CLASS RESUMES: Schools face tough cyber market, tricky health risks - PAGE 4

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VIEW FROM THE TOP

RICHARD E. ANDERSON

Dr. Richard E. Anderson is chairman and CEO of The Doctors Company, a Napa, California-based physician-owned medical malpractice insurer that was formed amid the med mal crisis of the mid-1970s. Dr. Anderson, who practiced as an oncologist for 25 years, discusses the rise in the severity of med mal losses and risk management steps that can be taken to reduce physician exposures. **PAGE 18**

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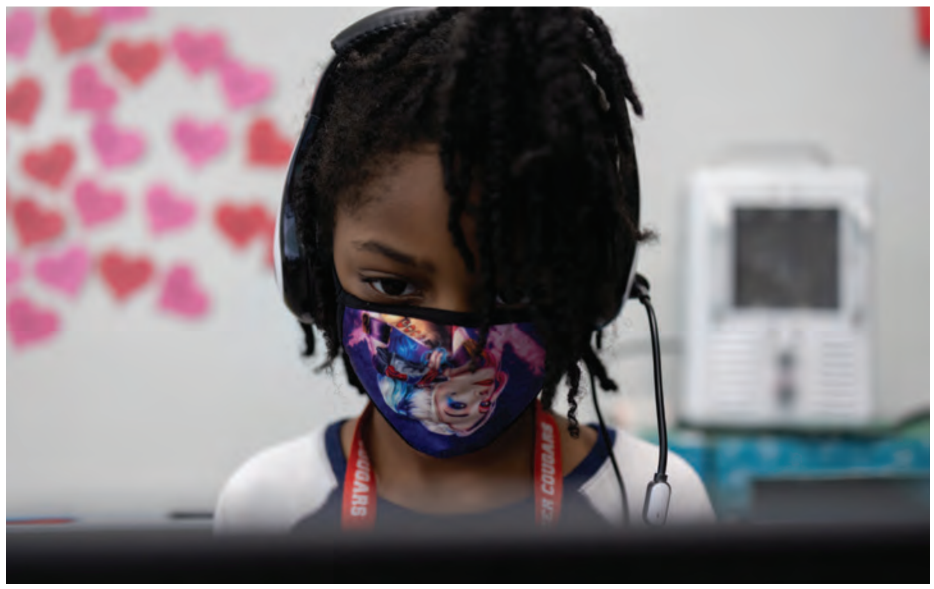
NEWS ANALYSIS

Schools hit with cyber price hikes

BY ANGELA CHILDERS
achilders@businessinsurance.com



Reuters

Virus resurgence remains a major risk management issue for school districts and universities opening in the fall, but others are joining the lineup of top concerns, including cyber protection and campus security.

Cyber risk has been a pressing worry in both K-12 and higher institutions, some of which are seeing cyber premium increases of as much as 300%, said Julie Theirl, San Francisco-based senior vice president and regional education practice leader at Aon PLC.

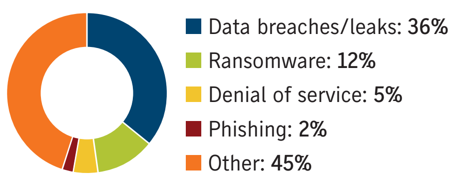
"Cyber and ransomware are increasing at a staggering pace," she said. "This July 1 (renewal) cycle has been really difficult for most organizations, and I think schools in particular."

"That quick change to online learning created a huge, increased cyber risk," said John McLaughlin, senior managing director of Arthur J. Gallagher & Co.'s higher education practice in Rolling Meadows, Illinois.

Cyber underwriters are looking for institutions that have "stepped up their game" and devoted the resources to provide sufficient protection; those that haven't are facing nonrenewal or substantially reduced limits and significantly higher premiums, he said.

San Diego-based Lilian Vanvieldt-Gray, executive vice president and chief diversity and inclusion officer at Alliant Insurance Services Inc., who also manages a portfolio of schools and public agencies, said her school clients collectively have received 37 cyber declinations this year. Those that have found coverage are facing deductibles of $1 million compared with $25,000 and premiums climbing to $500,000 from $55,000 last year.

K-12 CYBER INCIDENT TYPES



Other includes unattributed malware, class and meeting invasions, email invasion and website and social media defacement.

Source: K-12 Cybersecurity Resource Center

One school district, when faced with just $3 million in coverage for $500,000 and a $1 million deductible, opted to use that premium money to invest in technology upgrades instead of purchasing the policy, she said.

"I have yet to have a client that just forgoes it entirely, but I can see it heading in that direction," Ms. Theirl said. "What we're trying to do with our clients is say, 'Here are the things you need to be doing over the next nine months before you hit the next renewal cycle.'"

This may include installing appropriate fire walls and virus protection, using multifactor authentication and conducting cybersecurity awareness training, she said.

Schools are also struggling with rising general liability premiums and seeking ways to adequately protect their infrastructure from damage related to social unrest. However, with limitations for such incidents embedded in policies, it is a challenge and "carriers are pulling back from the marketplace," Ms. Vanvieldt-Gray said.

It's equally difficult for colleges and universities to sufficiently insure against their exposures for law enforcement liability, she said.

"A lot of carriers don't want law enforcement liability or they're taking out $1 million retentions for it … or eliminating their coverage," Ms. Vanvieldt-Gray said. "It's a major concern. At the same time, certainly law enforcement liability is coming to the forefront."

Luke Figora, vice president for operations at Northwestern University, said that the sensitivities surrounding the role of campus police is a top concern for the university.

While that risk has always been present, it is "magnified today in terms of the reputational risk of having police deployed, and we're absolutely paying attention to that," he said. "If something was to turn violent, when do you escalate toward (police) deployment?"

College and university risk managers are also apprehensive about how divided politics and civil unrest issues may affect students back on campus, experts say.

"How this might present on campuses is certainly a concern," Mr. McLaughlin said. "There's concern with security … how to best recognize the exposure and provide supportive security service that is viewed positively by all."

Higher education is trying to take progressive steps to head off potential issues by talking to the community, reaching out to students before they return to campus and training campus security teams, he said. While a serious unrest issue would normally be a general liability claim, "depending on the magnitude of the claim, it could morph into an event-driven (directors and officers) claim for failure to take proper precautions," he said.

Schools are also much more attuned to the mental health challenges stemming from the pandemic and looking at expanding resources for students and bulking up their employee assistance programs for staff, Ms. Vanvieldt-Gray said.

For a group of K-12 leaders that Ms. Theirl speaks with regularly, mental health has become a top concern, resulting in a renewed interest in employee wellness programs. Some schools have also purchased an additional trauma coverage that insures against the treatment costs related to a traumatic event and can be accessed by students or staff, she said.

CYBER INCIDENTS IN PUBLIC K-12 SCHOOLS

- More than **400 cyber incidents** were publicly disclosed by school districts in 2020.
- More than **75% of all data breach incidents** affecting U.S. public K-12 school districts were the result of security incidents involving school district vendors and other partners.
- Data compromised in breaches has included **grades**, **bullying reports** and **Social Security numbers**.
- School districts in **cities and large suburbs** and those with a larger proportion of **higher-income students** are the most likely to experience a cyber incident.

Source: K-12 Cybersecurity Resource Center

CLASSROOM HEALTH RISKS IN SPOTLIGHT

Vaccinations and the safety and health of students and staff remain a priority for schools across the country, with many questioning their ability to mandate vaccinations and how far they should go with safety protocols.

"One of the questions we get most often from members, particularly in higher education, is can or should we mandate vaccines," said Hillary Pettegrew, senior risk management counsel at Bethesda, Maryland-based United Educators, a reciprocal risk retention group that provides risk management consulting to more than 1,600 schools. "On the federal level, it's pretty clear that they can be mandated (for employees) and very likely for students as well. But you do have to allow for certain exemptions. And some states have specific laws playing on that as well."

Although many are expecting the school year beginning this fall to be a return to normal, Jennifer Smith, partner in the Chicago office of Franczek P.C., warns that may be premature with the number of unvaccinated individuals, particularly in lower-level schools with many children under age 12.

"In the fall, everyone is going to be used to a new normal with no new restrictions, and I anticipate there will still be some mitigation that educators have to follow that people may not like," she said.

For now, schools should take a "wait and see approach" regarding their fall safety protocols, said Byron Given, area senior vice president, regional director, for Arthur J. Gallagher & Co's public sector K-12 education practice. "As we have learned through this entire thing, sometimes it's one step forward and two steps back. I think the worst is behind us, but we've been through it now. If there is another outbreak … at least we're prepared."

Angela Childers

Lawsuit funding sparks insurer concerns

BY JUDY GREENWALD
jgreenwald@businessinsurance.com

Litigation funding, in which capital is provided by a third party to finance lawsuits in return for a share of the ultimate settlement or award, is growing in the United States.

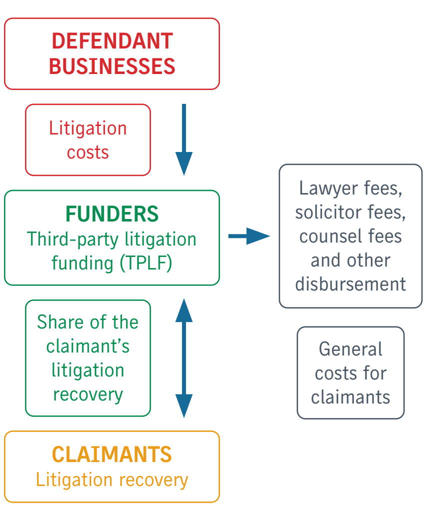
Insurers and others contend it leads to increased claims and rates, while often permitting funders to conceal their involvement, thus obscuring potential conflicts of interest.

Its proponents maintain they help fund justifiable litigation on a highly selective basis and have a hands-off policy as to becoming directly involved in litigation strategy.

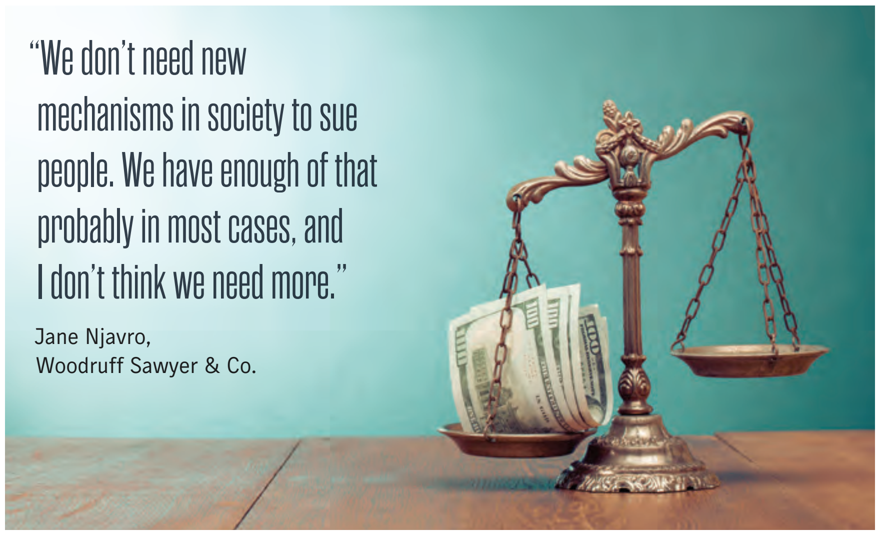
Litigation funding, also called litigation financing, is used in a range of lawsuits, including complex multidistrict and class-action litigation.

At its most basic, unlike contingency funding, where plaintiff attorneys operate on a no win/no fee basis, third party funders provide financial help in exchange for an interest in a potential recovery. The financing can be offered to law firms who are unwilling or unable to fund a potentially protracted case or to help underfunded claimants.

CONCEPTUAL FRAMEWORK



Source: European Parliamentary Research Service



"There's no limit to the types of risk that we look at, both first party and third party, wildfire, hurricane loss, product liability, and, of course, COVID business interruption," said G. Andrew Lundberg, Los Angeles-based managing director of Burford Capital Ltd., a litigation funding company.

Widely used in other countries, litigation funding is being used more frequently in the United States but may not become as popular here (see related story).

Many insurance industry participants are unhappy with the growth of litigation funding. Jennifer Marshall, a director in the property/casualty ratings department at A.M. Best Co. in Oldwick, New Jersey, said it puts upward pressure on claims costs and drives increases in awards and settlements.

Having a third party that potentially profits from a lawsuit prolongs a claim "and makes it more expensive to resolve," said Meg Sutton, New York-based senior vice president of U.S. casualty claims for Liberty Mutual Insurance Group.

A settlement may be rejected because of pressure exerted by litigation funders seeking a profit on their investment, and a plaintiff may walk away with nothing if the trial goes against them, its opponents say.

Laura Lazarczyk, executive vice president, chief legal officer and corporate secretary for Zurich North America, said in a statement that litigation funding companies' "abusive practices will be largely borne by insurers in defense costs and indemnity payments and by policyholders in uncovered losses and higher premiums related to increased litigation, often frivolous, driven by the profit motive" behind the business model.

"We don't need new mechanisms in society to sue people. We have enough of that probably in most cases, and I don't think we need more," said Jane Njavro, senior vice president and partner with Woodruff Sawyer & Co. in San Francisco.

But Eric J. Blinderman, CEO (U.S.) for litigation funding company Therium Capital Management Ltd. in New York, said litigation financing helps in "David versus Goliath" situations where small plaintiffs get litigation help against "well-heeled, competent, large defense firms" that will "bury them in paper and do whatever they can to use the tools of the litigation process" to help win their case.

An oft-voiced objection raised by litigation funding critics is that, depending on the jurisdiction, its role in litigation is not necessarily publicly revealed.

While the U.S. District Court for New Jersey held in June that third-party litigation funding must be disclosed, attempts to pass federal legislation requiring such disclosure have so far been unsuccessful.

"It's a multibillion industry with no regulation and no requirements for transparency," said Page C. Faulk, senior vice president of legal reform initiatives at the U.S. Chamber of Commerce's Institute for Legal Reform in Washington, which calls for litigation funding's disclosure. "It is essentially turning our U.S. courtrooms into casinos, which is why the chamber is calling for disclosure."

Disclosure "eliminates any conflicts of interest and sets the floor for the fair administration of justice," Ms. Sutton said.

Katelynn O'Rourke Gorman, a partner with Clyde & Co. LLP in New York, said she has worked on cases where she suspects litigation funding was involved but has been unable to confirm it. She advocates disclosure because third parties have a vested interest in litigation's resolution.

It's hard to track the effect of litigation funding on cases because it is not always known whether funding is involved, said Tim McCarthy, actuarial product director for commercial liability at data analytics and risk assessment company Verisk Analytics Inc. in Jersey City, New Jersey.

