LLC[1]	$1,716,240,800	29.7%
10	9	Alliant Insurance Services Inc.[1]	$1,576,387,172	17.1%
11	12	AssuredPartners Inc.[1]	$1,429,414,301	16.9%
12	11	Lockton Cos. LLC[3]	$1,424,962,777	10.6%**
13	13	NFP Corp.	$1,344,088,720	12.4%
14	14	BroadStreet Partners Inc.	$743,048,000	22.9%
15	15	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants[1]	$736,070,837	27.1%
16	16	Risk Strategies Co. Inc.[1]	$516,880,000	41.0%
17	17	Alera Group[1]	$456,000,000	33.9%
18	18	Digital Insurance Inc., dba OneDigital Health and Benefits[1]	$402,816,215	28.6%
19	19	Leavitt Group[1]	$272,726,000	10.0%**
20	20	CBIZ Benefits & Insurance Services Inc.[1]	$245,100,000	3.4%
21	24	Higginbotham[1]	$244,029,000	22.0%
22	21	Paychex Insurance Agency Inc.[4]	$232,400,000	0.4%
23	25	Cottingham & Butler Inc.	$224,338,000	15.9%**
24	22	Holmes Murphy & Associates Inc.	$223,445,000	6.6%
25	23	Insurance Office of America Inc.[1]	$221,371,892	7.3%
26	28	The Hilb Group LLC[1]	$197,983,681	39.7%
27	26	Cross Financial Corp., dba Cross Insurance[1]	$186,200,000	11.5%
28	27	The IMA Financial Group Inc.[1]	$175,864,622	8.3%
29	36	Heffernan Group[1]	$170,261,862	66.1%
30	30	Woodruff Sawyer & Co.	$159,400,000	15.1%
31	29	Hylant Group Inc.	$141,849,320	2.2%
32	44	Baldwin Risk Partners LLC[1]	$137,840,695	72.8%
33	31	PayneWest Insurance Inc.	$134,019,624	2.8%
34	33	AmeriTrust Group Inc.	$126,116,173	8.9%
35	32	BXS Insurance Inc.	$123,126,133	3.5%
36	37	Insurica Inc.[1]	$114,945,455	12.1%
37	38	Relation Insurance Inc.[1]	$104,769,000	6.0%
38	41	Insurors Group LLC	$97,188,000	7.0%
39	42	Oswald Cos.[1]	$93,564,900	9.5%
40	45	ABD Insurance & Financial Services Inc.	$93,279,300	17.9%
41	43	Propel Insurance	$92,213,550	9.4%
42	39	Associated Benefits and Risk Consulting	$92,079,132	(0.6%)
43	40	Eastern Insurance Group LLC	$90,832,722	(1.4%)
44	49	TrueNorth Cos. LLC[1]	$85,385,000	14.9%
45	46	Lawley Service Inc.	$82,741,930	7.8%
46	47	Horton Group Inc.[1]	$77,471,877	2.5%
47	66	Acentria Insurance[1]	$76,510,971	64.7%
48	51	Towne Insurance Agency LLC[1]	$76,169,587	15.9%
49	48	Marshall & Sterling Enterprises Inc.[1]	$73,142,653	(2.4%)
50	50	M3 Insurance Solutions Inc.[1]	$72,389,128	7.7%
51	52	Houchens Insurance Group Inc.[5]	$68,104,130	9.5%
52	54	Parker, Smith & Feek Inc.[1]	$68,042,000	12.6%
53	NR	Patriot Growth Insurance Services LLC[1]	$66,400,000	NA
54	53	James A. Scott & Son Inc., dba Scott Insurance	$66,247,000	7.6%
55	56	Huntington Insurance Inc.	$62,100,720	7.2%
56	55	The Graham Co.	$61,959,264	6.3%**
57	57	Starkweather & Shepley Insurance Brokerage Inc.[1]	$60,095,993	5.4%
58	59	Sterling & Sterling LLC, dba SterlingRisk[1]	$55,708,663	3.1%
59	62	Bolton & Co.[1]	$54,863,625	13.0%
60	63	Shepherd Insurance LLC[1]	$54,827,415	13.9%
61	60	Bowen, Miclette & Britt Inc.	$53,665,270	3.6%
62	96	World Insurance Associates LLC[1]	$53,349,421	80.6%
63	61	Frost Insurance Agency Inc.	$53,080,878	6.9%
64	64	Moreton & Co.	$51,412,000	9.8%
65	70	Armfield, Harrison & Thomas Inc., dba AHT Insurance	$49,421,762	10.1%
66	71	Sunstar Insurance Group LLC[1]	$49,358,000	14.8%
67	65	Rose & Kiernan Inc.[3]	$49,056,000	4.9%
68	67	Corporate Synergies Group LLC	$48,976,474	5.7%
69	68	Riggs, Counselman, Michaels & Downes Inc.	$47,174,213	2.9%
70	69	M&O Agencies Inc., dba The Mahoney Group	$46,161,860	2.4%
71	74	Robertson Ryan & Associates Inc.	$45,817,576	11.6%
72	77	Sterling Seacrest Partners Inc.	$45,485,341	15.4%
73	75	HMS Insurance Associates Inc.	$43,535,198	6.1%
74	79	Fisher Brown Bottrell Insurance Inc.	$42,242,677	8.1%
75	78	First Insurance Group LLC	$42,138,916	6.9%
76	76	Charles L. Crane Agency Co.	$41,352,000	1.0%
77	81	The Loomis Co.	$40,095,000	8.0%
78	80	James G. Parker Insurance Associates[4]	$38,969,064	3.7%
79	NR	Burnham Benefits Insurance Services[1]	$38,694,000	7.6%
80	91	Cobbs Allen[1]	$37,886,504	15.1%
81	90	MJ Insurance Inc.	$37,547,254	13.6%
82	82	M&T Insurance Agency Inc.	$37,187,000	2.6%
83	84	Christensen Group Inc.	$36,924,747	8.2%
84	89	The Partners Group Ltd.	$36,725,373	11.0%
85	83	SullivanCurtisMonroe Insurance Services LLC	$35,989,000	0.6%
86	73	Ansay & Associates LLC[1]	$35,541,860	(16.1%)
87	99	Insgroup Inc.[1]	$35,434,927	26.5%
88	87	Kapnick Insurance Group[1]	$34,054,883	2.3%
89	92	Haylor, Freyer & Coon Inc.[6]	$33,759,000	2.9%
90	85	Rich & Cartmill Inc.	$33,368,590	(0.5%)
91	93	PSA Insurance & Financial Services Inc.[1]	$32,400,000	2.5%
92	94	People's United Insurance Agency Inc.	$32,166,000	4.7%
93	95	Tompkins Insurance Agencies Inc.	$31,500,000	5.9%
94	97	Tricor Inc.[1]	$30,436,000	4.7%
95	NR	High Street Insurance Partners Inc.[1]	$29,730,000	201.4%
96	100	The Buckner Co. Inc.[1]	$29,511,679	6.5%
97	98	Murray Insurance Associates Inc.[5]	$29,292,000	2.2%
98	101	The Daniel & Henry Co.	$28,077,000	1.5%
99	102	Underwriters Safety & Claims Inc., dba The Underwriters Group	$27,462,600	0.1%
100	NR	Moody Insurance Agency Inc.[3]	$27,363,221	7.2%

*Companies that derive more than 49% of their gross revenue from personal lines are not ranked. **2018 brokerage revenue restated. NR = Not ranked. NA = Not available.
[1]Reported U.S. acquisitions. [2]Acquired Assurance Agency Ltd. on April 1, 2020. *BI* estimate of pro forma revenue to reflect acquisition. [3]Fiscal year ending April 30. [4]Fiscal year ending May 31. [5]Fiscal year ending Sept. 30. [6]Fiscal year ending Aug. 31.
Source: *BI* survey

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LEADING U.S. COMMERCIAL RETAIL BROKERS

Ranked by 2019 commercial retail brokerage revenue from U.S. offices*

Rank	Company	2019 revenue	% increase (decrease)
1	Marsh & McLennan Cos. Inc.	$4,119,000,000	12.5%[1]
2	Aon PLC	$2,129,000,000	5.4%
3	Arthur J. Gallagher & Co.	$1,515,335,000	10.2%
4	Alliant Insurance Services Inc.	$1,118,047,014	17.5%
5	Willis Towers Watson PLC	$1,103,000,000	5.3%[1]
6	Acrisure LLC	$973,183,343	38.1%
7	USI Insurance Services LLC	$933,792,881	6.4%
8	Hub International Ltd.	$911,698,532	9.1%
9	Lockton Cos. LLC[2]	$827,270,000	8.8%
10	Brown & Brown Inc.	$806,087,855	31.3%

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

LARGEST BENEFITS BROKERS

Ranked by 2019 global benefits revenue

Rank	Company	2019 employee benefits revenue	% increase (decrease)	% of 2019 gross revenue
1	Marsh & McLennan Cos. Inc.	$5,021,000,000	6.1%[1]	30.1%
2	Willis Towers Watson PLC	$4,561,000,000	8.7%	50.5%
3	Aon PLC	$3,484,000,000	0.7%	31.6%
4	Arthur J. Gallagher & Co.	$1,227,022,000	10.8%	17.1%
5	NFP Corp.	$742,636,000	9.1%	50.8%
6	USI Insurance Services LLC	$726,330,849	10.2%	38.8%
7	Hub International Ltd.	$663,038,077	14.2%	27.6%
8	Lockton Cos. LLC[2]	$620,493,000	12.7%	32.9%
9	Brown & Brown Inc.	$453,694,347	35.0%	19.0%
10	Alliant Insurance Services Inc.	$409,937,817	13.1%	25.8%

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

LARGEST PRIVATELY OWNED BROKERS*

Ranked by 2019 brokerage revenue

Rank	Company	2019 brokerage revenue	% increase (decrease)
1	Hub International Ltd.	$2,391,788,134	11.4%
2	Lockton Cos. LLC[1]	$1,867,579,000	9.4%[2]
3	USI Insurance Services LLC	$1,831,286,102	10.0%
4	Acrisure LLC	$1,806,569,263	31.1%
5	Alliant Insurance Services Inc.	$1,576,387,172	17.1%
6	NFP Corp.	$1,460,966,000	17.3%
7	AssuredPartners Inc.	$1,443,707,000	17.2%
8	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	$744,408,209	26.5%
9	BroadStreet Partners Inc.	$743,048,000	22.9%
10	Risk Strategies Co. Inc.	$516,880,000	41.0%

*Companies that derive more than 49% of revenue from personal lines are not ranked. [1]Fiscal year ending April 30. [2]Restated.
Source: *BI* survey

BROKERS

Continued from page 25

Brokers are concerned about employee benefits business due to the rise in unemployment, said Paulette Truman, vice president-senior analyst at Moody's Corp. in New York.

"We hear that across the board," she said.

In addition to falling insurance premium volume this year, brokers may be affected by other issues, said Bruce Ballentine, vice president-senior credit officer at Moody's.

"The brokers will also be hurt by return premium provisions in some commercial lines" in which there are downward adjustments in premiums in various lines, he said.