Under Federal Rule of Civil Procedure 26, insurance details must be revealed and, arguably, the same principle should apply to litigation funding "to make sure everyone has a full understanding of the underlying facts of the litigation," he said.

Buford Capital's Mr. Lundberg said litigation funding is "not relevant in the same way insurance coverage is required to be disclosed in litigation," where parties are "effectively insured or indemnified against a bad outcome."

Therium's Mr. Blinderman said judges have "nearly unanimously ruled the extent of litigation financing is both irrelevant to the underlying merits of a dispute" and subject to privileged protection.

Commercial litigation funders never select counsel, have no "seat at the settlement table and expressly disclaim in contracts the right to control litigation," he said.

SLICE OF RECOVERY PIE PROVES ATTRACTIVE, BUT FINANCING MAY NOT TAKE OFF

Litigation funding in the U.S. will increase, although it may not become as widely used as it is elsewhere in the world.

A study released in March by the European Parliamentary Research Service estimated the European Union litigation services market represented almost €39 billion ($46.55 billion) in 2019 and has had an annual 3.5% growth rate since 2008. It projects the market could reach more than €48 billion by 2025.

Litigation funding will likely grow as law firms look for additional funding and investors in financing firms seek increased returns on their investments, said Jennifer Marshall, a director in the property/casualty ratings department at A.M. Best Co. in Oldwick, New Jersey.

Tim McCarthy, Jersey City, New Jersey-based actuarial product director for commercial liability at data analytics and risk assessment company Verisk Analytics Inc., said litigation funding "will continue to grow in use to the extent the financial returns to the people investing in it exceeds their cost of capital."

However, Kevin LaCroix, executive vice president in Beachwood, Ohio, for RT ProExec, a division of R-T Specialty LLC, said he does not believe litigation funding will make significant inroads in the United States.

He said the U.S. has two things most other countries do not — contingency fees and "a very sophisticated plaintiffs bar that does not necessarily need litigation financing."

Judy Greenwald

Expanded presumption laws loom

BY LOUISE ESOLA
lesola@businessinsurance.com

As many COVID-19 workers compensation presumption laws put in place last year are set to expire, a growing number of states are considering permanent infectious disease presumptions that experts say could change the way the industry views and pays for occupational injuries.

As of late June, lawmakers in 16 states had introduced legislation that would allow employees who suffer from a communicable disease to file workers compensation claims presuming they contracted their illness at work, according to a roundup of bills by the Boca Raton, Florida-based National Council on Compensation Insurance.

"We are seeing preparations for the next pandemic," said John Hanson, Atlanta-based vice president at Alliant Insurance Services Inc. "You can see the legislative trend is for contagious diseases."

The language in the state proposals varies. Most of the presumptions would be rebuttable, meaning that if an employer can prove the worker contracted the illness elsewhere, the claim can be denied; some would only apply to certain workers who are at higher risk of contracting an infectious disease, such as health care workers and first responders. Most of the measures would only go into effect if there is a state of emergency or a pandemic.

Yet the trend toward accepting claims for diseases that can be contracted almost anywhere — such as COVID-19 — is problematic, experts say.

"By its very nature (a communicable disease) can take place outside of the workplace, and to just presume it occurred in the workplace is very dangerous for the workers compensation system," said Steve Bennett, Washington-based assistant vice president for workers compensation programs and counsel for the American Property Casualty Insurance Association. "We would view any presumption, especially of a contagious disease, as an extremely dangerous precedent."

> "This is an unprecedented expansion of workers compensation into an area that is not appropriate."
>
> Mark Walls,
> Safety National Casualty Corp.

Perhaps spurring the trend toward comp solutions in a pandemic is the emerging data that COVID-19 claims were not as severe as predicted: 61% of the reported COVID-19 claims have cost employers and insurers less than $1,500, and 94% have cost less than $10,000, according to NCCI data.

Yet there's concern that another communicable disease could prove catastrophic for a comp system that could be responsible for covering diseases a person could contract anywhere, experts say.

"I think that is a real indication of why presumption bills are dangerous," Mr. Bennett said.

Mark Walls, Chicago-based vice president of communication and strategic analysis for Safety National Casualty Corp., said such widespread disease presumptions are a "fundamental change in the workers compensation burden of proof" in that a worker would not have to show that he or she was injured at work. "This is an unprecedented expansion of workers compensation into an area that is not appropriate," he said.

While the wave of disease presumption proposals is turning heads, the concept of occupational disease is not new. Black lung, for example, is typically seen as an illness connected to working in mines. Other examples cited by experts include Legionnaire's disease, a bacterial infection caused by exposure to the legionella bacteria, which can only be contracted under certain conditions.

"To me those rebuttable presumptions make sense," said Carin Burford, Birmingham, Alabama-based shareholder with Ogletree, Deakins, Nash, Smoak & Stewart P.C. and an adjunct professor who teaches workers compensation law at the University of Alabama School of Law. "But when you are talking about broad types of diseases" where there's community spread, "what you are doing is taking the occupational out of the equation; you are just recognizing the disease."

Jeff Adelson, partner with Newport Beach, California, firm Adelson McLean P.C., which represents employers, said any expansion of infectious disease presumptions has the potential to create more litigation.

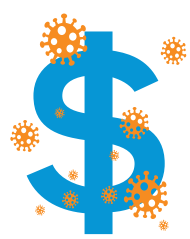
"If you bring all these presumptions in with so many different occupations, where does it stop?" he said.

And the potential financial impact is impossible to quantify for an unknown risk, experts say.

"We are the number crunchers and if there was a way to estimate the impact of (an infectious disease presumption) then we would, but it is difficult to come up with a number on how to price this," said Jeff Eddinger, senior division executive of data quality and compliance for NCCI, which is still gathering data on COVID-19 claims, some of which are now considered long-tail.

Mr. Adelson said the swiftness of the industry's reaction to COVID-19 might complicate the issue for insurers. "Now how do you underwrite for something that doesn't quite exist?"

NCCI TRACKING COVID-19 DATA



Tracking COVID-19 data is an ongoing project for the National Council on Compensation Insurance. As of June:

- NCCI calculated $260 million in COVID-19 workers compensation losses, excluding self-insureds, for 2020 in the 36 jurisdictions where it provides ratemaking services.
- NCCI estimated COVID-19 claims, excluding self-insureds, have the potential to ultimately result in comp losses exceeding $500 million over the duration of the pandemic.

HEALTH WORKER EXPOSURE LEVELS

Are health care workers more at risk for COVID-19?

A recent study of nearly 25,000 of them who faced COVID-19 exposure seems to buck the notion that the workplace is the likely place of transmission.

Published in the Journal of the American Medical Association in March, the study concluded that "exposure outside the workplace was the strongest risk factor" for health care workers, especially those living in a zip code with higher COVID-19 incidence, and that "none of the assessed workplace factors were associated" with contraction of COVID-19.

The study suggested "that current infection prevention strategies in health care are effective in preventing patient-to-(health care personnel) transmission in the workplace."

Meanwhile, COVID-19 workers compensation claims from health care workers and first responders represented the lion's share of claim activity.

The Boca Raton, Florida-based National Council on Compensation Insurance reported in June that nursing/convalescent home employees, other health care workers and first responders have collectively accounted for 72% of all COVID-19 workers comp claims reported to the ratings agency since the start of the pandemic.

Louise Esola

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NEWS ANALYSIS

Sharp rise in lower tier catastrophe claims triggers policy changes, mitigation strategies

BY MATTHEW LERNER
mlerner@businessinsurance.com

Severe convective storms and wildfires have caused increasingly large insured losses over the past few years due to increased frequency and severity.

While traditional windstorm catastrophe losses continue to be a major source of claims, the so-called secondary perils losses are reaching levels akin to moderate hurricane events, experts say.

Insurers continue to focus on loss prevention and risk engineering to combat the rising secondary peril losses but have also begun to make defensive moves.

Secondary perils caused $57.4 billion or 71% of worldwide insured losses from natural catastrophes in 2020, with the main drivers being severe convective storms and wildfires in the United States and Australia, according to a March report by Swiss Re Ltd.

> "I think people recognize there's an increase in the severity and the damage that's occurring from weather-related incidents."
>
> Scott Ewing,
> Axa XL

From 1990 through 2020, aggregate U.S. insured losses from severe convective storms and winter storms exceeded losses from hurricanes by 13% and hurricane losses were greater in only six of those individual years, said Christopher Allen, London-based senior product manager with the climate team at catastrophe modeler Risk Management Solutions Inc.

"I think people recognize there's an increase in the severity and the damage that's occurring from weather-related incidents," said Scott Ewing, regional property risk engineering leader in New York for Axa XL, a unit of Axa SA.

Wildfire losses are "starting to rise to levels that potentially affect solvency metrics," said Michael Young, Newark, California-based vice president, model product management, at RMS.

"There is the potential for a wildfire event as large as $100 million" in the Los Angeles basin area under certain conditions, he said.

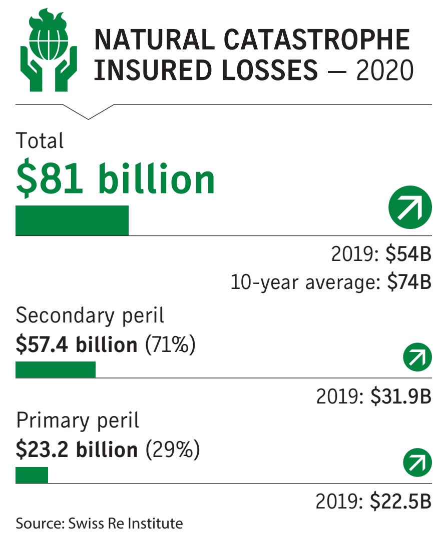
As the losses mount, insurers have begun to increase deductibles and pare back capacity, said Michael Rouse, New York-based U.S. property practice leader at Marsh LLC.

"Certainly, there's been an increase in losses with respect to severe convective storm and wildfire, and we've seen increased scrutiny around deductibles and, in the case of wildfire, limitations in capacity from some carriers," he said.

Insurers are moving to re-underwrite and reprice exposures in regions of the U.S. that have experienced persistent severe weather in recent years, said Randy Fuller, managing director and head of the North America property center of excellence for reinsurance brokerage Guy Carpenter LLC.

"Many carriers are adjusting wind and hail deductibles. Coverage considerations such as actual cash value for roofs instead of replacement cost coverage are becoming more prevalent," he said.

The February U.S. winter storm Uri



was a case in point, Mr. Fuller said. The storm "activity impacted a number of carriers and reinsurers. This rare, large first-quarter event required some primary carriers and reinsurers to reassess their cat risk management strategies for the remainder of the year."

Risk assessment and catastrophe management need to be updated, said Mohit Pande, head of property underwriting, U.S. and Canada, at Swiss Re.

"Up to now, risk assessment has focused less on secondary perils than primary perils and we feel that a rebalance is required. Given the rise of their associated losses, secondary perils need to be better understood for the purpose of more complete and accurate risk assessment," he said.

Risk managers are changing how they prioritize risk improvements and budgeting for those improvements, said Amy Brown, staff vice president, man-

See **PERILS** page 12

INSURERS TAP TECHNOLOGY TO CUT LOSSES FROM SECONDARY WEATHER RISKS

Insurers and others in the sector are using technology to improve risk mitigation and loss control in the face of mounting claims from so-called secondary perils, such as severe convective storms and wildfires.

"There is more data available today than ever before to inform risk selection," said Josh Darr, managing director, head of North America peril advisory, for Guy Carpenter LLC. "High-resolution satellite data can now be used to assess elements such as roof condition and proximity of vegetation and signal the need for onsite inspections."

Risk Management Solutions Inc. collaborates with observation networks, comprised of instrument and data scientists, who can deploy portable, storm-proofed equipment such as anemometers to measure wind speed, said Christopher Allen, London-based senior product manager with the catastrophe modeler.

The observation teams are able to produce "really high-fidelity measurements," and data that can be used for modelling purposes, he said.

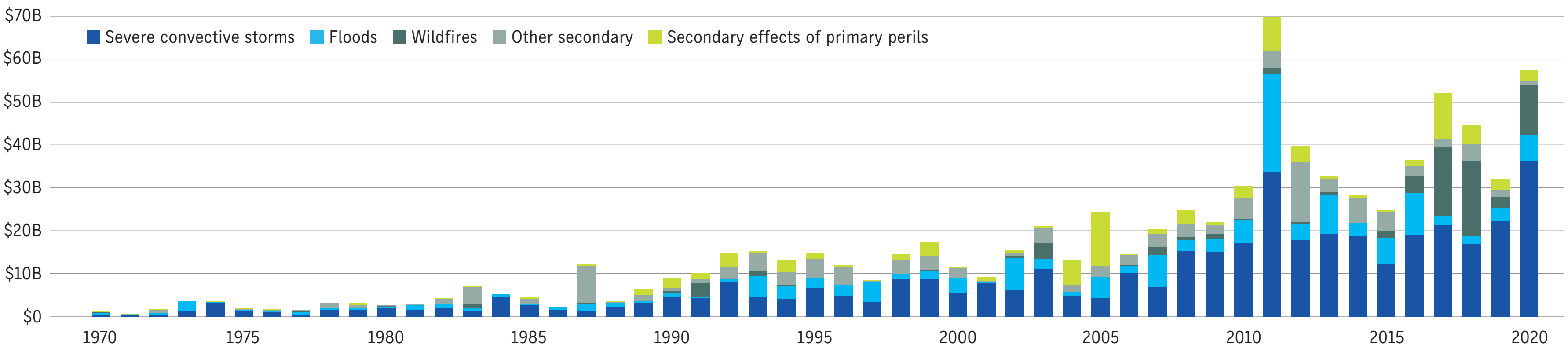
Axa XL, a unit of Axa SA, has developed its "remote risk dialogue" to track changes at insured sites and conduct project reviews, said Scott Ewing, regional property risk engineering leader in New York for the insurer. The program uses virtual meetings with clients for risk engineering and mitigation discussions.

The Insurance Institute for Business & Home Safety has online tools that small businesses can use to prepare for potential loss events, said Chris Cioffi, commercial lines engineer at the group. Its "Wildfire Ready" tool can help small businesses with mitigation, as can other modules for severe convective storm and thunderstorm, he said.

Matthew Lerner

GLOBAL INSURED LOSSES FROM SECONDARY PERILS SINCE 1970, IN USD BILLION (2020 PRICES)

Insured losses from secondary perils have been growing steadily. Among them, losses from severe convective storms represent the biggest component. However, in recent years losses from wildfires have been growing fastest.



Source: Swiss Re Institute

ager for natural hazard underwriting, at FM Global.