And some accounting processes may affect when brokers recognize revenue changes, said J. Paul Newsome Jr., Chicago-based managing director at investment brokerage Piper Sandler Cos. For example, deferred premium payments, which many insurers allowed, he said.

"If (brokers) book it in the second quarter as revenue, then you would not expect to see as much impact on organic growth, but if they take the hit on revenue right away there will be a bigger hit on organic growth," Mr. Newsome said.

The reduction in revenue will be tempered by the variable cost structure of brokers, where producers' commissions fall when production falls, Mr. Ballentine said.

And brokers can retain much of their business as policyholders stick with their existing service providers during the lockdowns, said Joe Marinucci, senior director at S&P.

In addition, "the thing they have working for them through this period of strain is pricing, which is rather firm," Mr. Marinucci said.

Prices are rising in numerous lines, brokerage executives say.

"We do see right now a near-term upward rate pressure," said Mike Sicard, CEO of USI Insurance Services LLC in Valhalla, New York. "Our near-term expectation would be to continue to see rates increase," which could be further pressured by the advent of catastrophe season and insured losses from the pandemic.

"You are definitely seeing a firming of rates across the market," said Eric Andersen, president of Aon PLC.

Rate increases began in some areas of the market at the beginning of 2019 and have spread to many others.

"In the fourth quarter of 2019, we saw rate increases broadened to include the middle-market and small-business segments, and that has extended through the first half of 2020, both in the U.S. and Canada," said Mr. Cohen of Hub.

In addition, some clients are looking to buy additional coverage, said J. Patrick Gallagher Jr., chairman, president and CEO of Arthur J. Gallagher & Co. For example, more companies are interested in cyber liability insurance as cyberattacks have risen during the pandemic.

In addition, brokers are taking advantage of historically low interest rates to issue debt.

Brokers have been able to issue debt throughout the crisis and have taken advantage of the low interest rate environment, said Mike Zaremski, senior analyst, equity research-property/casualty insurance in New York for Credit Suisse Services (USA) LLC.

Some brokers are using debt to put more cash on their balance sheets for contingency, and some are borrowing to finance continued acquisitions, said Mr. Ballentine of Moody's.

"We are more wary of (debt to finance acquisitions), if that is the main purpose, and even more wary if the purpose is to send money to shareholders," he said.

Acquisitions, which slowed during the first half of the year are continuing (see story page 37).

"Brokers are not stopping their acquisitions, but they are scrutinizing them more, trimming the prices that they pay, putting more of the consideration into a deferred component," Mr. Ballentine said.

It's too early to tell whether the pandemic will affect the sale prices of brokers and agents, said J. Powell Brown, president and CEO of Brown & Brown Inc., which has been an acquisitive broker for decades.

But structures of deals may change to reflect the uncertain economic environment, with less money being paid upfront and more of the overall sum paid depending on future revenues, he said.

Angela Childers, Judy Greenwald, Matthew Lerner and Claire Wilkinson contributed to this report.

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SPECIAL REPORT

1 Marsh & McLennan Cos. Inc.

2019 brokerage revenue: **$16.75B**
Percent increase (decrease): **12.1%**

The $5.6 billion purchase of Jardine Lloyd Thompson Group PLC in 2019 hasn't stopped Marsh & McLennan Cos. from continuing to be active on the mergers and acquisitions front.

In addition to completing the JLT integration, the brokerage completed five other acquisitions in its risk and insurance services segment last year.

The M&As continued into 2020, with three acquisitions made year-to-date. In April, its middle-market unit, Marsh & McLennan Agency LLC, bought Assurance Holdings Inc., previously the 35th largest brokerage of U.S. business, based in Schaumburg, Illinois.

This followed two earlier acquisitions of Los Angeles-based Momentous Insurance Brokerage Inc. and Atlanta-based broker Ironwood Insurance Services LLC and continues the brokerage's more than a decade-long push to grow its middle-market business.

"We'll continue to be active in the market. We've got a strong pipeline. We look for firms that make us better, that are a good cultural fit and that are growing nicely. We expect to continue to do that. It's a big, broad competitive market, and there's lots of competition out there," said John Doyle, president and CEO of Marsh LLC, the company's main brokerage unit.

Of the JLT integration, which saw some disruption as rivals recruited various former JLT brokers, Mr. Doyle said: "We don't talk about it anymore. We are one team. It's come together exceedingly well."

While in the near term the merger of rivals Aon PLC and Willis Towers Watson PLC will heighten concerns about broker consolidation, that may work to Marsh's detriment "only initially," said Meyer Shields, managing director at Keefe Bruyette & Woods Inc. in Baltimore.

"The Aon-Willis Towers Watson combination is ultimately bigger and therefore inherently more distracting than a Marsh-Jardine Lloyd Thompson combination. There should be a period fairly soon when Marsh is on full offense and Aon-Willis are playing defense and that could work out in their favor," Mr. Shields said.

Marsh & McLennan's 2019 brokerage revenue increased by 12.1% to $16.75 billion, which includes the revenue of Assurance on a pro forma basis, retaining its substantial lead as the longtime largest broker in the *Business Insurance* rankings.

This year also started strongly, with underlying or organic revenue growing 5% in the first quarter, according to the company's earnings statement.

"Obviously, we'll face some challenges given the economic consequences surrounding the pandemic, but we remain hopeful for some modest underlying revenue growth for the full year," Mr. Doyle said.

All the public brokerages, Marsh & McLennan included, have pointed to the impact COVID-19 can have on their businesses, said Elyse Greenspan, director of equity research for insurance at Wells Fargo Securities LLC in New York.

Marsh & McLennan also has a sizable consulting business, which the company has pointed to being under pressure for the balance of the year, she said.

John Doyle

Mercer LLC, the company's benefits consulting unit, will likely see a modest decline in revenue, while its management consulting unit Oliver Wyman LLC could see a revenue pullback even greater than the peak decline seen during the global financial crisis of 2008, according to senior executives speaking on the first-quarter earnings call.

"Our top line will be impacted. We need to make sure we manage expenses very aggressively so that we navigate the crisis and come out of the crisis stronger than ever," Mr. Doyle said.

In contrast to rival Aon, which instituted a temporary pay cut, Marsh & McLennan President and CEO Dan Glaser has said the company will look to other options to keep on top of expenses during the pandemic.

"We've chosen to pull other levers. At this point in time our current view is that we won't need to reduce salaries," Mr. Doyle said.

Retention levels remain high during the pandemic, he said.

In addition, "we've been able to win a number of new clients on a virtual basis, which has been terrific," Mr. Doyle said.

Amid the pandemic and changing property/casualty market conditions, Marsh remains focused on working with clients to help manage the uncertainty, he said.

"Our clients all have different risk profiles and different ideas around how to manage the risk and retain risk and pass risk on to the insurance market," Mr. Doyle said.

Claire Wilkinson

2 Aon PLC

2019 brokerage revenue: **$10.94B**
Percent increase (decrease): **2.1%**

Shortly after completing a three-year restructuring program that began when it sold a big slice of its benefits operations, Aon PLC announced in March a deal that will potentially lead to an even bigger upheaval.

The proposed purchase of Willis Towers Watson PLC, the world's third-largest broker, would add about $9 billion in annual revenue to Aon. The deal would make Aon the world's largest broker, barring significant acquisition activity by long-time leader Marsh & McLennan Cos. Inc. over the next year.

In addition to more revenue, the deal would bolster Aon in various areas, but it may need to spin off some pieces of business to allay antitrust concerns, observers say.

Meanwhile, Aon made changes to adjust to business challenges amid the coronavirus pandemic, including imposing a temporary pay cut on most employees.

Aon reported $10.94 billion in brokerage revenue last year, a 2.1% increase over 2018, and retained its position as the world's second-largest brokerage in *Business Insurance*'s rankings.

The acquisition of Willis Towers Watson, which was first floated last year and is due to close in the first half of 2021, will add to Aon's capabilities, said Eric Andersen, New York-based president of the brokerage.

Eric Andersen

"There's an awful lot we can do for each other's clients that perhaps we couldn't do today, whether it's more capability in terms of product knowledge, industry expertise, consulting capability — we are really complementary firms," Mr. Andersen said.

Both companies have extensive global brokerage operations, but Willis Towers Watson will bolster Aon in certain areas, analysts say.

"Willis has a more meaningful presence in the middle market and that will strengthen Aon's presence," said Joe Marinucci, senior director at S&P Global Inc. in New York.

Some of the businesses within Aon will also likely benefit from increased economies of scale, said J. Paul Newsome Jr., Chicago-based managing director of equity research at Piper Sandler & Co. For example, Willis Towers Watson put a lot of resources into health insurance exchanges, he said.

And Aon's long experience in acquiring rivals should help it integrate Willis Towers Watson, Mr. Newsome said.

"Aon's management is very good at cutting costs and restructuring. More than its peers, Aon has focused on changing business structures and financial engineering in general," he said.

However, given the combined entity's huge size in some areas of the market, such as reinsurance, regulators may require Aon to divest some slices of business to win approval of the deal, Mr. Newsome said.

"Divestiture is potentially a cure, but we'll have to see," Mr. Marinucci said.

The Willis Towers Watson deal was announced shortly after Aon completed a major restructuring program that followed the 2017 sale of its benefits outsourcing business. Over the past year, Aon also announced the departure of several senior executives, including co-president Michael O'Connor; Liam Caffrey, CEO of Affinity; and John Zern, CEO of global health solutions and CEO of North America commercial risk and health solutions.

In the first quarter of this year, Aon completed acquisitions that added $300 million in annual revenue, including digital insurance platform CoverWallet.

"That gives us a real foothold into that small-business marketplace, but it also has great technology that we can use in other aspects of our business," such as affinity businesses, Mr. Andersen said.

In addition, Aon bought Cytelligence Inc., a cybersecurity company.

Like other brokers, Aon has had to adapt to a different working environment and different demands from its clients during the coronavirus pandemic.

While some areas, such as the travel sector, have seen business decrease due to the pandemic, other clients have increased demand for services, such as insurers buying more reinsurance or pension plans seeking investment advice, Mr. Andersen said.

Aon also moved to cut costs in April, imposing a 20% salary cut on about 70% of its staff and a 50% salary reduction for senior executives. The move was made to allow the broker to reduce expenses without making layoffs, Mr. Andersen said. Several rival brokers have laid off or furloughed staff and some have imposed pay reductions; others have said they will not cut salaries or staff.

The 20% pay cut was reversed on June 30, and the broker said it would repay the withheld amounts plus 5%.

Gavin Souter

3 Willis Towers Watson PLC

2019 brokerage revenue: **$8.94B**
Percent increase (decrease): **6.3%**

The proposed combination of Willis Towers Watson PLC and Aon PLC, the world's second largest brokerage, will give the united firm expanded capabilities and opportunities for growth, Willis Towers Watson's top executive says.

"We see that a lot of low-frequency, high-impact risks are the ones that are particularly underserved in today's market," said John Haley, Willis Towers Watson CEO. "COVID-19 and the pandemic is a classic example of that, but the same kind of thing is true in cyber and in climate."