"As secondary perils are becoming more frequent and are having a larger impact to loss trends, risk managers are doing their due diligence to see how it affects their portfolio and where it makes sense to adjust one's priorities," she said.

Risk mitigation for secondary perils can be straightforward and inexpensive — from adding extra fasteners on the corners of roofs to ensuring that ducts and vents are sealed against embers, she said.

The Insurance Institute for Business & Home Safety conducts research on building materials, such as asphalt shingles, to promote fire resistant construction and hail resistant roofing systems, said Anne Cope, chief engineer at IBHS in Richburg, South Carolina.

Maintenance of structures such as roofs is also important as an aged system will perform less well than a new system, said Chris Cioffi, commercial lines engineer at IBHS.

Studies have shown that investments in mitigation can return up to four times their cost in savings, he said.

Wildfire ignition risks rise as temperatures climb

Extreme heat and drought conditions across the western United States are increasing concerns about a dangerous wildfire season ahead, but there are steps businesses can take to reduce losses.

Some 88% of the land area of Western states is in drought conditions, while more than 50% is in extreme or exceptional drought, according to the U.S. Drought Monitor, a collaboration between the National Drought Mitigation Center at the University of Nebraska-Lincoln, the U.S. Department of Agriculture and the National Oceanic and Atmospheric Administration.

Long-term extreme drought typically increases the risks of fire in forested regions, even though dry conditions can limit growth of vegetation in grasslands potentially reducing the risk in those areas, experts say.

Naturally occurring wildfires are most frequently caused by lightning, while man-made ignitions include power lines and utilities, not properly extinguished campfires, sparks from dragging chains on vehicle trailers, cigarettes, and fireworks.

Among natural ignition sources, lightning is of greatest concern, said Robyn Heffernan, national fire weather science and dissemination meteorologist at NOAA National Weather Service in Boise, Idaho.

The Southwest monsoon season, which began June 15, typically includes a good amount of lightning, she said. Monsoon rains can decrease fire activity in the Southwest, but in adjacent areas, such as farther north into the Great Basin, the Rockies and along the west coast, lightning can ignite new fires, Ms. Heffernan said.

Drought is only one component of wildfire risk, and sources of ignition as well as the weather at the time of ignition are critical, said Philip Cunningham, senior scientist at catastrophe modeler AIR Worldwide Corp. in Boston.

Wildfires caused by man-made ignitions typically outnumber wildfires from natural ignitions, but in 2020 almost all of the big fires were caused by lightning, he said.

California, in particular, saw unusually large amounts of dry lightning last August that ignited hundreds of fires, he said.

The August Complex fire, started by lightning strikes in August 2020, was the largest in California's history based on acres burned, according to the California Department of Forestry and Fire Protection. It spread across 1 million acres and affected seven counties.

Unlike man-made ignitions, which tend to occur in more populous areas, fires ignited by lightning often start in remote areas, which means they can grow large before they are spotted, Mr. Cunningham said.

Maintaining adequate defensible space around building structures is critical to decreasing the likelihood of loss, experts say.

Business owners should keep properties well-maintained, clear brush and cut back trees around the sides of buildings or roofs that can potentially ignite, Mr. Cunningham said. Keeping roofs clear of debris is especially important as winds can blow embers hundreds of meters or even miles, igniting materials, he said.

The best thing businesses can do is control damage to their sites, assuming a wildfire has ignited and is headed toward their facility, said Katherine Klosowski, global vice president of natural hazards and structures at FM Global, in Johnston, Rhode Island.

Passive protection methods for industrial buildings include using non-combustible construction, such as masonry walls, concrete block, brick walls or even an insulated metal panel of low combustibility, Ms. Klosowski said.

"Safeguarding the walls and roof of a facility using non-combustible materials is first and foremost the most important thing," she said.

Designing buildings without gaps under doors or around windows and installing covers over air-conditioner vents help prevent sparks from embers that winds blow onto an industrial facility from a distance, Ms. Klosowski said.

Automatic protection such as sprinklers installed on the exterior as well as inside buildings can minimize damage as well.

Businesses can install lightning protection rods on a roof, or highest point of a facility, Ms. Klosowski said. If lightning strikes the structure, it will hit the rod and bring the charge down to the ground, she said.

Building in layers of protection is important, she said. "Big losses often have a series of events that go wrong. … If you can break that cycle, you've got a better chance of safeguarding the business," she said.

The cost of lightning-caused claims skyrocketed due to 2020's wildfires, according to a spokeswoman at the Insurance Information Institute in New York

"The average cost per lightning claim in California was $217,555 last year, while the national average for this type of claim was nearly $29,000 in 2020," she said.

The severity of wildfires means that homes and other structures are often destroyed rather than partially damaged, which pushes the claims value higher, the I.I.I. spokeswoman said. The likelihood of total loss is also increased if a wildfire spreads quickly in an area that is hard to access, she said.

Rebuilding can be costly because the price of materials such as lumber is higher and supply chain issues from the pandemic have contributed to rising construction costs, the I.I.I. spokeswoman said.

Claire Wilkinson

PROFILE: LAOS

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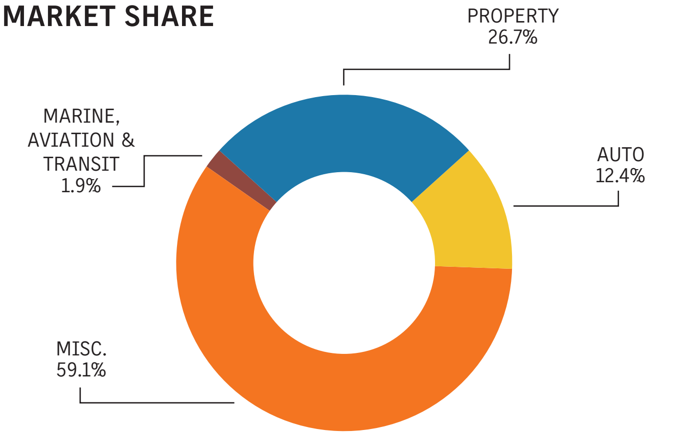
GLOBAL P/C MARKET RANKING

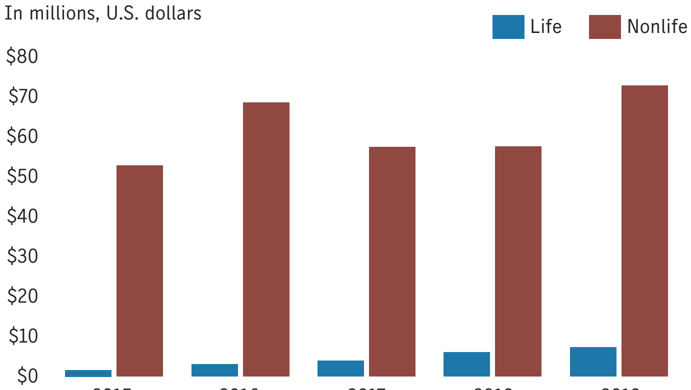
The commercial insurance market in Laos is small, generating nonlife premium income of LAK 629.30 billion ($71.22 million) in 2019. Nonlife premium volume is largely composed of construction/engineering and fire (property) business. The country's new insurance law, which went into effect in April 2020, increased minimum capital requirements for insurance and reinsurance operations. Important economic and infrastructure developments have been underway in land-locked Laos, although the COVID-19 pandemic, with its tight restrictions on cross-border travel, has reportedly caused a significant slowdown in new construction projects. A $6.7 billion railway link being built between Laos and China is nearly finished and is expected to be fully operational this year. It is expected to boost local economic development and growth, promoting enhanced trade and tourism between the two countries and more broadly within the ASEAN free trade area.

MARKET SHARE

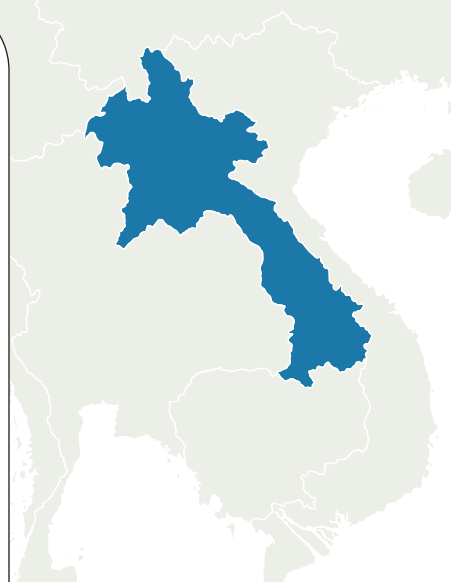


MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA
91,429
square miles

POPULATION
7.57
million

MARKET CONCENTRATION
94.9%
market share of top five insurers

2021 GDP CHANGE (PROJECTED)
4.6%

MARKET DEVELOPMENTS

Updated June 2021

- The growth prospects in this small market over the next five years appear to be reasonably good, but the economic effects of the COVID-19 pandemic could have an impact on gross premium volume. The pandemic has hit the important hospitality sector especially hard as a result of an almost total halt on the arrival of foreign visitors and a ban on incoming international flights. The speed of any recovery this year will depend heavily on how rapidly the government can reinstate pre-pandemic levels of international travel and tourism by relaxing the current strict restrictions on these sectors.
- The government's debt position remains vulnerable and has been exacerbated by the COVID-19 pandemic, which has also reduced incoming remittances from abroad by Laotian expatriates.
- The Insurance Law (Amended) No 78/NA went into effect on April 15, 2020. Among other things, it increased the minimum required registered capital from LAK 16 billion ($1.81 million) to LAK 30 billion ($3.40 million) for insurance business operations and LAK 60 billion ($6.7 million) for reinsurance business operations. Existing companies have three years to comply with the new requirements.
- Under the new law, third-party liability insurance is now mandatory for hydropower dams.
- After many years in which foreign broking interests dominated major project and property insurance, it's interesting to note that by the end of 2020 the insurance regulator had licensed 11 local brokers.

COMPULSORY INSURANCE

- Auto third-party bodily injury and property damage
- Professional liability for insurance brokers
- Third-party liability for hotels, places of entertainment, restaurants and markets
- Third-party liability for construction sites
- Liability for carriers for damage to goods or injury to passengers during transportation by land, air or water
- Workers compensation (state scheme or optional purchase of wider coverage in the private insurance market)

NONADMITTED

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

INTERMEDIARIES

Intermediaries need authorization to do insurance business in Laos. Brokers and agents are not permitted to place business with nonadmitted insurers.

MARKET PRACTICE

The majority of foreign insurable interests in the market can be accommodated locally. Foreign interests can gain government exemption from the nonadmitted regulations and purchase insurance in their home markets.

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At Our Foundation

Drawing on more than 40 years of related experience, Wilson Elser defends a long and prestigious list of long-term care facilities in multimillion-dollar lawsuits.

Fueled by the relative absence of caps and awards of outsized punitive damages, our Medical Malpractice & Health Care Practice increasingly has focused on the defense of skilled nursing homes. We assist clients through all phases of litigation, implementing carefully crafted strategies designed to limit or avoid punitive damages available to plaintiffs under statute.

We are pleased to join forces with *Business Insurance* in sponsoring this July's Long-Term Care Conference – a great opportunity to share our perspectives on related topics – and would welcome the opportunity to discuss with you how we can be of assistance in meeting your legal and business objectives.

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Insurers largely lose pandemic ruling

■ A New Hampshire state court ruled largely in favor of a hotel chain in a COVID-19 business interruption coverage lawsuit filed against a group of insurers.

Judge John C. Kissinger Jr., of the state superior court in Keene, New Hampshire, denied a motion filed by most of the insurers for partial summary judgment in *Schleicher & Stebbins Hotels LLC et al. v. Starr Surplus Lines Insurance Co. et al.*

"The Court rejects the argument of the Defendants that 'distinct and demonstrable' changes to property must be readily perceptible by one of the five senses, be incapable of remediation, or result in dispossession," the ruling in favor of the Hooksett, New Hampshire-based chain said.

The ruling cited an earlier decision by the New Hampshire Supreme Court that held that "'physical loss,' when used in an insurance agreement, includes 'not only tangible changes to (an) insured property, but also changes … that exist in the absence of structural damage,' provided only that such changes be both 'distinct and demonstrable.'"

The court did grant Axis Surplus Insurance Co.'s separate motion for partial summary judgment based on a virus exclusion in its coverage, which the other insurers did not have.

The hotel chain, which has four hotels in New Hampshire, 18 in Massachusetts and one in New Jersey, had a total of $600 million in coverage, for which it paid $1 million in premiums, according to the ruling.

Six Flags settles biometric case

■ The biometric case filed against Six Flags Entertainment Corp., whose litigation path included an Illinois Supreme Court ruling, has been settled for up to $36 million.

Stacy Rosenbach charged in the proposed class-action lawsuit that the Grand Prairie, Texas-based company's Six Flags Great America amusement park in Gurnee, Illinois, had failed to comply with Illinois' Biometric Information Privacy Act when it scanned her 14-year-old son's thumb during a school field trip in 2014, according to documents in *Rosenbach v. Six Flags.*

The Illinois law, referred to as BIPA, requires businesses that store biometric information to inform the subject in writing that it is being collected or stored and the purpose and duration for which it is being collected. It also requires that businesses receive the subject's written consent.

The law creates a private right of action for individuals harmed by violations and imposes a $1,000 fine for each violation caused by negligence and a $5,000 fine for each intentional or reckless violation.

In 2019, the Illinois Supreme Court held that individuals need not allege injury or an adverse effect to successfully assert a violation of the act.

The settlement notice states that Six Flags has agreed to pay up to $36 million without admitting fault or liability. The class comprises anyone who visited Six Flags Great America between Oct. 1, 2013, and Dec. 31, 2018, and had their fingers scanned.

Under terms of the settlement, people who had a finger scanned between Oct. 1, 2013, and April 30, 2016, can receive up to $200. Those who had a finger scanned between May 1, 2016, and December 31, 2018, can receive up to $60.

Flight attendant's lawsuit dismissed

■ A federal district court judge has dismissed negligence charges filed by a Southwest Airlines flight attendant who blames the airline for her husband's COVID-related death, stating that permitting the litigation could lead to a flood of lawsuits.

Flight attendant Carol Madden said she became ill with COVID-19 three days after attending training required by the Dallas-based airline in July 2020, and her husband became ill 10 days later and died from the virus' complications in August 2020, according to last month's ruling by the U.S. District Court in Baltimore in *Estate of William Madden at al. v. Southwest Airlines Co.*

The court weighed various factors in considering whether the airline had a duty to protect Mr. Madden before concluding the risk of numerous lawsuits was the prevailing factor.