Aon's proposed acquisition of Willis Towers Watson is due to be completed in the first half of 2021 but potentially could be completed sooner, provided it meets the many regulatory requirements and is approved by both sets of shareholders.

"We have a pretty positive view on the overall combination," said Elyse Greenspan, director of equity research for insurance at Wells Fargo Securities LLC in New York.

"Right now, we're thinking you'll get the close of this transaction when the economy should be rebounding, so you'll have some great revenue growth opportunities on the horizon for the combined firm," Ms. Greenspan said.

But a second wave of COVID-19 or issues with reopening the U.S. economy potentially could change that view, she said.

Willis Towers Watson saw growth across all its core businesses in 2019. It reported $8.9 billion in brokerage revenue in 2019, a 6% increase from the prior year, and delivered organic revenue growth of 5% overall. It retained its No. 3 spot in *Business Insurance*'s 2020 ranking of the world's largest brokerages.

The July 30, 2019, acquisition of Fort Lee, New Jersey-based direct-to-consumer health care organization MG LLC, which does business as Tranzact, generated revenue of $245 million and represented 3% of the brokerage's revenue in 2019, according to its annual 10-K statement filed with the U.S. Securities and Exchange Commission.

"The fastest-growing part of our business has been the Tranzact business acquired last year. We expect that to be growing well into the double-digits," Mr. Haley said.

Earlier this year Willis Towers Watson said it was reviewing strategic options for its London-based wholesale business Miller Insurance Services LLP, but the brokerage is "taking a pause" on that due to market conditions amid COVID-19, Mr. Haley said.

In April, Willis Towers Watson withdrew its profit guidance for full-year 2020 because of the unknown effect of COVID-19, as it reported 7% growth in first-quarter revenue and 4% organic revenue growth.

A double-digit revenue decline for the rest of the year due to the economic fallout from COVID-19 is a worst-case scenario, according to the brokerage's senior executives.

While Mr. Haley stands by the double-digit decline in revenue for the rest of the year as an extreme scenario, Willis Towers Watson is "hopeful" and "cautiously optimistic" that "things should be a lot better than that," he said.

John Haley

Brokerage, retirement and health care consulting parts of the business are "pretty stable" in an economic downturn, he said. "It's the human capital talent and rewards consulting where we would expect to see more volatility."

The brokerage has cut discretionary spending and curtailed some of its capital expenditures, as well as instituting hiring and travel freezes.

While several of its businesses are sensitive to economic downturns, some more so than others, expectations for the rest of the year are "still lower than they were at the beginning of the year," said Meyer Shields, managing director for Keefe Bruyette & Woods Inc. in Baltimore.

"That unfortunately is the inevitable reality, and there are distractions associated with the combination (with Aon). Those are probably going to be the two biggest shapers of Willis Towers Watson's performance for the remainder of 2020," Mr. Shields said.

Despite earlier plans to retire as CEO at the end of 2020, Mr. Haley intends to stay on as a board member of the combined entity after the merger with Aon is closed.

Exactly what that role will be has to be worked out, but "if you look at the role that Eric Schmidt played at Google in terms of providing some advice on innovation and growth, that's the likely sort of thing I'd be doing," Mr. Haley said.

Claire Wilkinson

4 Arthur J. Gallagher & Co.

2019 brokerage revenue: **$5.72B**
Percent increase (decrease): **11.9%**

The coronavirus pandemic briefly slowed Arthur J. Gallagher & Co.'s acquisition strategy this spring, but strict cost-containment measures and solid business retention rates make it unlikely that the brokerage will take a substantial blow to its revenue or profit this year, its top executive says.

Entering 2020, Gallagher was "hitting on all cylinders on a global basis," said J. Patrick Gallagher Jr., chairman, president and CEO of the brokerage. "It was like Goldilocks time — it was going to be an incredibly record year. Our first quarter was strong, but we are going to feel the impact of the drag on the economy."

Gallagher reported an 11.9% increase in revenue in 2019, ending the year with revenue of $5.72 billion and a 6% organic growth rate, retaining its No. 4 spot in *Business Insurance*'s 2020 ranking of the world's largest brokerages. In this year's first quarter, Gallagher posted a 9.5% increase in brokerage revenue to $1.44 billion; organic revenue rose $40 million, or 3.1%.

The brokerage completed 49 acquisitions in 2019 with total estimated annual revenue of $468 million, which was a significant revenue increase over 2018 when it closed 44 deals with estimated annual revenue of $317.9 million. The brokerage closed eight acquisitions in the first quarter of this year, with estimated annual revenue of $124.2 million.

J. Patrick Gallagher Jr.

While most of Gallagher's acquisitions are in the $1 million to $50 million annual revenue range, the brokerage's acquisition of the aerospace division of Jardine Lloyd Thompson Group PLC in June 2019 and the United Kingdom specialist insurance broker Stackhouse Poland Group Ltd. in April 2019 were significantly more than the average.

This year's COVID-19 shutdowns have largely led to a standstill in mergers and acquisitions activity in the brokerage space, said J. Paul Newsome Jr., Chicago-based managing director of equity research at Piper Sandler & Co.

However, Gallagher announced several acquisitions in June, and Mr. Gallagher said more are in the works.

"(Gallagher) doesn't have the shortage of cash that maybe some private-equity brokers have had to struggle with. … It makes it easier for them to get deals done with a little less competition than they've faced in the past," said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

At the end of this year's first quarter, the brokerage had $1.1 billion of liquidity, with nearly $300 million in cash on hand and the rest in an untapped credit facility.

"It's quite possible that a number of companies will back away from the acquisition market, holding on to capital, because their margins are more hurt by the pandemic than public companies," Mr. Newsome said.

In another consequence of the pandemic, Gallagher implemented cost-cutting measures. The brokerage eliminated discretionary spending, limited the use of temporary help and consultants, instituted wage and hiring freezes, and cut 4% of its workforce, which combined could save it as much as $50 million to $75 million per quarter, according to its first-quarter financial report.

Although it did not implement an across-the-board salary reduction, Mr. Gallagher said the brokerage's executives will see "a significant difference" in bonus accrual.

About 20% to 25% of Gallagher's book is in business segments that have been significantly hit by the pandemic, such as the hospitality sector, but the brokerage has seen an uptick in new business and account retention, he said.

"While we may take a hit because of exposure units, we're not going to take a hit because of lost business," Mr. Gallagher said. "The benefit we're getting from the pandemic is that having resources now is becoming a differentiator in the marketplace. Our size and breadth of capabilities makes us attractive."

Gallagher will likely see some pressure on revenue in the next few quarters as a result of the pandemic, said Mark Dwelle, director of insurance equity research at RBC Capital Markets LLC in Richmond, Virginia.

"Companies like Gallagher and other brokerages end up being something of an intermediary between the insurance carrier and the buyer to try to get them premium credits and policy limit adjustments and things like that in order to help people out with their cash flow," he said. "Sometimes that costs them some of their commissions."

Angela Childers

SPECIAL REPORT

5 Hub International Ltd.

2019 brokerage revenue: **$2.39B**
Percent increase (decrease): **11.4%**

COVID-19 has not stopped private equity-owned Hub International Ltd. from continuing its acquisition focus.

"We're still seeing five to 10 new opportunities a week," Hub CEO Marc Cohen said of the brokerage, which completed 70 acquisitions in 2019, 66 in 2018, and 52 in 2017.

"We're still very committed to doing M&A as part of our core competence," although it is likely the total number of acquisitions this year "will be more like 2017 than it would be like 2018 or 2019," Mr. Cohen said.

"The change on the acquisition front is really in the underwriting process of the brokers and agencies that we're talking to," Mr. Cohen said.

"There is a greater emphasis on the dynamics of the industries of a particular broker's client base, the coverage makeup of their book of business, and what's really important today is the capabilities of these agencies to be able to work and connect remotely from home.

"So, that's a relatively new dynamic as a result of COVID, that a firm's technology and their capabilities to work outside of the office are now a very critical part of the underwriting process."

Amid the changing environment, Hub continues to emphasize leadership and corporate culture when assessing potential acquisitions, Mr. Cohen said.

Two significant acquisitions Hub made in 2019 were Nashville, Tennessee-based Crichton, Brandon, Jackson & Ward Inc. and the SilverStone Group in Omaha, Nebraska.

With the Nashville acquisition, Hub created a new regional Hub called Hub Mid-South, which includes Hub's existing operations in Tennessee and Kentucky, with the goal of finding other strong partners in those states, according to a spokeswoman. The Omaha acquisition created a new regional hub called Hub Great Plains, which will include existing operations in Nebraska, South Dakota and Minnesota.

Hub is majority owned by San Francisco-based Hellman & Friedman LLC, which bought the brokerage in 2013. A Toronto-based private equity firm, Altas Partners LP, acquired a minority stake in the brokerage in 2018.

"We're very lucky to have a very strong private equity firms' participation in the ownership of Hub" and "all feedback from them has been extremely positive about their position behind Hub," Mr. Cohen said.

Mr. Cohen said the pandemic forced Hub to transition quickly to a work-at-home environment.

The company's investments in digital marketing and technology over the past five years have put it in "a great position" to "reach out" to clients and prospects "and provide real value to them at a time when they really need it," he said.

"The ability to execute in this way could separate the winners and the losers coming out of COVID," he said.

Mr. Cohen added that there are "efficiency opportunities" to be realized in terms of office real estate, premium payments and client services. "When we finally move forward out of the COVID crisis we'll have a long list of lessons learned to refer back to," he said.

Mr. Cohen noted the ongoing impact of the pandemic, as well as the recent social unrest, on Hub's clients.

Marc Cohen

"Many of our clients are struggling, specifically the small-business owners," Mr. Cohen said.

"These are very difficult times, juggling the impact of the economic health and now social crisis, so we can help our clients by educating and advocating and showing different solutions to help contain costs."

Timothy J. Cunningham, managing director at Optis Partners LLC, a Chicago-based M&A advisory firm and consultancy, said Hub will likely not feel COVID-19's full impact until 2021, when it will face lower payroll and sales, which are also subject to audit.

This will likely result in a significant amount of return premiums, "which means return commissions," Mr. Cunningham said.

Hub has not been materially impacted by the broker industry's consolidation, Mr. Cohen said. "We compete against our own high standards that we set for ourselves, and over time that's really served us well," he said.

The consolidation may also present opportunities for new hiring, Mr. Cohen said, because "any time that two firms of substantial size come together there could be people that potentially explore different opportunities."

Judy Greenwald

6 Brown & Brown Inc.

2019 brokerage revenue: **$2.38B**
Percent increase (decrease): **18.7%**

Brown & Brown Inc. reported significant revenue growth up to the start of the coronavirus pandemic, but it remains unclear how hard it will be affected by the resultant economic downturn, the brokerage's most senior executive said.

Already this year it is close to matching 2019 totals for acquisition-related growth, and increased insurance rates are offsetting some decreases in the amount of insurance bought by clients, said J. Powell Brown, president and CEO of the Daytona Beach, Florida-based brokerage.

And Brown & Brown has avoided widespread layoffs as it seeks to retain most of its staff through the financial upheaval induced by lockdowns imposed in March.