"Cumulatively, Maryland's third-party duty case law and its emphasis on limiting the class of prospective future plaintiffs heavily informs the Court's balancing," Judge Stephanie A. Gallagher's ruling said.

"In fact, it is the dispositive weight on the scale in favor of finding 'no duty' here, despite the fact that the narrow majority of factors, including foreseeability, favor imposition of duty.

"Maryland courts have made their priorities with regard to third-party duties clear, and the prospect of an unstemmed and ill-defined tide of third-party plaintiffs bringing suit predominates the duty analysis," the court said, in dismissing the litigation.

Ms. Madden's attorney, Dan R. Mastromarco of the Mastromarco Firm PLLP in Annapolis, Maryland, said he had no comment on the decision and was "considering the many options available to us."

Fired worker's ADA charges reinstated

■ A federal appeals court reinstated disability discrimination charges filed by a former insurance company employee who charged she was fired despite excellent evaluations because her multiple sclerosis condition was costly for her employer's benefits plan.

A key factor in the ruling by the 11th U.S. Circuit Court of Appeals in Atlanta in *Jennifer Akridge v. Alfa Mutual Insurance Co.* was that Ms. Akridge tried unsuccessfully more than a dozen times to depose the Montgomery, Alabama-based insurer's top human resources official, but was repeatedly denied by the lower court.

Ms. Akridge worked for Alfa for 27 years, beginning in 1989. In 1993, she was diagnosed with MS, which caused her to suffer migraine headaches and prevented her from sitting for long periods of time. Despite her diagnosis, she continued to receive positive performance reviews, and one year was selected as employee of the year out of nearly 1,000 employees.

After being terminated in late 2016, she sued Alfa, alleging the insurer had violated the Americans with Disabilities Act by subjecting her to disparate treatment based on her disability. The company contended her position's termination was a result of a reorganization and automation introduced to reduce costs.

The district court in Montgomery refused Ms. Akridge's efforts to depose the HR executive on the basis that he did not have material knowledge of the circumstances surrounding her termination, and it granted Alfa's motion for summary judgment.

A unanimous three-judge appeals court panel vacated the lower court's decision and remanded the case with instructions that the executive be deposed, saying, "We find that the district court committed a clear error of judgment when it impermissibly curtailed her access to discoverable information."

DOCKET

RACIAL DISCRIMINATION LAWSUIT DISMISSED

A federal district court in Chicago dismissed a potential multibillion-dollar lawsuit by Black franchise owners that charged McDonald's Corp. with racial discrimination, stating the lawsuit's allegations were vague. The proposed class action, led by brothers James and Darrell Byrd, who operate four McDonald's restaurants in Tennessee, was filed in October by the same law firm representing 52 Black former franchisees who had filed a similar lawsuit in August.

NIGHTCLUB'S COVID-19 CASE CAN PROCEED

A Rhode Island state judge refused to dismiss a COVID-19 business interruption lawsuit filed by a Providence nightclub against Scottsdale Insurance Co. based on executive orders calling for its closure because of the pandemic. Atwells Realty Corp., the licensed operator of the Desire nightclub, filed suit against Scottsdale seeking coverage under its "all risk" policy based on Gov. Gina M. Raimondo and Providence Mayor Jorge O. Elorza's executive orders closing its business operations, according to the ruling by the Rhode Island Superior Court in *Providence Atwells Realty Corp. v. Scottsdale Insurance Co.*

RACETRACK WORKER DENIED COMPENSATION

A racetrack worker who was asleep at a stable when a fire broke out and severely injured his back did not suffer a compensable workers compensation injury because he was not working at the time, an appeals court in Arkansas ruled. Juan Lopez, who tended to racehorses as part of his job at the James Divito Racing Stable in Hot Springs and slept on the premises because living in town was not affordable, had returned from dinner and went to sleep in a space above the stables before his 6 a.m. shift. When a fire broke out at 5:45 a.m., he leaped from a second-story window, suffering a fractured vertebra.

Richard E. Anderson

THE DOCTORS COMPANY

Dr. Richard E. Anderson is chairman and CEO of The Doctors Company, a physician-owned medical malpractice insurer in Napa, California. He has led the insurer since 2003, after serving on its board while he practiced as an oncologist for 25 years and served as a clinical professor of medicine at the University of California San Diego. The Doctors Company was formed amid the med mal crisis of the mid-1970s and insures about 100,000 physicians. Dr. Anderson recently spoke with *Business Insurance* Editor Gavin Souter about increased pressure on doctors, the rise in the severity of med mal losses and risk management steps that can be taken to reduce physician exposures. Edited excerpts follow.

Q Health care workers were on the front lines during the pandemic. How did that affect your claims experience?

A We had fewer claims in 2020 than we expected by about 20%. The reason for that is threefold: One, of course, is the heroic work done by physicians, clinicians and all frontline hospital and office medical workers; the second is that there were broad COVID immunities in the majority of states, so physicians were immunized against COVID-related claims; and third, the whole health care system was disrupted by COVID so most "routine" care was delayed, deferred or disrupted.

Our experience at this point in 2021 is that our expected claims are pretty much back at the point that we would have expected to see them as the legal process has opened up. On the other hand, we have not yet experienced any surge in claims.

The other long-term issue for our members is burnout.

Q How does burnout affect med mal coverage?

A There are two aspects to it. The COVID-related aspect was working 24/7/365, literally risking your life at the height of the pandemic and often having to live away from home to avoid infecting the family.

Before that, though, physicians have been challenged in the practice environment. Electronic health care records have added hours a day to the worktime of an average physician. Many physicians find that they can't accommodate the clerical aspects of the EHRs in the office, so they come home, have dinner and then spend several hours online updating their records.

The amount of paperwork that physicians have been asked to do over the past 10 or 15 years is choking the practice of medicine. That's compounded by the production-related environment of medicine, with requirements to see so many patients a day.

Doctors are being starved of time to do the things that we as patients want them to do. That leads to disappointed patients, can lead to adverse events, and those lead to malpractice suits.

Q How is the increased use of telehealth affecting the sector?

A Telehealth is here to stay. During the pandemic we went from 1% to 2% of clinical visits being telehealth to a peak of about 70%. My guess is that telehealth will stabilize at something like 20% to 30% of all clinical visits. At the moment, there are two issues: the absence of physical contact and a physical examination and determining how much of telehealth is necessary care or are we giving greater access to unnecessary care. Despite the dramatic increase in telehealth, emergency room visits have not gone down in the U.S.

If we look forward, we will be able to do physical examinations via telehealth. For example, you'll be able to put an iPhone on your chest and transmit your heart sounds, which can then be analyzed digitally.

Also, there's a whole other aspect of telehealth in terms of remote consultations, such as having a neurologist consult in an emergency room when they are in another state.

As with all transitions, transition is fraught. We need better technology, better protocols, and we need the legal system to adapt to the new environment in which medicine is practiced.

Q What do your underwriters want to know about physicians practicing telehealth?

A We've been insuring telehealth since the beginning, and overall there's no extra charge and our risk experience with it has really been quite good. We have very few claims that pivot on telehealth.

On the other hand, there's another risk of telehealth, which is the possibility of getting bad medicine through telehealth, if you have unqualified clinicians providing casual advice by phone to patients they don't know and haven't thoroughly examined. So, when we underwrite we try and make sure that there are appropriate protocols and experience, that the physicians are qualified to provide care at that level and understand the limitations of telehealth.

Q Like in many other areas, rates are going up in med mal, what's driving that?

A The single biggest factor is severity. We are not seeing more claims than we expected but the cost of claims is going up. Most medical professional liability carriers are paying more in claims costs and overhead than they are receiving in premium. Historically, we could make up some of that gap with investment income, but it's very hard to do that with low interest rates.

The plaintiffs bar never takes a day off. They are always refining their arguments, they are always pleading for more and more damages, and they are very effective. And courts tend to expand the theories of liability over time, so that's an issue.

The other reason why severity is going up is that we live in an era now where a $100,000 claim doesn't sound like very much when we are used to talking in trillions or when billionaires have their own rocket ships. Monetary desensitization is real.

Q Given the environment we are in, what steps can health care providers take to improve their risk profiles?

A One is to be present for patients, not being distracted or burned out. Focus on the problems that the patient is presenting with. Two is to think systematically. A really good integrated delivery system has checks and balances, so if you order a consultation or you order some lab work, there's a system or flag that says you ordered these results and you haven't gotten them, or you ordered these results and pay attention because this one is abnormal. Those kinds of things are really important and in this environment where doctors are asked to see large numbers of patients in a day it's easy for those kinds of things to fall through cracks and some can be very, very serious.

The plaintiffs bar never takes a day off. They are always refining their arguments, they are always pleading for more and more damages, and they are very effective.

R!SK PERSPECTIVES

Joseph Poliafico

Jeffery D. Magoon

Mitigate business interruption with the right restoration partner

Joseph Poliafico, CSP | Vice President, Global Risk and Safety, First Onsite Property Restoration
Jeffery D. Magoon | Senior Vice President of Sales Development and Integration, First Onsite Property Restoration

Business interruption is a major exposure for any organization that experiences property damage. According to the Federal Emergency Management Agency, 40% to 60% of businesses fail to reopen after a disaster. Business interruption insurance can reimburse businesses for lost revenue, but such claims are typically subject to a sublimit and can be difficult to establish. For these reasons, mitigating business interruption and quickly and thoroughly documenting the restoration process can help smooth the claims process. When disaster strikes and your clients are impacted, you are most vulnerable. First Onsite can help you retain your clients and increase their satisfaction through our use of technology and thorough claim documentation, thereby reducing the length of the claims process as well as reducing your clients' overall business interruption.

The risks of property damage and business interruption may be omnipresent, and there is no shortage of restoration contractors willing to respond. Increasingly, risk managers and their risk advisors are realizing that a reactive approach is not the best way to ensure recovery and minimize downtime for a business when disaster strikes. As a result, there's a new mindset among leading risk management professionals: Restoration as an end-to-end solution for the entire claims process. The best restoration services aren't limited to cleanup and rebuilding, and the best time to think about restoring damaged property and facilities is before experiencing a loss.

A data-driven approach, with experience in serving specific industries and technology applied to measuring risks, is a good way to not only ensure robust response planning but also maximize loss control and prevent damage.

Despite the record number of hurricanes and wildfires in 2020, catastrophes are not the only events that can disrupt businesses and require restoration services. In the COVID-19 era, infection prevention and decontamination are critical for employees and customers. Similarly, specialized restoration treatment is needed to address the secondary damage from fire, smoke, flood and mold. With the Internet of Things and greater connectivity, the overall loss can be much more extensive than the visible physical damage. Better outcomes in all these risk scenarios are possible when organizations and their risk advisors select the right restoration provider.

Risks touch all stakeholders

Business interruption risks are challenging enough for risk managers, but the reality is the risk of disruption touches all stakeholders. Business owners face loss of income and profit, employees are displaced, and customers cannot be served while the business is offline. Business interruption claims are complex, and unpleasant surprises during such claims can damage the relationship between brokers and risk managers.

Communication gaps can occur during the restoration process, as often a claims adjuster and the insurer on the claim may have little knowledge of independent restoration contractors. Poor communication can lead to unmet expectations, and claims can strain the working relationships between risk advisors and their clients, as well as risk managers' reputation with their organizations' leadership.

Innovative restoration firms are using technology to capture and document information that smooths the claim submission process, making life easier for risk managers and brokers. Data on the loss and transparency in the components and services anticipated during restoration enable informed decision making and reduce delays that inflate business interruption losses.

A clearer picture of the restoration process mitigates the loss impact and underscores the value that risk managers and brokers bring to the table.

How to mitigate restoration risks

Having a good plan in place before an event occurs is far better than waiting until after it happens. Leading brokers and risk professionals have discovered that mitigating restoration risks begins with business continuity planning. Good planning shortens the time involving loss of business.

Organizations and their risk advisors therefore should ask questions to fully understand their exposure and impact to operations, including:

- How will our organization function if displaced by an event?
- What will we do if we can't work in our facilities?
- Can our employees work remotely?
- Is our network data in the cloud? Is it backed up on local servers?

- What materials and supplies would we need if we lost our roof?
- How long can our contingency plan survive?

Loss of production can have far-reaching consequences for supply chains, as the world learned during the global pandemic. Continuity planning and supply chain risk management are vital to recovery, but sometimes even simple steps can make a big difference. Having a backup generator, for example, can save a business days of downtime and reduce secondary damage.

One way to enhance the continuity planning process is to secure professional restoration services before the need for property restoration arises. Data-driven insights and identifying areas where organizations can implement loss control are keys to reducing business interruption losses. In addition, closing the loop between policyholder, broker, insurer and restoration company — involving all of them in the contingency plan — is a good way to prevent failures of service. The best loss is one that never happens, and the next best is one that is minimized through strong risk mitigation and planning.

For more information on First Onsite, visit www.firstonsite.com.

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COVER STORY

INSURANCE SECTOR LOOKS INWARD ON CLIMATE, GOVERNANCE ISSUES

Brokers, insurers assess their own carbon footprints, workplace policies

BY CLAIRE WILKINSON
cwilkinson@businessinsurance.com

Brokers and insurers have long focused on helping companies mitigate climate risks, but managing a broad spectrum of environmental, social and governance concerns is becoming a critical part of how the industry does business.

Employees, policyholders, investors and ratings agencies, in addition to climate activists, are increasingly scrutinizing how businesses, including brokers and insurers, address a range of ESG-related issues, including environmental stewardship, climate change, diversity and inclusion, racial justice and workplace conduct, experts say.

In June, an activist investor forced the board of Exxon Mobil Corp. to elect "climate-aware" director candidates, and in May a court in the Netherlands ordered Royal Dutch Shell PLC to reduce carbon dioxide emissions by 45% of 2019 levels by 2030. Also in June, Legal & General Investment Management, Britain's biggest asset manager, dropped American International Group Inc. and three other companies from several of its funds over what it called "insufficient" response to climate change.

A changing regulatory and legislative landscape is also pushing companies to be more transparent about their ESG practices. As a result, brokers and insurers, like other financial institutions, are under pressure to make more detailed ESG disclosures, and as the U.S. shifts toward mandated disclosure requirements the businesses may be exposed to new risks (see story page 24).

Meanwhile, litigation arising out of ESG and sustainability issues is on the rise.

ESG covers a broad range of topics and is becoming a key driver of business strategy for insurers and brokers, said David Sherwood, a Stamford, Connecticut-based managing director at Deloitte & Touche LLP.

The primary ESG focus of many companies has been on climate change, but there are other important components to consider, Mr. Sherwood said. These include "S" issues, such as human capital, data privacy and cybersecurity, as well as "G" issues such as business ethics, corporate governance, board responsibilities and executive compensation.

"As a company and collectively as an industry we have a platform to enact change in many of these areas, and because we have that platform we have a responsibility to drive change in many of those areas."

Katherine J. Brennan,
Marsh LLC

"When you look at climate and some of the drivers behind that and the impact it will have on businesses and society globally, and you look at some of the other risks within the ESG categories, such as cyber, then you can understand why it has the attention of insurers and brokers," Mr. Sherwood said.

Insurers face broad ESG risks because they affect both their assets and liabilities, said Isabelle Santenac, global insurance leader at Ernst & Young, in Paris.

As investors, insurers initially focused on the asset side, in terms of where they invested their money and how they could have an effect as an investor, she said.

"Now, what we see is there is a clear shift and they are focusing on the liability side, on what the risks are and what the impact of ESG is on the risks they write," Ms. Santenac said.

Many insurers have set emissions targets for their organizations and a growing number are restricting coverage for companies that build or operate coal mines and plants, for example.

Brokers have an important role to play helping policyholders understand what their ESG risks are, what coverages they may need, and risk management steps, experts say.

As climate change risks evolve, brokers can guide businesses to design a sustainable insurance program, which embeds and raises awareness of ESG issues, and explain how they can adapt to environmental conditions to be better prepared, Ms. Santenac said. Many insurers and several brokers have signed on to the United Nations' Principles for Sustainable Insurance, a global sustainability framework that aims to encourage greater integration of ESG issues into insurance.

It is in insurers' interests to encourage their customers to join in the race to net zero emissions, said Nigel Brook, London-based partner at Clyde & Co LLP.

See **ESG INTEGRATION** next page

MANAGING ESG RISK

In the 12th edition of the Deloitte Global risk management survey of 57 financial institutions released in February:

38%

of respondents named ESG as being one of the three risk types that will increase the most in importance for institutions over the next two years.

33%

of respondents considered their institutions to be extremely or very effective at managing this risk.

47%

said it will be an extremely or very high priority for their institutions to improve their ability to manage ESG risk.

ESG INTEGRATION

Continued from previous page

"Ultimately, businesses that don't care about human rights, environmental degradation, and don't care about governance, are not sustainable and won't perform as well. It makes sense that the companies that get things right will perform better," Mr. Brook said.

Corporate governance, ESG integration, labor relations and human capital management are material issues for insurers and brokers, said Sercan Soylu, Toronto-based associate director, insurance, real estate and asset management, at Sustainalytics, a unit of Morningstar Inc. (see related story)

Recent mergers and acquisitions moves, in the brokerage sector especially, underscore how important it is to manage these issues, Mr. Soylu said.

As intermediaries, brokers have a strong governance responsibility in terms of the products they market and sell to policyholders, he said.

Broker strategies

J. Powell Brown, president and CEO of Brown & Brown Inc., said ESG strategies are part of good business practices. "It will make us and all other companies better," he said.

For a brokerage, the social and governance aspects to ESG are more significant, while the "E" in ESG is less so because while brokerages have an environmental responsibility, they are not like an oil company that has extensive environmental exposure, Mr. Brown said.

In March, Brown & Brown published its first ESG report, a 28-page document that it said is intended to hold the company to a higher level of accountability. The report, which includes information on a range of topics, including ESG governance, diversity and inclusion, and climate change mitigation, will allow Brown & Brown's "teammates, investors, carrier partners, and customers to have better insight into the way we do business," Mr. Brown said.

Katherine J. Brennan, general counsel of Marsh LLC in New York, said ESG issues are playing an increasingly important role in attracting and retaining staff because employees and job candidates don't want to work for an employer that doesn't address these issues.

From a business perspective, Marsh is seeing an increase in request for proposal plans from clients to work with companies that are committed to ESG, while shareholders are also looking at corporate ESG practices when deciding where they want to invest, she said.

"As a company and collectively as an industry, we have a platform to enact change in many of these areas, and because we have that platform we have a responsibility to drive change in many of those areas," Ms. Brennan said.

Parent company Marsh & McLennan Cos Inc. released its first ESG report at the end of the first quarter providing more disclosure on a range of ESG-related areas, from how it measures its carbon footprint to how it uses data to manage its workforce.

Several of the major brokerages have publicly outlined climate pledges and commitments in their ESG reports.

In its 2020 Impact Report, for example, Aon PLC outlined its commitment to achieve net-zero greenhouse gas emissions by 2030. "The transition to net-zero is a complex, global challenge. There is tremendous opportunity for Aon, and our industry in general, around creating innovative new solutions and services that support our clients' efforts in achieving their sustainability goals," the report said.

Eric Andersen, president of Aon, said the brokerage wants to be "part of the solution."

"We want to help using the risk mitigation skills we have, the risk transfer capabilities, the access to alternative capital, modeling to be able to help these clients as they transition," Mr. Andersen said.

Governance of ESG risks for the brokerage sector extends from the boardroom to the projects they choose to take on and the supply chains with which they engage.

Marsh McLennan last year developed a set of client engagement principles aligned around United Nations sustainable development goals, for example. The principles are designed to bolster its commitment to sustainable goals around health care, human dignity, gender equality, energy security, access to reliable and sustainable energy supplies, and job creation.

The principles have been rolled out to MMC's business leaders, and protocols and operational lines within the businesses have been established so that if matters come up that could potentially conflict with those goals, they can be escalated, Ms. Brennan said.

"In that way we are bringing different voices to the table to review proposed projects and evaluate whether a work can proceed," she said.

Rise in lawsuits highlights range of exposures financial sector faces

Litigation on a range of environmental, social and governance issues, such as climate change, pollution, diversity and CEO pay, is on the rise, putting pressure on companies to proactively manage ESG risks.

ESG-related factors are increasingly sources of regulatory change and liability, said Anton Lavrenko, regional head of financial institutions, North America, at Allianz Global Corporate & Specialty SE, part of Allianz SE, in New York.

Heightened concerns over ESG issues could increase potential directors and officers, errors and omissions, and employment practices liability exposures, he said.

In the U.S., recent developments such as growing scrutiny of ESG corporate disclosures by the Securities and Exchange Commission, a 2020 California law requiring publicly-held companies to diversify their boards, and a Nasdaq Stock Market proposal to mandate board diversity, signal a shift toward a compulsory compliance regime, Mr. Lavrenko said.

"Financial institutions will be held to a very high degree of accountability as respects to ESG actions and compliance, because they make investment, lending and insurance decisions on a daily basis for all types of companies," he said.

Litigation concerning environmental rights and human rights is "taking off," said Nigel Brook, London-based partner at Clyde & Co LLP. While the majority of cases to-date are against governments, the number of cases against companies is increasing, he said.

In addition, concerns about "greenwashing," in which companies overplay their green or ESG credentials, are rising.

With more compliance, it will be easier for regulators, investors and others to hold companies to account on social and environmental issues, Mr. Lavrenko said.

There is the potential for litigation as regulators and legislatures start to introduce and apply rules and regulations around ESG, said Eric Dinallo, a partner at Debevoise & Plimpton LLP and a former Superintendent of Insurance of New York.

He cited recent New York Department of Financial Services-issued guidance that lays down certain expectations of how New York-domiciled insurers should be managing and accounting for ESG risks.

Claire Wilkinson

Enterprise risk controls key to managing ESG concerns

Strong governance and enterprise risk management practices will enable insurers to better manage ESG risks and opportunities, experts say.

ESG issues vary for different types of insurers, said Maura McGuigan, director, credit rating criteria at ratings agency A.M. Best Co. in Oldwick, New Jersey.

"When you think about property/casualty insurers, catastrophe risk comes to mind, when you think of life insurers, it's more about the "S" in terms of changing demographics and things of that nature. Governance and ERM applies to insurers across all lines of business," she said.

Weather-related losses and governance or enterprise risk management – either improvements in ERM, or failures in ERM – are the two ESG factors that most frequently are a primary factor in a rating change or change in outlook for insurers, she said.

From the ratings perspective for businesses in all sectors, the governance part of ESG has been quite prominent and incorporated in rating methodologies for many years, said Patricia Kwan, director and ESG subject matter expert at Standard & Poor's Global Insurance Ratings, in New York.

"Management governance has been one of the corporate staples when we look at the rating construct," she said.

S&P considers risk management and mitigation a governance factor under ESG. A company's inability to properly prepare for, respond to, or recover from a cyberattack could lead to rating pressure, for example.

Compliance issues are one of the biggest drivers of insurance claims for financial institutions, according to a recent report by Allianz Global Corporate & Specialty SE.

"Failings in governance and risk controls have brought large losses from a number of different areas," the report said.

Claire Wilkinson

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RISK PERSPECTIVES

AssuredPartners: 10 Years of Growth Based on Relationships

Focus on value, client service has made it one of fastest-growing brokers

By Jim Henderson | Chairman and CEO, AssuredPartners

Consolidation has been an ongoing part of insurance distribution for many years. At AssuredPartners, we're celebrating the 10th anniversary of our founding. In that time, we have become one of the largest and fastest-growing brokerages in the United States. But our story is more than just achieving a high level of growth. AssuredPartners is all about building lasting relationships — with our clients, our associates, our agency partners, and the insurance companies with which we do business to solve our clients' risk management needs.

A lot has changed in a decade, and as we look back since our founding in 2011, we have seen some of those changes. Certainly many aspects of the insurance business remain familiar, but there are several shifts that come to mind:

Risks have evolved. Our clients face more threats from litigation and cyber attacks than they did a few years ago, to give just two examples. Clients' risks have become more complex and nuanced. As a result, the array of products and services designed to respond to those challenges have changed.

Clients are seeking specialists. At one time, a generalist insurance professional could serve the needs of the majority of his or her clients. That is no longer the case. At AssuredPartners, our top 50 producers in terms in new business generation are specialists, with specific product knowledge and expertise. We have made excellent progress in developing vertical skill sets to deliver product and knowledge to our local offices. For example, one of our partners is a world-class employee benefits consulting firm in Maryland that is skilled at taking care of large employers. Our local producers around the country have had the opportunity to access this specialized knowledge base and skill set in order to best serve their clients. This approach has worked extremely well.

Agencies have become more profitable and focused. Through effective use of automation, communication, and other value add, the agencies joining AssuredPartners are experiencing top- and bottom-line growth.

What hasn't changed about insurance in the 10 years since our founding? We think it's a pretty simple list:

Insurance is still a people business. For us, the business of managing risk and procuring insurance solutions for our clients is very much a people business that is rooted in trusted relationships.

It's a team sport. Insurance is definitely a team sport. Collaboration is the way we create the best solutions and deliver the best service to our clients. The team environment enables our associates to develop new skills with opportunities to improve their financial success and wealth building.

The work is rewarding. AssuredPartners is dedicated to providing an environment where our associates enjoy working together and sharing success. Helping clients manage risk is a fundamentally important and rewarding job, and it's a key part of how we build lasting relationships.

Results happen locally. There are a lot of national firms in the insurance industry, and AssuredPartners has a nationwide footprint, but we recognize that success for our business is more about what happens at the local and regional level. For example, culture and relationships are different in Bowling Green, Kentucky, than in Long Island, New York. Insurers are different in those areas, too, and we need to have relationships in those locations to give the best products to our clients. Our local leaders make all the difference in the world at AssuredPartners because they're responsible for their offices, the people in them, and the client relationships that make up their business.

Culture matters in partnerships. In the past 10 years, AssuredPartners has completed more than 390 acquisitions of different agencies around the country and in the United Kingdom. We have always believed that the best partnerships have complementary cultures, in which we become better by coming together. We actively seek partners that are looking to grow their value, not boost profits primarily by suppressing expenses. Businesses must consider the bottom line, but our model aims to balance EBITDA (earnings before interest, taxes, depreciation and amortization), people and client service. It's possible to push EBITDA to a very high margin, but that often means not investing in your people or taking care of clients. The agencies that join AssuredPartners share our commitment to our people and our clients, and that will continue to help our company and our clients in the years to come.

Jim Henderson is Chairman and Chief Executive Officer of Lake Mary, Florida-based AssuredPartners. He has more than 40 years of experience in the insurance industry. Before founding AssuredPartners, Henderson spent 25 years as an executive with Brown & Brown, a publicly traded national insurance brokerage.

At AssuredPartners, we're not just in the insurance business. We're in the business of developing strong, lasting relationships.

Relationships built on trust that we earn day in and day out by working as partners — to achieve common goals.

Power through Partnership

assuredpartners.com

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Brokers prosper amid economic recovery

BY GAVIN SOUTER
gsouter@businessinsurance.com

INSIDE

Insurance brokers have so far endured the COVID-19 pandemic in better condition than some expected, with many reporting significant revenue increases, and the outlook for the remainder of 2021 is for more growth as the U.S. economy rebounds and insurance prices continue to rise.

While executives at large brokerages say they are spending more time navigating a tough market, the increased brokerage income derived from rising prices helped balance the fall in exposure units that many experienced during last year's recession.

As businesses bounce back, mergers and acquisitions activity in the sector remains brisk, with the volume of smaller deals accelerating (see related story). But a megamerger that was expected to reshape the top of the *Business Insurance* broker rankings is on hold after antitrust regulators put the brakes on the deal (see profiles pages 37 and 39).

And as the pandemic subsides in the United States, brokers say they will continue with many of the practices they adopted over the past 15 months to improve efficiency and reduce costs.

When world economies locked down early last year, many brokers reacted with cost-cutting programs and in some cases salary reductions as they feared their companies would suffer sharp drops in business activity. While businesses in numerous sectors were hit hard by the pandemic, many got by with significant government support and others thrived as demand for their services rose and they maintained or increased their insurance needs.

All of the brokers in *Business Insurance*'s World's 10 Largest Brokers ranking reported increased revenue last year (see chart page 30) and while some of the growth was fueled by acquisitions, organic growth was also achieved by many. Among the 100 largest brokers of U.S. business, only 13 reported a decrease in revenue last year, despite the recession (see chart page 32).

While there was a lot of uncertainty for brokers at the beginning of the pandemic, they reduced expenses last year and the government intervention in the U.S. economy dampened the reduction in exposure units placed, said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

"Given everything, I think the performance has been really quite good," said J. Paul Newsome Jr., Chicago-based managing director of equity research at Piper Sandler & Co. "Business held up remarkably well and recovered more quickly than a lot of folks, including myself, thought it would."

And the outlook for brokers is positive, observers say.

See **BROKERS** page 34

NO SLOWDOWN EXPECTED IN BROKER M&A ACTIVITY

Brokerage mergers and acquisitions continued at a steady rate over the past 12 months, and few in the industry expect a slowdown in deals anytime soon.

Growing interest from private equity investors in the brokerage sector will likely continue to drive deal volume, experts say.