But it's too early to tell how hard the brokerage's organic growth will be hit by the slowdown in the U.S. economy, Mr. Brown said.

Brown & Brown reported $2.38 billion in 2019, an 18.7% increase compared with 2018. Last year marked the first full year reflecting the addition of Minneapolis-based Hays Group Inc., which it acquired for $700 million in the fourth quarter of 2018. The brokerage moved up one notch to No. 6 in *Business Insurance*'s ranking of the world's largest brokers.

J. Powell Brown

In 2019, the brokerage continued its decades-long acquisition strategy, buying up a steady number of rivals. It completed 23 acquisitions during the year, representing about $105 million in annualized revenue, Mr. Brown said. In the first quarter of 2020 it completed five acquisitions, including Special Risk Insurance Managers Ltd., a Langley, British Columbia-based managing general agent, which marked its entry into the Canadian market.

Through mid-June, Brown & Brown had added $86 million in annualized revenue this year through acquisitions, Mr. Brown said.

The brokerage's executives had previously met with the owners of firms bought during the second quarter, before the pandemic curtailed in-person meetings, he said.

"We are not doing transactions solely based on meeting people over video conferences, that's not our style. We've either met them before or we are going to meet them now; nothing has changed in terms of the thoroughness that we typically go through," Mr. Brown said.

The company looks at acquisitions of all sizes, but "first and foremost we look for a cultural fit; it has to make sense for both parties," he said.

Brown & Brown signaled that it would pause its acquisitions during the lockdown, which fits in with its historic strategy on deals, said Paulette Truman, vice president-senior analyst at Moody's Investor Services Inc. in New York.

"During the COVID-related downturn, they are being even more conservative than they have been in the past," she said, noting that Brown & Brown has low levels of debt.

"They've been very successful at growing organically and through acquisitions," Ms. Truman said.

The brokerage will likely restart its acquisitions as pandemic restrictions are lifted, said Mike Zaremski, senior analyst, equity research-property/casualty insurance at Credit Suisse Services (USA) LLC in New York.

"We still do expect Brown & Brown to be able to deploy a good chunk of its cash flow towards M&A activity in the back half of the year," he said. "They are seen as a good home for sellers and a good home for people that love to sell insurance."

As the restrictions ease, brokers who were looking to sell their firms before the pandemic struck will likely still be willing to sell, provided they are able to secure attractive valuations for their business, Mr. Zaremski said.

In addition, rising insurance prices should help offset some of the general economic challenges facing brokers who see their commissions levels fall as policyholders close or businesses contract, he said.

Rates are increasing across most lines of business, Mr. Brown said.

In some cases, however, policyholders are buying lower limits or increasing retentions to offset higher rates, he said.

Brown & Brown reported organic revenue growth of 3.6% for 2019 and 5.6% for the first quarter of 2020, but it remains unclear how organic revenue will be affected by pandemic-related business disruption, Mr. Brown said.

The brokerage's staffing levels should not be radically affected by the economic downturn, he said.

"We took the decision that the last thing we wanted to do was to reduce the number of team members. Decisions are made locally dependent on how the business is doing, but we did not want to do wide-ranging layoffs or salary reductions," Mr. Brown said.

Gavin Souter

7 Truist Insurance Holdings Inc.

2019 brokerage revenue: **$2.27B**
Percent increase (decrease): **12.6%**

Last year's merger between SunTrust Banks Inc. and BB&T Corp. consolidated the banks into Truist Financial Corp. and gave BB&T's insurance brokerage unit fertile new ground to prospect.

"Now we have an enormous opportunity with our banking partners that joined us through SunTrust," said John Howard, chairman and CEO of Truist Insurance Holdings Inc. The Charlotte, North Carolina-based company changed its name from BB&T Insurance Holdings Inc. on June 1, 2019.

"There's a huge opportunity for Truist Insurance to cross sell to former SunTrust business clients," said Brian Klock, managing director of Keefe, Bruyette & Woods Inc. in Boston.

Mr. Klock added that management has purposely slowed the banks' integration to maintain a customer focus, delaying branch integrations that he said bring much of the disruption in an acquisition.

The recent rebranding of the Truist retail insurance operations under the McGriff banner will be an advantage, Mr. Klock said. "It makes it a lot less confusing as they try to cross sell to have one brand to talk about."

Truist Insurance operates more than 200 offices through its subsidiaries McGriff; CRC Insurance Services; Crump Life Insurance Services; AmRisc LLC; and Premium Finance.

While the former BB&T Bank tended to serve middle-market and smaller clients in less metropolitan markets, SunTrust had more urban locations and larger commercial clients, which increases Truist Insurance's footprint and diversity in terms of new business referrals, Mr. Howard said.

The former BB&T had publicly stated that it wanted insurance to account for 20% of its revenue.

"We were close to our target, approaching 20% of revenue," Kelly S. King, chairman and CEO of Truist Financial Corp., said of the insurance business at a Morgan Stanley investor conference in June. "Now, in combination, we're below 10%, and so we have plenty of room to expand organically and through mergers. And I would expect that we will have growth in both of those areas over the medium term."

"They have a commitment to double the insurance operation in size so that it can become as meaningful to Truist as it was to BB&T," said John Wepler, chairman and CEO of Marsh, Berry & Co. Inc., a Woodmere, Ohio-based mergers and acquisitions advisory and consulting firm.

Mr. Howard pointed out that parent Truist reports three segments externally: commercial banking, retail banking and insurance. "So, insurance continues to be a focus area for the organization," he said.

"Their strategy does involve significant acquisitions," Mr. Wepler said. He added: "They have the capacity to make large acquisitions, which some buyers in the marketplace don't."

In addition to double-digit revenue growth in 2019, Truist Insurance added 12 retail offices, as its employee count grew to 7,412, from 7,240 in 2018, according to company data.

Truist Insurance still expects growth this year but has been affected by the slowing economy.

"We expect to grow top line, we expect to grow bottom line, but we expect organic growth to be lower than what we've seen. New business opportunities are slowing down because of the crisis and difficulty of meeting with new clients," Mr. Howard said.

John Howard

During Truist's April earnings call, Christopher L. Henson, head-banking & insurance, at Truist Financial, said, "This past quarter, we had 7.2% organic growth" but that "looking forward it's looking more like maybe in the flat to 2% kind of range for the balance of the year."

Business retention, Mr. Howard said, remains strong, but "one of the questions is: How many businesses will fail as a result of this crisis? And no one knows. Business failures, in turn, impact retention."

Rising prices across many commercial insurance lines have brought mixed responses from clients.

"Certainly, clients are sensitive to changes in prices," Mr. Howard said. "Some of them are retaining more risk, and some of them are buying less in limits, but some of them are paying more for insurance."

Mr. Klock said that while volumes are lighter during the economic slowdown, "it's a harder market, so at least from a pricing and rate perspective, it's helping to offset a little of the volume side."

Truist Insurance has provided employees special bonuses "to reflect the challenges of the new environment," Mr. Howard said, including those whose responsibilities required them to be in the office.

Matthew Lerner

8 Lockton Cos. LLC

2019 brokerage revenue: **$1.87B**
Percent increase (decrease): **9.4%**

Lockton Cos. LLC has continued to add new business during the coronavirus pandemic as it adapts is operations to the new business environment, its senior executives say.

The Kansas City, Missouri-based brokerage reported $1.87 billion in broker revenue for its 2019 fiscal year, which ended April 30. That was a 9.4% increase from the previous fiscal year, putting Lockton again in the No. 8 position in *Business Insurance*'s 2020 ranking of the world's largest insurance brokers.

It remains the only privately held broker among *BI*'s top 10 not wholly owned by a private equity firm or a hybrid of private equity and private ownership.

"Lockton is very fortunate to come into the pandemic stronger than we have ever been as a company," said Peter Clune, Lockton's president and CEO, whose promotion from chief operating officer became effective in May.

"The investments we made in our business have allowed us to quickly move our associates to work from home, and we added some communication tools internally," he said.

Mr. Clune said a coronavirus advisory practice that joins leaders from all parts of the company as participants has "really brought us together as one company."

Peter Clune Ron Lockton

"Our retention numbers are higher, and we're having more new business now than we had prior" to the pandemic, he said.

Former CEO Ron Lockton, who became the brokerage's chairman with Mr. Clune's promotion, said, as a privately owned brokerage that is large enough to provide innovative resources but small enough to adapt quickly, Lockton has been able to respond effectively to the coronavirus pandemic.

"I have seen Lockton make the kinds of moves on the fly to make sure our people are protected and had all the technology and communications tools they needed to do their job and service clients," he said.

"I have never seen us make a shift so dramatic over such a short period of time," Mr. Lockton said.

Mr. Lockton added, "I don't think we've ever seen as many people" ask about joining the company. Additions over the past 12 months include two former Marsh LLC executives — Devin Beresheim, who joined as executive vice president for Lockton Specialty Services, and Tom Orrico, who joined as senior vice president, managing director of financial institutions. In addition, John Bogler joined Lockton from Aon PLC as executive vice president in April.

Other significant executive changes include Hiram Marrero, formerly executive vice president and regional executive officer, who was named president, global growth officer, a new position, and the promotion of Said Taiym, formerly executive vice president and chief digital officer, to chief operating officer.

Naming the chief digital officer as chief operating officer "emphasizes where we believe the business is going," Mr. Clune said.

Lockton Cos. is "very adept at acquiring people," said Timothy J. Cunningham, managing director of Optis Partners LLC, a mergers and acquisitions advisory firm and consultancy in Chicago.

Mr. Lockton said that despite last year's growth, the brokerage's business "follows the fortune of our clients," many of whom have struggled with the coronavirus pandemic's impact. The "best we can do is to be really prepared and use our strength as a flexible company to react in real time," he said.

Mr. Clune said clients are "asking more of us, and that's good, because it makes it easier for us to partner with them." They have questions, he said, such as, "How do you do a furlough?" and "How do you re-enter the business world?"

"We have a business conversation first" to gain an understanding of their initiatives, and then advise them, he said.

"They want to go deeper. They're wanting to see more of a partner, not someone to (just) give them a quote, not someone to issue a certificate. They want a partner to help them through this time," he said.

Mr. Lockton said many clients are adjusting on the fly in a firming market.

"They need us to think through the host of options that they have in front of them to mitigate their risks and the cost increases and help them structure their programs and services, so we're in a position to put their business in the best position to thrive."

Meanwhile, the company continues to focus primarily on organic growth. Mr. Cunningham said Lockton "really has not been an acquisitive company, but those acquisitions have been primarily outside the U.S."

Judy Greenwald

SPECIAL REPORT

9 USI Insurance Services LLC

2019 brokerage revenue: **$1.83B**
Percent increase (decrease): **10%**

USI Insurance Services LLC expanded over the past 12 months with acquisitions adding to its size and reach.

In addition, organic growth helped boost its revenue in 2019 and the first quarter of this year.

Like many other brokers, however, USI is facing a potential hit to its revenue numbers this year because of the coronavirus pandemic.

The brokerage expects and is "starting to see some evidence of more impact from the pandemic," said Mike Sicard, chairman and CEO of the Valhalla, New York-based brokerage.