And while the outcome of the largest ever proposed broker deal remains unclear, the regulatory review process is providing insights.

Among the brokers in the *Business Insurance* 100 Largest Brokers of U.S. Business ranking, more than 40 reported acquisitions last year, and several firms saw triple-digit revenue growth, largely on the back of multiple deals (see chart page 32).

Many of the most active buyers continued their M&A strategies last year and have accelerated their purchases in 2021 (see story page 45)

"There's more than 20 private equity insurance broker roll ups, which creates an incredibly competitive market for any broker target," said C. Gregory Peters, St. Petersburg, Florida-based managing director, equity research, at Raymond James & Associates.

The brokerage sector will likely continue to see substantial numbers of mergers and acquisitions, said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

Larger brokers have more influence on the market and can obtain better deals for some clients and for themselves and can have more resources available to clients than smaller rivals, he said.

"Overall, the M&A market is back to where it was," said Joe Marinucci, New York-based senior director at Standard & Poor's Global Ratings.

While there was a lull in 2020 due to a concern regarding the "visibility on valuations," deals were made, he said.

"What we are seeing now is a migration back to the way (the M&A) market was and that upward trend line, high valuations and deal pace still moving at a fairly meaningful clip," Mr. Marinucci said.

Capital remains available to support M&A activity, said Francesca Mannarino, associate director in New York with S&P Global Ratings.

"S&P expects broker M&A to remain strong for 2021, potentially stronger than 2020," she said.

While time will tell whether Aon PLC's proposed purchase of rival Willis Towers Watson PLC will pass regulatory muster, the review process is providing some insights into the thinking of regulators regarding an industry that seldom has antitrust concerns, analysts say.

If the antitrust suit filed by the Department of Justice seeking to block the deal goes to trial, the judge's decision could set the boundaries on broker M&As, said Mark Dwelle, director, insurance equity research, at RBC Capital Markets LLC in Richmond, Virginia.

"If ultimately it doesn't happen, what the judge will tell us effectively is how large these companies are able to be," he said.

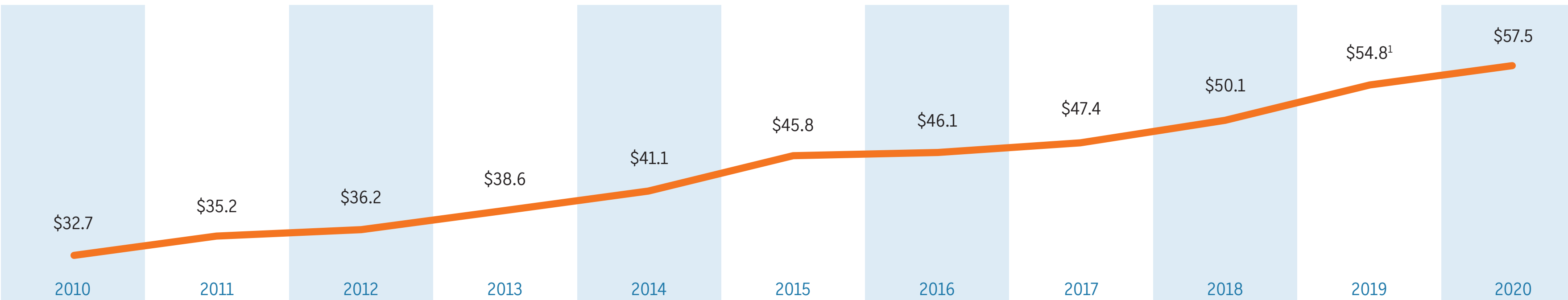
Gavin Souter

SPECIAL REPORT

A DECADE OF GROWTH*

The world's 10 largest brokers posted a revenue gain of $2.7 billion, or 4.9%, as a group in 2020.

*IN BILLIONS OF DOLLARS



[1]Restated.
Source: *BI* survey

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2020 brokerage revenue

2021 rank	2020 rank	Company/office/website	Officers	2020 brokerage revenue	2019 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	$17,267,000,000	$16,637,000,000[2]	3.8%	76,000	763	49.9%	0%	9.8%	0%	28.6%	11.9%	0.3%	(0.5%)
2	2	Aon PLC London www.aon.com	Gregory C. Case, CEO	$11,039,000,000	$10,939,000,000	0.9%	50,000	500	42.2%	0%	16.3%	0%	30.7%	0%	0.2%	10.5%
3	3	Willis Towers Watson PLC London www.willistowerswatson.com	John Haley, CEO	$9,286,000,000	$8,941,000,000	3.9%	46,100	350	26.0%	2.6%	11.2%	0.7%	51.5%	7.3%	0%	0.7%
4	4	Arthur J. Gallagher & Co. Rolling Meadows, Illinois www.ajg.com	J. Patrick Gallagher Jr., chairman-president-CEO	$6,070,400,000	$5,716,400,000	6.2%	32,401	650	36.1%	11.5%	1.6%	5.8%	17.8%	13.9%	13.3%	0%
5	5	Hub International Ltd. Chicago www.hubinternational.com	Marc Cohen, president-CEO	$2,697,991,400	$2,391,788,134	12.8%	13,425	488	46.6%	7.1%	0%	16.4%	28.8%	0.7%	0.3%	0%
6	6	Brown & Brown Inc. Daytona Beach, Florida www.bbinsurance.com	J. Powell Brown, president-CEO	$2,606,108,478	$2,384,737,230	9.3%	11,136	341	32.6%	35.1%	0%	6.1%	19.2%	6.7%	0.1%	0.2%
7	7	Truist Insurance Holdings Inc. Charlotte, North Carolina www.truistinsurance.com	John Howard, chairman-CEO	$2,433,560,000	$2,270,817,000	7.2%	7,623	124	29.1%	48.7%	0%	8.0%	10.2%	3.9%	0.1%	0%
8	8	Lockton Cos. LLC[3] Kansas City, Missouri www.lockton.com	Ron Lockton, chairman; Peter Clune, CEO	$2,145,619,000	$1,867,579,000	14.9%	8,220	110+	57.1%	5.8%	4.0%	1.0%	31.6%	0%	0.5%	0%
9	10	Acrisure LLC Grand Rapids, Michigan www.acrisure.com	Gregory Williams, president-CEO	$1,973,247,401	$1,806,569,263	9.2%	8,886	655	53.0%	2.9%	3.1%	11.1%	20.2%	0%	0.1%	9.5%
10	9	USI Insurance Services LLC Valhalla, New York www.usi.com	Michael J. Sicard, chairman-CEO	$1,948,867,707	$1,831,286,102	6.4%	8,398	175	47.5%	5.7%	0%	5.5%	36.3%	3.6%	0.1%	1.3%

*Percentage of revenue may not add up to 100% due to rounding. [1]Acquired PayneWest Insurance Inc. on April 21, 2021. [2]Restated. [3]Fiscal year ending April 30.
Source: *BI* survey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100 LARGEST BROKERS OF U.S. BUSINESS[*]

Ranked by 2020 brokerage revenue generated by U.S.-based clients

2021 rank	2020 rank	Company	2020 U.S. brokerage revenue	% increase (decrease)
1	1	Marsh & McLennan Cos. Inc.[1,2]	$8,115,490,000	3.8%[**]
2	2	Aon PLC[1]	$5,019,433,300	0.7%
3	3	Willis Towers Watson PLC	$4,643,000,000	8.2%
4	4	Arthur J. Gallagher & Co.[1]	$4,127,872,000	4.7%
5	5	Brown & Brown Inc.[1]	$2,589,950,605	8.6%
6	6	Truist Insurance Holdings Inc.[1]	$2,433,560,000	7.2%
7	7	Hub International Ltd.[1]	$2,077,453,378	12.8%
8	8	USI Insurance Services LLC[1]	$1,929,379,030	6.4%
9	9	Acrisure LLC[1]	$1,870,638,536	9.5%[**]
10	10	Alliant Insurance Services Inc.[1]	$1,777,622,343	12.9%[**]
11	11	AssuredPartners Inc.[1]	$1,687,411,134	18.0%
12	12	Lockton Cos. LLC[3]	$1,583,466,822	11.1%
13	13	NFP Corp.[1]	$1,455,797,344	8.3%
14	14	BroadStreet Partners Inc.	$860,500,000	15.8%
15	15	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants[1]	$802,594,990	7.8%[**]
16	16	RSC Insurance Brokerage Inc., dba Risk Strategies Co.[1,4]	$651,171,510	26.0%
17	17	Alera Group[1]	$554,000,000	29.7%[**]
18	18	Digital Insurance Inc. dba OneDigital Health and Benefits[1]	$530,093,000	31.6%
19	32	Baldwin Risk Partners LLC[1]	$426,249,000	209.2%
20	21	Higginbotham[1]	$316,096,000	29.5%
21	28	IMA Financial Group Inc.[1]	$301,471,243	71.4%
22	19	Leavitt Group	$291,020,000	6.7%
23	26	The Hilb Group LLC[1]	$260,608,909	31.6%
24	20	CBIZ Benefits & Insurance Services Inc.[1]	$246,300,000	0.5%
25	24	Holmes Murphy & Associates Inc.	$241,557,260	8.1%
26	23	Cottingham & Butler Inc.	$240,380,000	7.2%
27	NR	PCF Insurance Services[1]	$235,000,000	298.3%
28	25	Insurance Office of America Inc.[1]	$234,864,928	6.1%
29	22	Paychex Insurance Agency, Inc.[5]	$232,100,000	(0.1%)
30	27	Cross Financial Corp., dba Cross Insurance[1]	$214,960,000	15.4%
31	30	Woodruff Sawyer & Co.	$191,200,000	19.9%
32	29	Heffernan Group[1]	$183,567,730	7.8%
33	39	Unison Risk Advisors[1,6]	$146,219,648	4.2%[**]
34	31	Hylant Group Inc.	$146,180,665	3.1%
35	34	AmeriTrust Group Inc.	$129,656,436	2.8%
36	35	BXS Insurance[1]	$125,286,000	1.8%
37	53	Patriot Growth Insurance Services LLC[1]	$124,350,000	87.3%
38	36	Insurica Inc.[1]	$122,725,836	6.8%
39	37	Relation Insurance Inc.[1]	$115,760,000	10.5%
40	40	ABD Insurance & Financial Services Inc.	$112,507,000	20.6%
41	41	Propel Insurance[1]	$107,602,000	16.7%
42	43	Eastern Insurance Group LLC[1]	$96,738,818	6.5%
43	38	Insurors Group LLC	$96,000,000	(1.2%)
44	44	TrueNorth Companies LLC	$93,428,000	9.4%
45	80	Cobbs Allen/CAC Specialty[1,7]	$89,568,050	136.4%
46	45	Lawley Service Inc.	$86,990,186	5.1%
47	47	Acentria Insurance	$83,000,000[8]	8.5%
48	49	Marshall & Sterling Enterprises Inc.[1]	$82,773,396	13.2%
49	52	Parker, Smith & Feek Inc.	$82,466,000	21.2%
50	50	M3 Insurance Solutions Inc.	$81,675,781	12.8%
51	46	Horton Group Inc.	$80,271,352	3.7%[**]
52	48	Towne Insurance Agency LLC[1]	$78,405,018	2.9%
53	62	World Insurance Associates LLC[1]	$77,920,417	46.1%
54	51	Houchens Insurance Group Inc.[9]	$72,157,422	6.0%
55	54	James A. Scott & Son Inc., dba Scott Insurance	$72,024,407	8.7%
56	66	Sunstar Insurance Group	$72,000,000	45.9%
57	72	Sterling Seacrest Pritchard Inc.[1,10]	$69,240,845	1.4%[**]
58	95	High Street Insurance Partners Inc.	$67,658,028	127.6%
59	57	Starkweather & Shepley Insurance Brokerage Inc.[1]	$66,227,625	10.2%
60	56	The Graham Co.	$63,043,937	1.8%
61	55	Huntington Insurance Inc.	$62,551,170	0.7%
62	58	Sterling & Sterling LLC, dba SterlingRisk	$61,924,084	11.2%
63	60	Shepherd Insurance LLC[1]	$59,184,321	7.9%
64	64	Moreton & Co.	$55,807,000	8.5%
65	61	Bowen, Miclette & Britt Insurance Agency LLC	$55,579,594	3.6%
66	71	Robertson Ryan & Associates Inc.	$53,709,374	17.2%
67	63	Frost Insurance Agency Inc.	$51,119,522	(3.7%)
68	68	Corporate Synergies Group LLC	$47,550,867	(2.9%)
69	75	First Insurance Group LLC	$45,747,907	8.6%
70	74	Fisher Brown Bottrell Insurance Inc.	$45,706,955	8.2%
71	73	HMS Insurance Associates Inc.	$45,430,468	4.4%
72	70	M&O Agencies Inc., dba The Mahoney Group	$44,238,376	(4.2%)
73	84	The Partners Group Ltd.	$43,694,905	19.0%
74	77	The Loomis Co.	$41,877,000	4.4%
75	102	The Liberty Co. Insurance Brokers Inc.[1]	$40,509,309	53.9%
76	76	Charles L. Crane Agency Co.	$40,421,713	(2.2%)
77	81	MJ Insurance Inc.[11]	$40,148,743	6.9%
78	83	Christensen Group Inc.	$38,967,785	5.5%
79	78	James G. Parker Insurance Associates[5]	$38,055,000	(2.3%)
80	82	M&T Insurance Agency Inc.	$36,900,000	(0.8%)
81	86	Ansay & Associates LLC[1]	$36,769,058	3.5%
82	117	R&R Insurance Services Inc.	$36,400,000	5.2%[**]
83	88	Kapnick Insurance Group	$35,655,000	4.7%
84	89	Haylor, Freyer & Coon Inc.[11]	$34,650,000	2.6%
85	90	Rich & Cartmill Inc.	$34,552,206	3.5%
86	96	The Buckner Co. Inc.[1]	$32,671,837	10.7%
87	93	Tompkins Insurance Agencies Inc.	$32,433,000	3.0%
88	94	Tricor Inc.	$32,426,557	6.5%
89	91	PSA Insurance & Financial Partners LLC	$32,193,000	(0.6%)
90	NR	Oakbridge Insurance Agency LLC[1]	$30,500,000	17.3%
91	103	Ross & Yerger Insurance Inc.[1]	$29,177,112	11.6%
92	105	Swingle, Collins & Associates	$28,188,444	11.3%
93	99	Underwriters Safety & Claims Inc., dba The Underwriters Group	$27,641,790	0.7%
94	98	The Daniel & Henry Co.	$27,568,000	(1.8%)
95	100	Moody Insurance Agency Inc.	$26,392,454	(3.5%)
96	104	Gibson Insurance Agency Inc., dba Gibson[1]	$25,339,000	(0.3%)[**]
97	107	Foa & Son Corp.	$24,968,750	6.8%
98	108	EHD Insurance Inc.	$24,306,148	5.9%
99	109	York International Agency LLC[1]	$23,636,158	8.0%
100	106	Otterstedt Insurance Agency[1]	$23,629,767	(2.3%)

[*]Companies that derive more than 49% of their gross revenue in personal lines are not ranked. [**]2019 brokerage revenue restated. NR = not ranked. [1]Reported U.S. acquisitions. [2]Acquired PayneWest Insurance Inc. on April 21, 2021. [3]Fiscal year ending April 30. [4]Formerly Risk Strategies Co. Inc. [5]Fiscal year ending May 31. [6]Renamed Unison Risk Advisors with the merger of Oswald Cos. and Riggs, Counselman, Michaels & Downes Inc. [7]Merged with CAC Specialty, Aug. 15, 2019. [8]*BI* estimate. [9]Fiscal year ending Sept. 30. [10]Formerly Sterling Seacrest Partners Inc. [11]Fiscal year ending Aug. 31.