"As the year progresses, we expect to see some lost business from bankruptcies, though we always have that at some level annually," he said.

USI reported $1.83 billion in brokerage revenue in 2019, a 10% increase over 2018, retaining its No. 9 position in *Business Insurance*'s ranking of the world's largest brokers.

Headcount and exposure declines at client companies will hit revenue this year, but rate increases in various insurance lines will likely limit the effect of the economic slowdown, Mr. Sicard said.

"Second quarter is where you're going to see more of that impact than really in the first," said Stephen Guijarro, director in New York with S&P Global Ratings Inc. "Second quarter is where you might see some of those temporary closures becoming permanent."

Should the recession extend and furloughs at various companies become terminations, premiums for workers compensation coverage, which is based on employment count, could be hit, he said.

Many companies have furloughed employees as opposed to terminating them, in some cases to take advantage of provisions in the CARES Act that provide support for businesses that keep employees on the payroll during the pandemic. This has led to a smaller decline in workers compensation exposure than might have initially been anticipated, Mr. Guijarro said.

Brokers with significant employee benefits-related revenue — which accounts for 38.8% of USI's brokerage revenue — may ultimately be hit harder if layoffs increase, Mr. Guijarro said.

USI, which reported 4.8% organic growth in the first quarter of this year, could see some benefit from rate increases, though, Mr. Guijarro said.

USI's most recent market survey, in June, showed double-digit increases in many commercial lines, and the firm continues to recruit brokers.

"We're making large investments in new production hiring" in property/casualty and employee benefits, the company's two largest businesses, Mr. Sicard said.

"They're committed to new producers," Mr. Guijarro said, adding the broker had increased spending on recruiting efforts to some $70 million from a typical level closer to $50 million. "That higher rate of spend was interesting to us, given that this is one of the levers companies can pull back on to help maintain margins. They were still committed to their additional spend."

USI also continues to buy rival brokers.

USI has sealed five deals this year, including its $265.8 million acquisition of Associated Benefits & Risk Consulting from Associated Banc-Corp, which closed June 30.

Mike Sicard

Associated Benefits & Risk Consulting was the 39th largest broker of U.S. business last year, with $92.6 million in 2018 revenue.

"(USI) continues to be one of the most preferred buyers of bank-owned agency assets," said Phil Trem, executive vice president of Marsh, Berry & Co. Inc. in Woodmere, Ohio.

Another significant acquisition for USI was the purchase last year of wholesaler U.S Risk Insurance Group LLC, which was the sixth-largest wholesaler in 2019, reporting $81.6 million in 2018 revenue.

The U.S Risk deal "was a big door opener for (USI) to continue to have a retail focus as well as a wholesale, specialty focus," and more of a presence in the specialty distribution sector, Mr. Trem said.

As clients are hit with the dual challenges of the pandemic and a hardening market, Mr. Sicard said USI has taken steps such as helping clients recalculate exposures and seek alternate funding to help mitigate any cost effects.

The broker has not announced layoffs or pay cuts in the wake of the COVID-19 outbreak.

"I'm aware that other firms have announced layoffs, compensation reductions and other moves. USI has not," Mr. Sicard said.

Matthew Lerner

10 Acrisure LLC

2019 brokerage revenue: **$1.81B**
Percent increase (decrease): **31.1%**

Acrisure LLC sealed more than 100 acquisitions last year and it's on course to complete a similar number in 2020, despite the physical limitations imposed during coronavirus lockdowns.

The Caledonia, Michigan-based brokerage, which has consistently bought more rivals than any other U.S. broker over the past several years, acquired more than $400 million in revenue in 2019, boosting its brokerage revenue total by more than 30% to $1.81 billion.

The coronavirus pandemic has slowed larger deals, and organic growth, which has hovered around 4.5% for the past nine years, will likely decrease, but revenue will continue to rise at a rapid pace this year, said Acrisure CEO Gregory L. Williams.

In addition to postponing some larger deals until later in the year, the brokerage reacted to the slowdown in business resulting from decreased economic activity during the pandemic by slashing executive pay, he said.

Acrisure first entered the *Business Insurance* ranking of the world's 10 largest insurance brokers last year and it remains the 10th-largest brokerage. Founded in 2005, the brokerage has completed more than 450 acquisitions, with about 80% of the deals coming through referrals from existing partner firms.

Gregory L. Williams

Many of the acquired brokers and agents maintain their own identity, member firms own most of the parent company and, although some corporate functions are centralized, the individual brokerages maintain a significant degree of autonomy while operating under the Acrisure corporate umbrella.

A challenge for many acquisitive brokers this year, including Acrisure, has been how to continue to negotiate deals amid government-imposed lockdowns that started in March and continue to varying degrees in many states, said Timothy J. Cunningham, managing director of Optis Partners LLC, a mergers and acquisitions advisory firm and consultancy in Chicago.

"Zoom and WebEx calls are fine, but if you can't look a person in the eye and get a feel for their body language, it's difficult to really understand what's going on," he said.

Acrisure continued to complete deals through the lockdowns, Mr. Williams said. The brokerage agreed to about 75 deals through June and expects to get close to 100 by year's end, he said.

Some of the deals completed in the second quarter began with meetings prior to the lockdown, but some smaller transactions were closed completely through virtual meetings, Mr. Williams said.

"We've been careful and thoughtful in not doing anything too significant without having face-to-face meetings," he said.

As of last month, the brokerage had about $2 billion in revenue and $750 million in earnings on a proforma basis, Mr. Williams said.

Prior to the lockdown, Acrisure also raised $750 million in debt for acquisitions and repriced its existing debt, he said.

Acrisure's acquisition record remains strong, said Chris Scott, assistant vice president at Moody's Investors Service Inc. in New York.

"There are concerns when any company is growing that fast – whether the integration can be done smoothly – but over time they've developed a strong integration process," he said.

Moody's looks closely at debt-to-earnings ratios when assessing brokers and "most of the brokers, including Acrisure, stay within that defined metric," Mr. Scott said. "We continue to monitor that as acquisitions continue."

In addition to adjusting its acquisition strategy during the lockdowns, Acrisure added resources to address financial issues other than insurance, Mr. Williams said.

To help businesses confused by the process of accessing government funding programs introduced during the pandemic, Acrisure contracted with Hector Barreto, former administrator of the U.S. Small Business Administration, to provide webinars and advisory services to its clients, Mr. Williams said.

"We focus on insurance, and that's our day job, but if there's anything we can do to help our clients, we ought to be taking on that role as well," he said.

Although insurance prices have continued to rise this year, decreases in general economic activity due to the pandemic will likely hit Acrisure's organic revenue and the brokerage has adjusted executive pay to offset some of those declines, Mr. Williams said.

In April, Mr. Williams took a 97% pay cut and other senior Acrisure executives also took significant cuts.

In addition, more than 200 other leaders at Acrisure units offered to take cuts, he said.

Gavin Souter

RESEARCH & DATA

Pandemic drives down M&A activity

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

The impact of the COVID-19 pandemic on insurance agency merger and acquisition activity is significant. A slowdown at the end of the first quarter continued into the second quarter. Principal drivers of the decline in activity have been the inability of buyers and sellers to meet in person, while at the same time wrestling with the uncertainty of the effect on revenue and profitability related to COVID-19.

The total number of U.S. and Canadian transactions involving property/casualty and benefits agents and brokers, managing general agents and third-party administrators during the first half of 2020 dropped 12% to 288, from 328 during the first half of 2019. On a quarterly basis, there were 126 transactions during the second quarter of 2020, down 22% from 162 reported in the first quarter of 2020, which is the lowest total since the fourth quarter of 2016. April and May were off by nearly half on a year-over-year basis, but there was a significant rebound in June, mostly a result of deals in progress put on hold in the early days of the pandemic.

The private equity-backed/hybrid buyer group, which includes firms with significant outside acquisition support, saw a modest 7% decline in activity from the 2019 first half to the 2020 first half, but was down 17% between the first and second quarter. Transactions by all other buyers were down 22% year over year, including significant reductions in the number of transactions completed in the second quarter vs. the first quarter, with the combined totals down 47% from 59 in the first quarter of 2020 to only 31 transactions in the second quarter.

Caledonia, Michigan-based Acrisure LLC completed the most transactions in the first six months of the year with 39, the same number completed in the same period in 2019. Columbus, Ohio-based Broadstreet Partners Inc. was second with 30 transactions, up from 17 in the 2019 period, followed by Chicago-based Hub International Ltd., which completed 19 transactions, down from 26, and Lake Mary, Florida-based AssuredPartners Inc. also with 19 transactions, down from 20. Tinton Falls, New Jersey-based World Insurance Associates LLC rounded out the Top 5 with 12 transactions in 2020, compared with eight during the first half of 2019.

Several other historically active buyers saw their transaction count drop substantially through six months in 2020. Daytona Beach, Florida-based Brown & Brown Inc. declined from 11 to seven, Deerfield, Illinois-based Alera Group Inc. decreased from 11 to five, and NFP Corp. dropped from nine to two.

The second quarter of 2020 saw only one large M&A transaction with the combining of Oak Hill Capital Partners' EPIC Insurance Brokers & Consultants with The Carlyle Group's wholesaler and managing general agent JenCap Holdings LLC under a new holding company, Galway Insurance Holdings LLC. There was one new private equity investment, with Memphis, Tennessee-based Sunstar Insurance Group LLC being acquired by BBH Capital Partners in June.

Previously in 2020, the major acquisition announcements included:

- Aon PLC, No. 2 in *Business Insurance*'s ranking, agreed to acquire No. 3 ranked Willis Towers Watson PLC, with an anticipated closing in early 2021.
- AssuredPartners Inc. acquired 2019 No. 58-ranked LMC Insurance and Risk Management of Des Moines, Iowa, in February 2020.
- Marsh & McLennan Agency acquired 2019 No. 35-ranked Assurance Agency of Schaumburg, Illinois, effective April 1, 2020.

Given the continued uncertainty around the COVID-19 pandemic, it is unclear whether the drop in M&A activity will be a one-off blip in the long-term growth of agency acquisitions, or if this will change the course that we've seen over the past 10+ years. Minimally, we anticipate some pullback in the up-front guaranteed financial consideration as buyers attempt to manage the risk with the potential revenue decline associated with the business slowdowns due to COVID-19, likely with a shift to more consideration in the back-end earnouts.

We also expect to see lower third-quarter 2020 M&A activity continuing into the fourth quarter as the country struggles with the safe reopening of the economy. Buyers and sellers will likely continue their courtships remotely with most unwilling to finalize the transaction until they are able to meet. Video conferencing has helped to bridge the process, but it is not a substitute for the direct face-to-face meeting.

TOP BUYERS

The top buyers during the first half of 2020 are shown below with comparable totals for 2019:

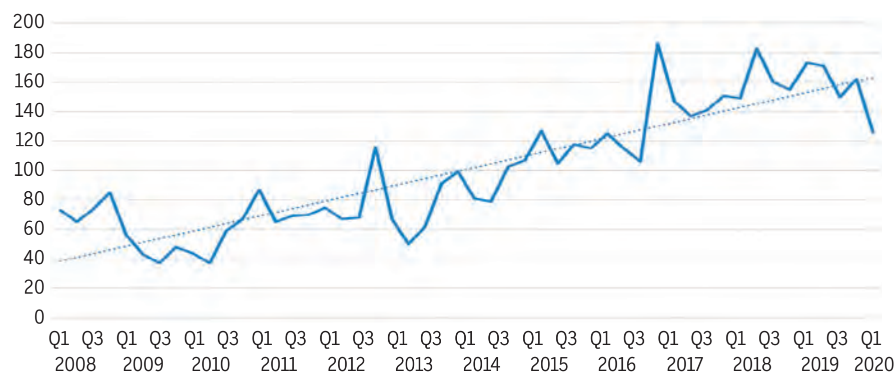
Buyer	Company type	1st half 2019	1st half 2020
Acrisure LLC	Private equity/hybrid	39	39
BroadStreet Partners Inc.	Private equity/hybrid	17	30
Hub International Ltd.	Private equity/hybrid	26	19
AssuredPartners Inc.	Private equity/hybrid	20	19
World Insurance Associates LLC	Private equity/hybrid	8	12
PCF Insurance Services LLC	Private equity/hybrid	3	11
Baldwin Risk Partners LLC	Publicly held*	3	9
OneDigital Health and Benefits	Private equity/hybrid	14	9
Patriot Growth Insurance Services LLC	Private equity/hybrid	19	9
The Hilb Group LLC	Private equity/hybrid	9	8
Risk Strategies Co. Inc.	Private equity/hybrid	4	8
Arthur J. Gallagher & Co.	Publicly held	16	8
TOP 10 TOTALS		178	181
ALL OTHERS		150	107
TOTALS FOR 1ST HALF OF YEAR		**328**	**288**

Source: Optis Partners LLC

*Baldwin Risk Partners LLC became a public company in October, 2019.

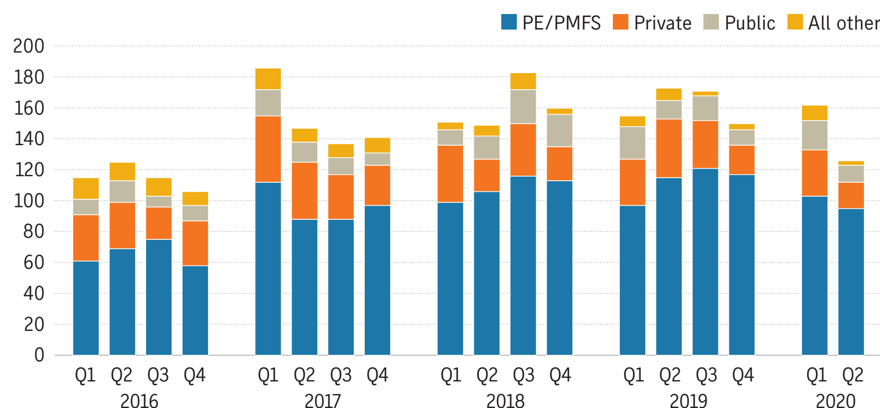
HISTORY OF DEALS TOTALS (2008 – JUNE 2020)

Insurance agency and brokerage acquisitions by quarter:



Source: Optis Partners LLC

TRANSACTIONS BY QUARTER BY TYPE (2016 – Q2 2020)



Source: Optis Partners LLC

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OPINIONS

COMMENTARY

Brokers navigate a changed world

A few months ago, most of the brokers we profile and rank in the annual special report in this issue appeared to be in excellent shape.

The economy was rolling along, offering new business opportunities and increasing the size of existing accounts. Insurance rates were rising in most lines, with commissions and fees rising commensurately, and brokerage owners looking to cash in their chips found many buyers willing to pay top dollar for their businesses.

Meanwhile, the business sector overall was largely untroubled by social pressures as jobs were abundant, although wage growth was still slow, and stocks were rising to new highs.

Less than five months later, as we all know, we live in a different world.

Gavin Souter
EDITOR

The seismic jolt that the coronavirus pandemic inflicted on the global economy had an immediate impact on just about every business. While some companies have benefited from the disruption, many more are fighting for their lives or have already gone under.

As businesses whose fortunes are fairly closely tied to changes in GDP, insurance brokers face testing times.

But COVID-19 is just one challenge the business sector needs to respond to. The explosion in demand for racial justice that followed the killing of George Floyd in police custody in May is forcing all corporations to look inward and reassess how they are responding to the change in the national mood.

Of the two challenges, the pandemic, though daunting, may be the easier to deal with. Brokers can take actions to cut costs, even businesses in trouble still need insurance, and once the spread of the virus is under control or eliminated by a vaccine, the economy will recover.

Devising an effective or even acceptable response to the hurt and rage over racial inequality is a much more complex challenge.

Many companies in the insurance sector, including many brokers, have introduced diversity and inclusion programs that are helping bring about change. Some programs turn to different methods to increase diversity, such as devising ways to put minority candidates on career paths other than through the traditional college or family and friends recruitment process. Outreach programs, apprenticeships, sponsorships and other strategies can and do make a difference, but there needs to be a new level of urgency.

You don't need to go to many industry events to realize that the higher you peer up the corporate ladder, the more white faces you see. That has to change.

For the insurance brokerage sector, increased diversity is not just the right thing to do, it's a business imperative. Over the long term, the talent crisis the industry faces is not going away, and engaging with smart, savvy potential workers and leaders from every part of society, with all the different perspectives they bring, is an opportunity to be grasped not squandered.

TOTAL EMPLOYED	WHITE	BLACK OR AFRICAN AMERICAN	ASIAN	HISPANIC OR LATINO
2,833,000	78.6%	12.4%	6.2%	11.4%

Source: U.S. Bureau of Labor Statistics

VIEWPOINT

The risk of reopening

BY CLAIRE WILKINSON
cwilkinson@businessinsurance.com

Reopening delayed is becoming a familiar refrain in communities across the United States months after the pandemic shutdowns began. From Disneyland to the local gym, businesses on the cusp of opening their doors may find their preparations on hold either because of newly issued state executive orders, or changes in phased reopening guidelines due to a spread or resurgence in COVID-19 infections in certain regions.

Some businesses have decided to hit the pause button of their own accord. Take the local hair salon. A recent email from a New York City salon where a friend works shared with clients the news that in the course of testing all the staff for COVID-19 prior to reopening it had discovered that one of its staff members tested positive. The staff member was asymptomatic, but because the whole team was together for orientation, they were now self-quarantining subject to local authority guidance on when it would be safe to reopen.

This fluid situation points not only to the importance of employers developing workplace and employee safety policies for workers' return, but also the heightened need for ongoing business continuity plans and business interruption contingencies. On the former, recent surveys suggest that employers are somewhat on track. For example, companies identifying workplace safety as a top priority rose to 39% in June from 27% in April, an increase of almost 50%, according to a survey by Willis Towers Watson PLC. But while 71% of U.S. employers said they have developed policies for workers' return, only 32% were prepared for a second wave of mass infections, the survey found.

An added layer of complexity, as outlined in our story on page 4, is that even as employers implement safety measures such as temperature taking, mask-wearing, and social distancing in the office, their ability to govern what a returning worker does off the clock is limited. Complying with federal safety guidelines to provide a safe working environment for employees during an ongoing pandemic will likely make for additional potential legal pitfalls for employers.

Which brings us to insurance. Businesses including restaurants, casinos and sports teams continue to sue commercial insurers for their refusal to cover business interruption losses linked to COVID-19 lockdowns, as our recent coverage highlights. On the other side, insurers maintain that these pandemic-related losses do not meet the physical damage requirements of the underlying policies and that their intention was never to cover pandemics or viruses. As noted on several social media forums, business interruption claims arising from a second wave of shutdowns could complicate matters further. This is especially true in the case of a business that shuts down voluntarily — like the hair salon — when an employee tests positive for COVID-19 or is exposed to the virus through contact with a family member or friend. Could a business more easily argue the virus was present in this type of case?

Business continuity plans and resilience are routinely cited as keys to survival in the wake of disasters, but for risk managers the inability to purchase relevant coverage in the hard market is just as meaningful. Results of the 2020 European Risk Manager Report found that 90% of professional risk managers across Europe are concerned about limitations and exclusions for emerging/specific risks. Finding an equitable way to support pandemic and other risks going forward will take time, but for businesses trying to reopen amid COVID-19 the immediate path ahead is not straightforward.

Insurers can lead on addressing social inequality risks

Francis Bouchard is the group head of public affairs & sustainability for Zurich Insurance Group, where he focuses on aligning the group's government affairs, sustainability and Z Zurich Foundation activities around impactful public affairs and social impact campaigns. He can be reached at Francis.Bouchard@Zurich.com.

We must act.

This is the plea we are hearing from our streets. It's the realization we hear in our own heads during quiet moments of self-reflection. And it's the refrain we are starting to hear from some corporate C-suites that are coming to grips with the reality that establishing diversity and inclusion roles and employee resource groups simply isn't enough to support racial equity.

For the insurance sector, this moment could go either way. We could retreat to familiar ground and tell ourselves that despite lots of efforts Black, brown and other minority jobseekers simply don't find the insurance world interesting or attractive. After all, we've been telling ourselves that on talent broadly for generations. Or we could embrace our role in society and treat institutional inequality as one of the most insidious — yet pervasive — risks facing the communities we're here to protect. To take this approach would require that we reflect the diversity of those communities, which in turn will require new ways to recruit from traditionally underserved talent pools, as well as new efforts to develop, retain and promote diverse talent.

Luckily for any insurance exec taking these issues seriously, there is such a new way — it's called apprenticeships. Simply put, apprenticeships are ways to allow new employees to earn while they learn, drawing a full-time salary while they advance their education and work. Long a fixture in European job markets, the model is growing fast in the United States, with over 710,000 apprentices hired since 2017, according to the Department of Labor.

Some insurance industry companies such as Hartford Financial Services Inc., Aon PLC, Secura Insurance Cos. and Zurich Insurance Group have established their own apprenticeship programs that now employ hundreds of apprentices. The programs have proven successful against metrics such as retention, employee engagement and upward mobility.

But more than their operational success, these programs have exposed their sponsors to new pools of talent that we've traditionally overlooked: people returning to the workforce after a hiatus for family reasons, veterans transitioning to civilian life, racially diverse people who didn't previously see a path to college, and service or retail workers who want to move from jobs to careers. At their core, these programs are rooted in the principles we must collectively embrace to effect systemic change, including equal employment opportunity, diversity and inclusion, and social impact.

The truth, however, is that establishing apprenticeship programs can be complicated. Beyond the internal HR programs and financial investment, sponsors need to select community colleges, develop curriculum and file for certification with government agencies. It's why only a few of the industry's largest players have had the resources to make such programs happen.

That all changed earlier this year with the launch of Insurance Apprenticeship USA, an industry effort backed by the American Property Casualty Insurance Association that aims to catalyze local efforts to bring together insurers, reinsurers, brokers, agents, risk management functions and others dependent on insurance talent to jointly establish local apprenticeship programs.