Source: *BI* survey

LEADING U.S. COMMERCIAL RETAIL BROKERS

Ranked by 2020 commercial retail brokerage revenue from U.S. offices*

Rank	Company	2020 revenue	% increase (decrease)
1	Marsh & McLennan Cos. Inc.	$4,537,000,000	10.1%
2	Aon PLC	$2,133,000,000	0.2%
3	Arthur J. Gallagher & Co.	$1,652,463,000	9.0%
4	Alliant Insurance Services Inc.	$1,259,023,612	12.8%[1]
5	Willis Towers Watson PLC	$1,157,000,000	5.6%[1]
6	Hub International Ltd.	$1,005,820,200	10.3%
7	Acrisure LLC	$999,494,895	2.7%
8	USI Insurance Services LLC	$939,096,412	0.6%
9	Lockton Cos. LLC[2]	$931,676,000	12.6%
10	AssuredPartners Inc.	$880,578,570	26.8%

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

LARGEST BENEFITS BROKERS

Ranked by 2020 global benefits revenue

Rank	Company	2020 employee benefits revenue	% increase (decrease)	% of 2020 gross revenue
1	Marsh & McLennan Cos. Inc.	$4,928,000,000	(1.9%)	28.6%
2	Willis Towers Watson PLC	$4,815,000,000	5.6%	51.5%
3	Aon PLC	$3,408,000,000	(2.2%)	30.8%
4	Arthur J. Gallagher & Co.	$1,245,693,000	4.1%[1]	17.8%
5	NFP Corp.	$783,461,255	5.5%	49.0%
6	Hub International Ltd.	$779,460,753	17.6%	28.8%
7	USI Insurance Services LLC	$717,928,197	7.5%[1]	36.3%
8	Lockton Cos. LLC[2]	$680,898,000	9.7%	31.6%
9	Brown & Brown Inc.	$502,676,875	10.8%	19.2%
10	Digital Insurance LLC, dba OneDigital Health and Benefits	$478,307,114	18.7%	90.2%

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

LARGEST PRIVATELY OWNED BROKERS*

Ranked by 2020 brokerage revenue

Rank	Company	2020 brokerage revenue	% increase (decrease)
1	Hub International Ltd.	$2,697,991,400	12.8%
2	Lockton Cos. LLC[1]	$2,145,619,000	14.9%
3	Acrisure LLC	$1,973,247,401	9.2%
4	USI Insurance Services LLC	$1,948,867,707	6.4%
5	Alliant Insurance Services Inc.	$1,781,184,712	13.0%
6	AssuredPartners Inc.	$1,707,906,006	18.3%
7	NFP Corp.	$1,599,777,301	9.5%
8	BroadStreet Partners Inc.	$860,500,000	15.8%
9	Edgewood Partners Insurance Center, dba EPIC Insurance Brokers & Consultants	$802,594,990	7.8%
10	RSC Insurance Brokerage Inc., dba Risk Strategies Co.	$657,749,000	27.3%

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

BROKERS

Continued from page 29

"The best time for insurance brokers is when economies are growing and insurance prices are rising, and the last several months have been the first time in quite a while that both of those conditions have decidedly been true," said Mark Dwelle, director, insurance equity research, at RBC Capital Markets LLC in Richmond, Virginia.

Insurance rates, which have been rising for two years or more in some lines, continue to increase.

"Certainly, the market environment and rates have impacted our results positively," although this varies by line of business, region and industry, said Ron Lockton, chairman of Kansas City, Missouri-based Lockton Cos. LLC. "We've had record retentions and new business this year," he said.

Marc Cohen, CEO of Chicago-based Hub International Ltd. said that as the business of the brokerage's clients declined because of economic conditions, their insurance spending also fell. But with increasing rates and the economic rebound, the net effect for Hub in 2020 was low, single-digit growth.

"Last year, there was an enormous amount of stress in economies all over the world, and that impacted our revenue growth," said John Doyle, president and CEO of Marsh LLC. "We have started to see a snapback and that has helped us. There's no question there's been a tailwind to growth."

While rates continue to rise in many lines, some signs of a moderation in increases are beginning to appear, some executives said.

In some limited areas, insurers are willing to match expiring rates in an effort to win new business, which effectively limits the increase that an incumbent insurer on an account can obtain, said J. Powell Brown, president and CEO of Daytona Beach, Florida-based Brown & Brown Inc.

In addition, accounts with exposures in markets that have seen significant increases in recent years, such as coastal property, are seeing lower increases on renewals this year "and in some very isolated instances we are seeing flat rates," he said.

But slowdowns in rate increases are "on a modest basis in very specific lines," said J. Patrick Gallagher Jr., chairman, president and CEO of Arthur J. Gallagher & Co. "We are not seeing a price reduction situation, and I think that makes sense; last year was a pretty tough year when it comes to catastrophes."

As policyholders navigate the hard market, brokers are working more on restructuring programs and offering access to alternative risk transfer options, they say.

Clients are frustrated by price increases over multiple quarters, especially as they struggled with their own businesses during the pandemic, and are more frequently using captives, co-insurance and other self-insurance mechanisms during the hard market, said Eric Andersen, president of Aon PLC.

"Ultimately we are helping clients manage the risk as best they can, and transfer what they can," he said.

Policyholders are looking for ways to manage their total cost of risk, such as by carrying a higher deductible or buying lower limits, Mr. Brown said.

In some areas extensive limits are hard to find. "If you have a heavy transportation account, getting high limits on an umbrella is not easy, for example," he said.

Meanwhile, several business practices brokers took up during the pandemic will likely stick and lead to improved efficiencies, several executives said.

"What the pandemic has done is created in the mind's eye of the marketplace a receptivity of a digital platform," said Gregory L. Williams, CEO of Acrisure LLC.

"It evolved virtual meetings and virtual capabilities by decades," Mr. Gallagher said.

For example, Gallagher's real estate expert in Los Angeles previously might spend two days traveling to and from New York to participate in a meeting. "Today, given the pandemic, it's very acceptable that she participate by iPad. Her expertise comes across and the client doesn't blink," Mr. Gallagher said.

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

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SPECIAL REPORT

1 Marsh & McLennan Cos. Inc.

2020 brokerage revenue: **$17.27B**
Percent increase (decrease): **3.8%**

Marsh & McLennan Cos. Inc. continued to focus on mergers and acquisitions that expanded its middle-market business in 2020, and the COVID-19 pandemic did not curb its appetite for the deals.

The New York-based brokerage's middle-market unit, Marsh & McLennan Agency LLC, completed seven deals last year for a total purchase consideration of about $877 million, according to SEC filings.

After a quiet start to 2021, on April 1 MMA moved to acquire Missoula, Montana-based PayneWest Insurance Inc., an independent agency with $135 million in annual brokerage revenue and previously the 33rd largest brokerage of U.S. business.

A year earlier, MMA had bought Assurance Holdings Inc., previously the 35th largest brokerage of U.S. business, based in Schaumburg, Illinois.

"We'll continue to invest inorganically where it makes sense. We've got a good pipeline, and the pipeline isn't just at MMA. We've got a good pipeline outside MMA as well," said John Doyle, president and CEO of Marsh LLC, the company's main brokerage unit.

There may be less opportunity to do large M&A deals now, especially given regulatory scrutiny of the Aon-Willis deal and previously of Marsh McLennan's 2019 acquisition of Jardine Lloyd Thompson Group PLC, analysts say.

One of the lessons from the Aon-Willis merger is authorities appear to be wary of additional large brokerage M&As, said Mark Dwelle, director, insurance equity research, at RBC Capital Markets LLC in Richmond, Virginia. Aon PLC and Willis Towers Watson PLC agreed to sell various businesses to allay antitrust concerns, but the U.S. Department of Justice last month sued the brokerages seeking to block the merger.

"Marsh itself was forced to divest a few things when it closed (its purchase of) Jardine Lloyd Thompson. Accordingly, that makes Marsh's strategy of doing fold-in deals and relatively small-sized deals far more important. They aren't going to attract the same scrutiny or create the same market concentrations," Mr. Dwelle said.

Despite the economic headwinds of the COVID-19 pandemic, Marsh McLennan's 2020 brokerage revenue increased by 3.8% to $17.27 billion, retaining its lead as the longtime largest broker in the *Business Insurance* ranking.

Marsh McLennan reported 1% organic growth in 2020, which accelerated to 6% in the first quarter of this year. The company's top executives also said full-year 2021 organic revenue growth could potentially top its 3% to 5% guidance, as the economy turns the corner and growth accelerates.

The first quarter set the stage for 2021, with results reflecting the improving economy combined with the still-sharp property/casualty pricing environment, said Elyse Greenspan, managing director, equity research, insurance, at Wells Fargo Securities LLC in New York.

"On paper the economy continues to improve by the day," and for the remainder of 2021, Marsh McLennan will benefit from much easier quarterly comparisons than it had in the first quarter, Ms. Greenspan said.

John Doyle

Marsh had "good growth" in most geographies and specialty areas in the first quarter, including in cyber, construction and its private equity practice, Mr. Doyle said. "Last year there was an enormous amount of stress in economies all over the world and that impacted our revenue growth. … In some parts of the world, most notably here in the U.S., we have started to see a snapback in the economy and that has helped us," he said.

The property/casualty insurance market remains challenging for clients, and some have chosen to retain more risk, "whether that's attaching at a higher level, buying shorter limits, buying less discretionary cover," Mr. Doyle said. "Client by client, we're helping them navigate the more difficult market," he said.

Meanwhile, Marsh is also benefiting from some of the distraction caused by consolidation in the market. "We're not distracted, we're focused on opportunities and challenges the current economy is creating for our clients," Mr. Doyle said.

CEO Daniel Glaser said during its first-quarter earnings call with analysts that Marsh McLennan increased net headcount by 500 in the fourth quarter of 2020 and added another 100 staff in the first quarter, some of whom were from rivals Aon and Willis Towers Watson.

Earlier this year, Marsh McLennan ended its political contributions to lawmakers who objected to certifying the 2020 presidential election results, and those contributions have not been resumed.

Claire Wilkinson

2 Aon PLC

2020 brokerage revenue: **$11.04B**
Percent increase (decrease): **0.9%**

Aon PLC's offer to buy rival Willis Towers Watson PLC remains a prospective acquisition rather than a completed deal more than a year after it was first announced, and it remains unclear how much of its rival Aon will buy if the deal goes through.

Regulators have already forced the proposed sale of more than $2 billion in annualized revenue over competition concerns, and following a U.S. Department of Justice antitrust lawsuit filed last month more divestitures are likely needed for the deal to be approved.

Included in the asset divestitures already agreed to — and contingent on the Aon-Willis deal being completed — are the sales of most of Willis' reinsurance business and several other European and U.S. businesses to No. 4 ranked Arthur J. Gallagher & Co., and various retirement and health businesses to other buyers. EU regulators have conditionally approved the deal.

Additional divestitures would likely involve Willis' large account property/casualty and employee benefits brokerage business, which were singled out in the DOJ lawsuit, said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

Eric Andersen

Aon, though, could still get value from buying a more restricted portion of Willis and would have to pay a $1 billion break-up fee to Willis if the deal is scrapped, he said.

"Our expectation is that Aon still wants to get the deal done, Willis Towers Watson still wants to get the deal done, and the easiest way of accomplishing that would be to find some way of settling with the Department of Justice," Mr. Shields said.

The Aon and Willis management teams appear to be committed to completing the deal, said J. Paul Newsome Jr., Chicago-based managing director of equity research at Piper Sandler & Co.

"The senior management of both firms are very invested in this transaction," he said.

However, there are few past antitrust cases in the insurance sector to look to for guidance, and the DOJ is focusing on the brokerages' core business, Mr. Newsome said.

The judge in the case set a November trial date for the DOJ suit. Aon said it continues to expect to achieve $800 million in annual savings through the merger with Willis.

Aon reported a less than 1% increase in brokerage revenue in 2020 as economic activity fell during the pandemic, but revenue rose sharply in the first quarter of this year. Total revenue rose 9.5% in the first quarter and was up 6% on an organic basis. Aon remains at No. 2 in Business Insurance's ranking of the world's largest brokerages.

The brokerage's core business performed well "all things considered" during the pandemic, but some discretionary insurance purchases declined, and consulting income fell, said Eric Andersen, president of Aon, in an interview before the DOJ filed its lawsuit.

"The discretionary parts of the business really began to pick up as confidence returned to the businesses that we serve. You started to see construction projects, you started to see M&A, you started to see employment levels begin to rise, and all had a positive impact on the business," he said.

Several of the changes in work practices that Aon implemented during the pandemic, such as bringing experts to client meetings virtually, will likely remain, but there is still value in collaborating through in-person meetings, Mr. Andersen said.

"We are studying ourselves hard. We want to see what it is that we want to take out of these past 15 months," he said.

Rival brokers have hired away several high-profile Willis executives and brokers over the past year. However, Aon's and Willis' staff retention statistics remain higher than prior to the pandemic, Mr. Andersen said.

But the extended timeframe for the completion of the merger might lead to further departures, Mr. Shields said.

"The longer the uncertainty persists, it's tempting to go elsewhere, and there's no shortage of elsewheres that would be happy to hire some talent from Aon and Willis Towers Watson," he said.

Like some other larger brokers and insurers, Aon suspended its contributions to political campaign committees after the attack on the U.S. Capitol on Jan. 6, and it has not reinstated them, Mr. Andersen said. Aon also cut its ties with the Trump Organization, which had been a long-time client.

Gavin Souter

SPECIAL REPORT

3 Willis Towers Watson PLC

2020 brokerage revenue: **$9.29B**

Percent increase (decrease): **3.9%**

Despite the distraction of a protracted regulatory approval process for its proposed combination with Aon PLC and the impact of a global pandemic and economic downturn, Willis Towers Watson PLC delivered 2% organic revenue growth in 2020.