During the last business trip I took before COVID-19 changed the world, I had the honor to stand before 300 industry leaders and seek commitments to organize such discussions in their home markets. In a matter of minutes, we had volunteers in 14 cities across the U.S., and you could feel the energy in the room as a grassroots movement was born before our eyes.

> "Simply put, apprenticeships are ways to allow new employees to earn while they learn, drawing a full-time salary while they advance their education and work. Long a fixture in European job markets, the model is growing fast in the United States."

Within two weeks, however, we were coming to grips with the most destructive global pandemic in a century and soon thereafter an economic collapse faster than the Great Depression. Among the many corporate casualties was any new initiative not directly related to COVID-19, as we all adjusted to new ways of functioning and took stock of how deeply our lives, companies and society had changed.

It's why many contemporary historians began calling this the Great Reset, or the Great Pause. We saw the fragility of modern life and realized just how tenuous the underpinnings really were.

And then — just as we thought the COVID crisis was leveling off — we witnessed the brutal death of George Floyd, bringing other police-involved killings of black people to the fore, and in a matter of days a 400-year struggle with oppression seemed to transform from a series of isolated causes to a cohesive national movement. Personally, the reason I believe it's different this time is that we're different this time. We'd just redefined what "essential" meant and in coalescing against a common enemy we self-identified as humans first.

It is in the face of these new truths that we all must ask ourselves "are we doing enough?" Are we as individuals making that shift from passive resistors of hate to proactive agents of change? Are we as companies fully understanding the power of opportunity that is truly accessible to all? And are we as insurers using all the tools we possess to adequately prepare society for the complex risks it faces, be it from new vicious pandemics, continuing social inequality or the looming climate crisis?

Insurers have the opportunity under the IAUSA banner to literally change the face of the industry within just a few years. The first IAUSA program kicks off this August in New York and with industry support we could spread this model to dozens of cities across the U.S. It is not a panacea and will need to be only one of many actions we take — as individuals, companies and an industry — but it is the type of institutional step we can take now to capture this moment in history.

Never forget that we are the industry that drives toward the storm when everyone else is driving away from it. It's that spirit that led us to create Underwriters Lab, the Insurance Institute for Highway Safety and the Insurance Institute for Business & Home Safety. And it's that same spirit that should drive us now to stand proudly on this history of societal risk leadership and take concrete steps to tackle social inequality and move toward greater equity.

We must act.

MARKET PULSE

Charles Taylor adds comp, DBA claims handling

Charles Taylor Insurance Services Ltd. has added workers compensation and Defense Base Act claims handling and medical management services to its offerings, the London-based claims and risk management firm said in a statement.

The claims services will include medical case management and evaluation, cost containment, claims settlements, labor market surveys and investigations. The DBA services will be offered in the U.S. and overseas, and will deal with insureds in remote and hostile areas.

The new claims services will be overseen by Jane Hegeler, who joined the company in January.

AmTrust Exec unveils crime product

AmTrust Exec, a division of New York-based AmTrust Financial Services Inc., introduced a commercial crime product for medium- and large-sized businesses.

AmTrust Exec said in a statement the monoline commercial crime product covers losses for employee and third-party theft of money, securities and other property, including employee theft, that is without manifest intent; computer and electronic funds transfer fraud; fraudulent impersonation and clients' property.

There is $5 million in primary limits available, and up to $10 million in excess, according to a spokeswoman. The excess policy is not yet filed but is in the pipeline.

The statement said AmTrust Exec was formed in January when AmTrust's CorePointe Insurance Agency acquired Itasca, Illinois-based Euclid Executive Liability Managers LLC.

Melissa Schwartz joined AmTrust in January from Euclid Exec to lead the commercial crime product offering, according to the statement.

Marsh, Axa XL introduce usage-based auto policy

Marsh LLC and Axa XL launched a usage-based auto policy for U.S. businesses that use individual drivers as employees or gig workers as independent contractors to make same-day deliveries during COVID-19.

The price-per-mile tailored policy is designed to address the issues that arise when a driver's own vehicle is used to make these deliveries.

With the deliveryPRO policy, Marsh clients can buy a minimum of $500,000 in exclusive third-party bodily injury and property damage auto liability capacity from Axa XL.

Coverage is available in excess of a minimum $500,000 self-insured retention for hired and non-owned delivery exposures, Marsh and Axa XL said in a statement.

Liberty Mutual unit offers business service bonds

Liberty Mutual Insurance Group's Liberty Mutual Surety has started offering its business service bonds coverage through insurtech CyberPolicy, the insurer said in a statement.

Small businesses purchase business service bonds to protect their customers from dishonest acts such as theft, larceny or fraud committed by employees at a customer's premises, Liberty Mutual said in a statement.

Business service bonds are typically required for industries such as janitorial and cleaning services, appliance repair, pest control, and lawn and gardening, the Boston-based insurer said.

Bonds with limits of $5,000, $10,000, $25,000, $50,000 and $100,000 are available, Liberty Mutual said.

Additional surety products, such as Employee Retirement Income Security Act, notary, and license and permit bonds will be made available on CyberPolicy.com in the coming year, Liberty Mutual said.

Beazley partners on active shooter cover

Beazley PLC and Vizient Insurance Services LLC, a subsidiary of health care company Vizient Inc., are offering active shooter coverage to Vizient members, Beazley announced.

The usual limit for the coverage is $30 million, according to an email from a spokeswoman.

The policy includes prevention and crisis management services as well as insurance coverage to indemnify covered losses and is designed to help reduce the likelihood of an incident by providing risk assessments and educational tools to help clients improve security and resilience to an incident, the statement said.

In the case of an event, Beazley's crisis response services include security, investigation into the cause of the incident and assistance with managing crisis communications, the statement said.

Hanover launches E&O cyber product

The Hanover Insurance Group Inc. said Thursday it has introduced an integrated and broad errors and omissions, cyber and risk management product for technology businesses.

The Worcester, Massachusetts-based insurer said in a statement that the Hanover Technology Professional and Cyber Advantage is designed to help address technology companies' complex and evolving risk. It said the flexible coverage can be customized to meet the needs of startups as well as large, multinational corporations.

The insurer said in addition to its E&O liability, cyber and privacy security liability, personal injury liability and media and content liability coverage, the program offers a full of array of first-party cyber coverage options, including security breach notification and remediation; data and systems restoration; cyber extortion; business income and extra expense; funds transfer fraud; and public relations expenses.

Ironshore offers COVID endorsement

Ironshore Environmental is offering a COVID-19 environmental legal liability policy endorsement for certain contractor classes that has up to $5 million in limits, the Liberty Mutual Insurance Group Co. unit said.

Ironshore's CELL coverage responds to third-party bodily injury, property damage and remediation of environmental damages resulting from pollution caused by a contractor's work at a job site.

Ironshore said the coverage is specifically designed for experienced environmental and disinfection contractors, and is being offered on a claims-made, practice or project-specific basis. The coverage is available with a minimum $25,000 premium and a minimum $50,000 deductible.

Ironshore's CELL policy also includes coverage for pollution liability associated with transportation, non-owned sites and time-element pollution incidents at insured-owned sites, according to an Ironshore statement.

DEALS & MOVES

Ryan Specialty Group, All Risks agree to merge

Ryan Specialty Group LLC and All Risks Ltd. have agreed to merge, the companies said.

Terms of the deal were not disclosed.

Chicago-based Ryan Specialty Group consists of RT Specialty, a wholesale brokerage firm, and RSG Underwriting Managers, a specialty underwriting organization that includes 21 specialized managing general underwriters, the statement said.

Delray Beach, Florida-based All Risks has more than 850 employees.

Gallagher extends reach in Northwest

Arthur J. Gallagher & Co. has acquired Meridian, Idaho-based Cunnington & Associates Inc., Gallagher said in a statement.

Terms of the transaction were not disclosed.

Cunnington & Associates provides risk management, group captives, loss control, safety programs and risk financing services to clients primarily across Idaho and the Intermountain West, the statement said.

Cunnington's roughly 10 employees will remain at their current office.

AssuredPartners buys Massachusetts agency

AssuredPartners Inc. acquired WTPhelan & Co. Insurance Agency Inc. of Cambridge, Massachusetts.

Financial terms of the deal were not disclosed.

WT Phelan reports $18 million in annualized revenue, Lake Mary, Florida-based AssuredPartners said in a statement.

WTPhelan's team of 58 people will remain under the direction of Vice President Robert Ramsey.

McLarens buys energy loss adjuster

Claims manager McLarens acquired London-based Lloyd Warwick International Ltd., a specialist energy loss adjuster jointly owned by its employees and Crawford & Co.

Terms of the deal were not disclosed.

With 50 adjusters, Lloyd Warwick provides engineering, forensic and technical claims support, Atlanta-based McLarens said in a statement.

PEOPLE

"The COVID-19 pandemic has accelerated the push toward digitalization in insurance and many sectors. As a result, IT security vulnerabilities and cyber exposures for companies will grow, as well as the demand for cyber risk management and insurance."

UP CLOSE

Catharina Richter

NEW JOB TITLE: Munich-based global head, Cyber Center of Competence, Allianz SE

PREVIOUS POSITION: Munich-based head of regulatory management, head of digital regulation, Allianz SE

OUTLOOK FOR THE INDUSTRY: The COVID-19 pandemic has accelerated the push toward digitalization in insurance and many other sectors. As a result, IT security vulnerabilities and cyber exposures for companies will also grow, as well as the demand for cyber risk management and insurance solutions. However, strong market competition, increasing regulatory scrutiny and the need to manage the impact of potential catastrophic cyber scenarios will challenge the future growth of cyber insurance.

GOALS FOR YOUR NEW POSITION: At Allianz, we have a great number of cyber experts and specialists across our organization. My vision is to establish the Cyber Center of Competence as the go-to, share-and-connect platform for all our colleagues worldwide to share best practices and optimize our market-facing offerings.

CHALLENGES FACING THE INDUSTRY: Cyber is a rapidly evolving risk and there are hardly any reliable actuarial or claims data. Therefore, modeling and pricing remains challenging. Even if any claims data does exist, it is obsolete within a few years as the nature of events and possible loss scenarios evolve quite rapidly. Data, technology and collaboration will be essential to close this gap.

FIRST EXPERIENCE: My first touch point with cyber was several years ago in a negotiation training. The participants had to develop a response strategy for a cyberattack scenario under extreme pressure — and senior leaders from military secret service and police were sharing some insights, including cyber warfare and cyber terrorism.

ADVICE FOR A NEWCOMER: Invest time in listening and learning from experts. For cyber, this requires collecting not only the insurance value-chain perspective but seeking a holistic approach, starting with IT security and risk analytics.

DREAM JOB: Being a musician and playing my transverse flute in chamber and symphonic orchestra.

LOOKING FORWARD TO: Being at the forefront to enable innovation and digitization to flourish, while improving cyber resilience and combating cyber crime as effectively as possible.

COLLEGE MAJOR: I am a lawyer by training (bar exam) and wrote my Ph.D. thesis in criminal law — not with focus on cyber but on the fundamental dogmatic of criminal law.

FAVORITE MEAL: Anything my husband has ever cooked for me, whether it is basic pasta or menus with several courses.

FAVORITE BOOK: I am a passionate reader of young German writers, who may not yet be famous globally. One of them is Juli Zeh.

HOBBIES: I enjoy spending time with my husband and our six grown-up children. I also enjoy reading, gardening, playing chamber music and walking tours.

TV SHOW: I am a big fan of filmmaker Pedro Almodovar, but our collection also includes blockbusters like James Bond movies.

ON A SATURDAY AFTERNOON: Gardening, walking tours and preparation for family and friends gatherings on Sunday.

SEE MORE ONLINE

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

ON THE MOVE

The Hartford Financial Services Group Inc. named former Validus underwriter **William H. Steinberg** head of wholesale property for its Navigators Insurance Co. unit. Boston-based Mr. Steinberg was previously vice president and head of commercial property at Validus Specialty Underwriters.

Lockton Cos. LLC appointed Kansas City, Missouri-based **Brian Roberts** chief diversity officer and director of operations. Previously, Mr. Roberts was senior vice president, director of operations.

The Tennessee Department of Commerce and Insurance named Nashville-based **Belinda Fortman** director of the captive insurance section, replacing Jennifer Stalvey, who is moving to Long Beach, California. Previously, Ms. Fortman was managing director for her own company, Risk Administrative Services LLC.

Axis Insurance, a unit of Axis Capital Holdings Ltd., named New York-based **Eric Seyfried** head of cyber U.S. open market. Previously, Mr. Seyfried was managing director — East region leader and broking officer for Aon PLC. Before he joined Aon in 2014, he spent 13 years at Marsh LLC.

AF Group named **Kelly Fusner** chief underwriting officer, the Lansing, Michigan-based insurer announced. Ms. Fusner, who is based in Chicago, previously served as president and chief underwriting officer at Redstone Underwriters LLC. She succeeds Bill Carney, who retired in 2019.

Allianz Global Corporate & Specialty SE appointed **Thomas Kang** head of cyber in North America, succeeding Gary Mann, who remains the head of professional indemnity for North America. Mr. Kang had been global cyber product leader at Willis Towers Watson PLC.

CORONAVIRUS REWRITES SCRIPT FOR MOVIE SHOOTS

Hollywood studios are now casting for COVID-19 consultants, such as epidemiologists and other public health specialists, to help keep staff on set safe from the virus, according to Reuters.

The new staff will support actors and the crews of hair stylists, camera operators and the hundreds of others who work on set, as studios aim to continue production on film and television shows, the wire service reported.

Such specialists will be tasked with providing detailed strategies for dealing with large crews who work in cramped spaces, makeup artists who get face-to-face with stars, and actors who kiss, hug and fight on set.

Meanwhile, the industry expects to see smaller crews on set, more hand sanitizer, and the use of computer-generated imagery to create big crowds on screen when work resumes.

Nothing magical in Disney's appraisal

The latest Disney villain? The property assessor in Orlando, Florida, according to the Walt Disney World Resort.

The owner of the self-proclaimed happiest place on earth in June filed several lawsuits against Orange County Property Appraiser Rick Singh over property tax appraisals for 2019, which the mega theme park and resort say are too high, according to The Orlando Sentinel.

A plot twist? Not really. Disney has filed suits against Mr. Singh every year since 2016 over assessments in the hundreds of millions for several of its properties, and dozens of court cases are still pending.

Walt Disney World Resort "had been undervalued for decades by previous property appraisers," Mr. Singh's office said in a statement.

Google: Take a seat or a new desk

Getting googly-eyed over an ergonomic chair you spotted online?

Those stuck working from home for Google can expense it. No, really.

The employer that brought free cooking classes and ping pong tables to the office is giving employees a $1,000 expense account to spiff up their home workspaces, according to a letter addressed to "Googlers" from CEO Sundar Pichai.

The plan is to keep workers at home until all is safe, he wrote, adding: "Because we still expect that most Googlers will be largely working from home for the rest of this year, we'll be giving each Googler an allowance… to expense necessary equipment and office furniture."

Life insurance on the go in Japan

Big Gulp, jumbo beef frank, and the assurance that one's spouse and children will not go without in the event of one's untimely death.

7-Eleven stores in Japan will soon begin offering life insurance out of "multifunction" vending machines, according to a report in Barron's.

Seems strange? Not for Japanese consumers, or tourists, who have become accustomed to purchasing such items as socks, beetles and origami from vending machines, according to the report.

The life insurance policies will be offered by Japan's MS&AD Insurance Group, the magazine reported. No further details were available in the article.

EVENTREVOLUTION.COM

Don't drink so close to me

Will a bump become the new glass-toasting cheers?

Bars and restaurants excited to reopen are getting creative with social distancing requirements to comply with municipal guidelines aimed at preventing the spread of COVID-19, according to a report on BizBash.com, which got the scoop on some of the recent trends.

In the lineup are the six-foot-wide cardboard crowns at a Burger King in Germany, the personal greenhouses in Amsterdam, and the inner-tube-looking bumper tables at a restaurant and bar in Ocean City, Maryland — perhaps the most fun, according to the online publication.

"Bumper tables were a by-product of brainstorming how to get the cocktail party back," said the owner of Baltimore-based Revolution Event Design & Production, which is marketing the bumper tables for its parties.

BUSINESS INSURANCE WEBINARS

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UPCOMING WEBINAR

WORKERS COMPENSATION: PRESUMPTION & COVID-19

REGISTER TODAY | Wednesday, July 16 at 12pm-1pm EDT

As more states make it easier for employees in essential jobs to file workers compensation claims for COVID-19 under the presumption that they caught the virus at work, questions emerge: Will there be a lot of claim activity? Where do rebuttals fit in? How much will claims cost? Will there be more litigation? Could this change the course of workers compensation?

Jeffrey M. Adelson
General Counsel & Co-Managing Shareholder
Adelson McLean, APC

Rich Lenkov
Capital Member & Head of Workers Comp practice
Bryce Downey & Lenkov LLC

John E. Hanson
Senior Consultant
Willis Towers Watson

Louise Escola
Assistant Editor
Business Insurance
MODERATOR

ON DEMAND WEBINARS

A NEW ERA FOR DIVERSITY & INCLUSION

Speaker Panel: Bonnie Boone (Arthur J. Gallagher Risk Management Services Inc.) , Michael Chang (Sompo International & Sompo Global Risk Solutions), David W. Fitzgerald (Atlanta Life Insurance Co.)
Moderator: Regis Coccia (Wordsmith Strategic Communications LLC)

COVID-19 SERIES

WORKERS COMP MANAGEMENT AMID COVID-19

Speaker Panel: Mike Hessling (Gallagher Bassett) , Rich Lenkov (Bryce, Downey & Lenkov LLC), Brian Van Allsburg (Compass Group)
Moderator: Gavin Souter (*Business Insurance*)

D&O RISKS FROM COVID-19

Speaker Panel: Priya Cherian Huskins (Woodruff Sawyer) , Kevin LaCroix (RT ProExec), William Passannante (Anderson Kill)
Moderator: Gavin Souter (*Business Insurance*)

GETTING BACK TO WORK: CHANGE, CHANGE AND MORE CHANGE

Speaker Panel: Eric Conn (Conn Maciel Carey LLP), Lary Pearlman (Marsh Risk Consulting), Carol Richmond (Fox Rothschild LLP)
Moderator: Louise Escola (*Business Insurance*)

CANNABIS & HEMP SERIES

THE STATE OF THE CANNABIS INDUSTRY IN THE WAKE OF COVID-19

Speaker Panel: Wes Hein (Mammoth Distribution) , Gary Kaminsky (Acreage Holdings), Lindsay Robinson (California Cannabis Industry Assoc.)
Moderator: Dean Rocco (Wilson Elser)

STATE OF THE HEMP & CBD INDUSTRY

Speaker Panel: Gary Broadbent (GenCanna Global, Inc.), Stephen Konigsberg (Tikun Olam USA), Neil Willner (Wilson Elser)
Moderator: Eduardo Provencio (Mary's Medicinals)

CANNABINOID PRODUCT RISK MANAGEMENT

Speaker Panel: Arun Kurichety (KushCo Holdings, Inc.), Tom Lewandowski (Gradient), Rocco Petrilli (NCRMA)
Moderator: Ian Stewart (Wilson Elser)

CANNABIS SPECIALTY LINES, WHERE ARE YOU?

Speaker Panel: Summer Jenkins (Cannasure Insurance Services), Corey Tobin (Bolton & Co.)
Moderator: Chris Boden (Crouse & Associates)

CANNABINOID MEDICINE: WHAT PRACTITIONERS NEED TO KNOW

Speaker Panel: Brad Hunt (Pro Mal RRG), Dr. Jessica Knox (Doctors Knox, Inc.), Dr. Paloma Lehfeldt (Vireo Health)
Moderator: Lori Semlies (Wilson Elser)

CANNABIS UNDERWRITING: DISCERNING GOOD, BAD, AND UGLY

Speaker Panel: Erich Bublitz (Admiral Insurance Group), Kevin Maher (Canopius US Insurance)
Moderator: Charles Pyfrom (CannGen Insurance Services, LLC)

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BUSINESS INSURANCE

WOMEN TO WATCH

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2020 AWARDS NOMINATIONS OPEN!

SUBMISSIONS DUE **AUGUST 5**

PUT YOUR BEST LEADING WOMEN CANDIDATES FORWARD!

2020 has undoubtedly been a monumentally challenging year across the world. The commercial risk & insurance industry has been profoundly affected by the global pandemic. During these turbulent times, **women of all backgrounds have stood up and risen to the challenge** as effective leaders for risk management, commercial insurance and related fields. Business Insurance highly encourages you to **nominate these outstanding women within your network** for the 2020 Women to Watch Awards. These women deserve to be celebrated and recognized by the industry for their work.

What is the Women to Watch Awards program about?

Celebrating its 15th anniversary, the Business Insurance **Women to Watch Awards** program recognizes leading women from every facet of the commercial insurance industry. Since 2006, it has grown into an educational program aimed at the advancement of women in commercial insurance, risk management and related fields. A professional development and networking conference was added to address and promote the advantages of achieving greater gender diversity in leadership roles.

Is it just for women executives in the United States?

No, we have always accepted international nominations and in 2017 we expanded the program to include separate awards for women in Europe, the Middle East and Africa.

Winner Recognition

- Winners will be notified and announced on BusinessInsurance.com in September and published in the December 2020 issue and on BusinessInsurance.com.
- Winners will be recognized in a ceremony at the Women to Watch Awards & Leadership Conference events. See below for planned dates and locations. More details to come on virtual opportunities in the works!
  - Women to Watch Awards & Leadership Conference EMEA November 13, 2020
    Sheraton Grand London Park Lane
  - Women to Watch Awards & Leadership ConferenceDecember 9-10, 2020 | Grand Hyatt New York

MAKE YOUR SUBMISSIONS ONLINE BY AUGUST 5

Europe, the Middle East and Africa candidates: www.BusinessInsurance.com/W2WEMEA

Americas, Asia and rest of world candidates: www.BusinessInsurance.com/W2W

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