That measure of growth accelerated in the first quarter of this year to 4% as the economy improved.

Its proposed combination with Aon had initially been expected to close in the first half of 2021, but after European regulators raised antitrust concerns, the sale of more than $2 billion in Aon-Willis assets was agreed to in a conciliatory move. Then on June 16, the U.S. Department of Justice filed an antitrust lawsuit to block the proposed deal.

With the DOJ filing, the odds of a successful close have diminished, said C. Gregory Peters, managing director, equity research at St. Petersburg, Florida-based Raymond James & Associates.

"More than likely it closes, but there are a lot of moving parts," he said.

Aon in May agreed to sell much of Willis' reinsurance brokerage business and various other businesses to rival Arthur J. Gallagher & Co.

The fact that both companies have taken many steps to satisfy regulatory concerns and found counterparties to sell the businesses to shows they are working toward getting the deal "over the finish line," said Elyse Greenspan, managing director, equity research, insurance, at Wells Fargo Securities LLC in New York.

"Until we have all the approvals and they've announced the date that it's being closed there's still a potential that it doesn't get done," she said.

With the DOJ filing, the divestiture number hypothetically could increase to $3.2 billion, well above the $1.8 billion cap in the original contract, Mr. Peters said.

"Aon's management and board have to answer the question whether they can accept a higher divestiture and if they can't close by Sept. 9, Willis has to decide whether they accept an extension and on what terms," he said.

In a deal-break scenario, Aon will have to pay Willis $1 billion. If Willis were to proceed with a go-it-alone strategy, it would use the proceeds along with cash on hand to initiate a restructuring/retention plan, Mr. Peters said.

If Willis remains a standalone company, it may report a "slightly lower organic revenue result relative to its peers for a year or two," he said.

During Willis' first-quarter earnings call with analysts, John Haley, the brokerage's CEO, said some staff had left, but that these departures had not had a material effect and retention bonuses totaling $400 million would be paid at or after the deal closes.

Many employees are veterans of "not just one but two and sometimes three mergers and so they understand what needs to be done," Mr. Haley said in an interview before the DOJ filing.

They understand how to function on a "business as usual basis" and what the limits are, he said. "For example, we have to be very careful that we compete as independent companies up until the day we close."

John Haley

Willis has delivered good results, "but we all want to see this resolved sooner rather than later," Mr. Haley said.

Overall staff turnover in 2020 was lower than in 2019, he said. Willis has had some client losses, but will "work hard to get them back," Mr. Haley said.

Despite the loss of some back-office staff and some producers jumping to rivals, the rate environment in commercial lines has been positive and that has helped counteract the headwinds for Willis, Mr. Peters said.

Willis reported $9.29 billion in brokerage revenue in 2020, a 3.9% increase from the prior year, and retained its position as the world's third largest brokerage.

The 2% organic revenue growth that Willis reported last year shows that "they were able to deliver even going through a pretty sharp downturn in the economy," Ms. Greenspan said.

Last year was the first full year of having Tranzact in the organization, and that business grew by about 40%, Mr. Haley said. Willis had acquired Fort Lee, New Jersey-based direct-to-consumer health care organization MG LLC, which does business as Tranzact, on July 30, 2019.

The reinsurance business delivered organic revenue growth of 9% in 2020, and corporate broking was another "bright spot" with strong renewals growth across all lines in North America, Mr. Haley said.

Claire Wilkinson

4 Arthur J. Gallagher & Co.

2020 brokerage revenue: **$6.07B**

Percent increase (decrease): **6.2%**

Arthur J. Gallagher & Co. continued to grow organically and through acquisitions last year, but it could potentially see significantly stronger growth ahead as the economy bounces back from the pandemic-related recession and it eyes what could be its largest deal ever.

The outcome of that proposed purchase — much of the reinsurance business of Willis Towers Watson PLC, chunks of Willis' European operations and some of its U.S. business — is dependent on Aon PLC securing regulatory approval for its much bigger deal to buy most of the rest of Willis, which remains uncertain.

Gallagher reported $6.07 billion in brokerage revenue in 2020, a 6.2% increase over 2019, despite the economic downturn and restrictions imposed during the pandemic.

"I was concerned about our culture; we are a people culture," said J. Patrick Gallagher Jr., chairman, president and CEO. "But we sold a ton of new business. People didn't leave us."

Gallagher retained its No. 4 position in *Business Insurance*'s ranking of the world's largest brokerages. In the first quarter of 2021, Gallagher's insurance brokerage business reported a 12.2% increase in revenue over the prior-year period, up 6% on an organic basis.

J. Patrick Gallagher Jr.

Gallagher saw faster organic growth than most of its peers during the pandemic, said J. Paul Newsome Jr., Chicago-based managing director of equity research at Piper Sandler & Co.

The brokerage appeared to take a more positive approach to managing the crisis than some of its rivals and continued its sales strategy, he said.

"They really had one of the better years among the large insurance brokers. Despite the pandemic they were able to maintain their relatively better organic growth rate," said Mark Dwelle, director, insurance equity research, at RBC Capital Markets LLC in Richmond, Virginia.

Gallagher's client profile worked to the brokerage's advantage during the pandemic, he said.

"A lot of times their clientele are businesses that are bigger than small but smaller than big and accordingly they did not run into some of the friction that a lot of small businesses suffered, and they weren't over-exposed to large businesses that faced their own challenges as they worked their way through the pandemic," Mr. Dwelle said.

The pace of Gallagher's so-called tuck-in acquisitions of smaller brokers slowed last year, with 27 deals representing a combined $251.4 million in annualized revenue, compared with 46 deals and $452.3 million in 2019.

"We slowed down, and the sellers slowed down last year," Mr. Gallagher said. However, valuations of brokerages are very high and possible changes to the U.S. capital gains tax rate will likely accelerate the pace of deals going forward, he said.

Whether a future deal will include Gallagher's planned $3.57 billion purchase of the various Willis assets will depend on whether regulators allow the Aon-Willis merger to go through. The deal with Gallagher is contingent on the bigger deal being completed and last month the U.S. Department of Justice sued Aon and Willis to block the deal over competition concerns (see related profiles).

Potentially, the divested Willis assets would vault Gallagher into the top tier of reinsurance brokers and advance its European strategy by five years, Mr. Gallagher said.

If further divestitures of Willis assets are required, Gallagher would consider buying more of the brokerage's business, Mr. Gallagher said shortly after the DOJ filed suit.

If the deal collapses, Gallagher could have a temporary drag on its earnings because it has already issued debt and equity to fund the purchase, but it could use the funds to buy back shares or make other purchases, analysts say.

Other consequences for Gallagher would likely be limited.

"Presumably, we'd go back to the status quo with everybody competing hard for business," Mr. Dwelle said.

Meanwhile, amid the growth in cyber-related crime since the COVID-19 outbreak, Gallagher was hit by a ransomware attack last year and temporarily disconnected its systems. The brokerage's operations were back up and running after a few days. Mr. Gallagher declined to comment on whether the brokerage paid a ransom.

"They obviously got through it and managed the process reasonably well, but there were certainly lessons learned and lessons that others in the industry should take before it's their turn," Mr. Dwelle said.

Gavin Souter

SPECIAL REPORT

5 Hub International Ltd.

2020 brokerage revenue: **$2.70B**
Percent increase (decrease): **12.8%**

Hub International Ltd. has not relented in its purchase of smaller rivals despite the restrictions and other obstacles to business imposed by the COVID-19 pandemic.

As it continues its years-long acquisition strategy, it has broadened the range of businesses it is buying, its top executive said.

"The reality is, in 2020 we did 65 acquisitions, which was really in line with what we did in previous years," Hub CEO Marc Cohen said. That compared with 70 acquisitions in 2019, 66 in 2018, and 52 in 2017.

The deals helped Chicago-based Hub grow its brokerage revenue to $2.70 billion last year, a 12.8% increase over 2019, and it remains the world's 5th largest brokerage.

Hub is still looking for strong growth companies with strong leadership in various geographic areas in North America, such as the Southeastern U.S. and Canada, to extend its reach to places where it does not have operations and to strengthen existing businesses, Mr. Cohen said.

In addition, "We are diversifying our focus on what we are looking for in our acquisition strategy," including adding retirement planning and employee benefits in Canada, Mr. Cohen said.

Timothy J. Cunningham, managing director at Optis Partners LLC, a Chicago-based investment banking and financial consulting firm, noted that Hub is one of the most acquisitive brokers.

"There's so much competition in the traditional retail distribution space that the ability to grow" in the current M&A environment "may not be as easy as it was before, so you expand your product thinking a little bit," he said.

Mr. Cohen said Hub continues "to focus on creating what we're calling a boundary-less organization" so that the "best resources and experts and specialists are available to our employees and our clients regardless of where they're located across North America."

As part of the strategy, Hub is investing resources to expand its services for various business sectors, Mr. Cohen said.

"We've seen over the last three or four years that when our people specialize, they typically produce more business than those that don't," he said.

In addition to continuing its acquisition strategy during the pandemic, Hub actively recruited staff, Mr. Cohen said.

Key hires in the past year include: Bryan Davis, Chicago-based executive vice president and head of personal lines strategy and business development, who is leading Hub's transactional lines growth strategy, and was previously with United Services Automobile Association; Philadelphia-based Pete Reilly, a former Arthur J. Gallagher & Co. executive, who joined Hub to lead the North American health care specialty practice; and David Cloward, a former Allianz Global Corporate & Specialty SE executive, who joined Hub to lead its entertainment and sports specialty practice in Los Angeles.

During the pandemic, Hub has relied on the business culture it has built as it has grown, which kept employees aligned, and on its digital capabilities, Mr. Cohen said.

"At Hub, we began to invest in digital marketing capability years ago," and the investment has proved itself during the pandemic, he said.

Marc Cohen

Michael Dion, vice president and senior analyst with Moody's Investors Service in New York, said Hub "has really stood out since the pandemic's onset. When everything was shutting down temporarily, they were still able to generate not only profitability" but "fairly decent growth."

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 happy with our current owner and we believe they're very happy with us as well," Mr. Cohen said.

Mr. Dion said, "Their ownership structure right now is probably a good one in the sense that … you've got the private equity ownership group along with some good employee ownership as well." This provides "a good balance as long as they're able to generate good cash flow, which they do internally, and then (they) have the capital markets to raise money if they're looking to buy," he said.

Hub's role during the hardening market has been to "educate clients as to why the rates are increasing, to be diligent and to provide optional program structures and continue to be consultative," Mr. Cohen said.

"There's a lot of stress today, and I think we can help relieve some of that stress by being a thoughtful, empathetic, trusted adviser."

Judy Greenwald

6 Brown & Brown Inc.

2020 brokerage revenue: **$2.61B**
Percent increase (decrease): **9.3%**

Brown & Brown Inc. continued its long-time acquisition strategy in 2020, folding in 25 smaller brokers, and reported 3.8% organic revenue growth despite the challenges posed by the COVID-19 pandemic.

The brokerage's pace of deals has slowed in 2021, but it saw nearly double-digit organic revenue growth in the first quarter as the economy rebounded.

Last year's deals included a pair of international purchases and an insurtech firm. Internally, the brokerage reorganized its wholesale operations.

Daytona Beach, Florida-based Brown & Brown reported $2.61 billion in brokerage revenue in 2020, a 9.3% increase over 2019, and retained its No. 6 position in *Business Insurance*'s ranking of the world's largest brokerages.

In 2020, Brown & Brown beat the pre-COVID-19 consensus estimates of equity analysts for revenue and earnings, said C. Gregory Peters, St. Petersburg, Florida-based managing director, equity research, at Raymond James & Associates.

"They are a company that performed very well in the face of incredible headwinds over the past year," he said.

The performance can in part be attributed to Brown & Brown's decentralized structure, which empowers individual agencies to manage their own businesses, and rising commercial insurance rates, Mr. Peters said.

J. Powell Brown

The 2020 growth was followed by 9.8% organic growth in the first quarter of this year.

Exposure unit increases, new sales, good retention rates and higher insurance prices drove that growth, said J. Powell Brown, president and CEO of Brown & Brown.

While businesses such as restaurants and hotels were hit hard by the pandemic, construction contractors and some other businesses have seen substantial growth, he said.

Brown & Brown did not significantly change its M&A protocols during the pandemic, Mr. Brown said.

"We were not buying businesses on the internet," he said.

For the deals it completed, Brown & Brown executives had either met with the companies prior to the outbreak or they met with them during the pandemic while taking appropriate precautions, he said.

Included in the deals were Special Risk Insurance Managers Ltd., a Langley, British Columbia-based managing general agent, and O'Leary Insurances Ltd., a Cork, Ireland-based brokerage.

The international deals don't signal a specific global growth plan, Mr. Brown said. "We are looking at opportunities, and we found two that fit culturally and made sense financially in Canada and Ireland, and we'd like to expand in those places. But we are looking at other places, too. It's that simple," he said.

Brown & Brown's overseas expansion will likely be slow, said Meyer Shields, Baltimore-based managing director at Keefe, Bruyette & Woods Inc.

"Brown & Brown is, maybe more than any other broker, obsessive about culture, and I think they recognize that identifying culturally compatible companies is more difficult when you go to different countries," he said.

The November purchase of CoverHound Inc., a San Francisco-based online insurance platform, expands Brown & Brown's digital footprint and its technology could be used by several Brown & Brown divisions, Mr. Brown said.

The deal could lead to more efficiency and growth, said Mr. Shields of KBW.

"All of a sudden they've got this really, really respected tech mindset in the company's employ," he said. "I think we are going to see pretty impressive organic revenue growth as a consequence of them being able to act so much faster and so much more accurately than, not necessarily the big public brokers, but the tens of thousands of smaller guys."

Brown & Brown only completed two deals in this year's first quarter, but the brokerage continues to look for acquisitions, Mr. Brown said.

Internally, Brown & Brown consolidated its 25 wholesale units under the umbrella of Bridge Specialty Group, which will enable the units to work more closely, Mr. Brown said.

"It also enables us to use data in our wholesale division to create additional new and different products," he said.

With the economy reopening, about half of Brown & Brown's employees are going into the office at least one day a week, Mr. Brown said.

"We are not a work-from-home company, we are a work anywhere company, and I do believe there's a distinction. I also believe that you cannot drive a culture virtually," he said.

Gavin Souter

BUSINESS INSURANCE

WOMEN TO WATCH

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CONTACT US

SUSAN STILWILL
HEAD OF SALES - EVENTS
312-833-4099
sstilwill@businessinsurance.com

DEBORAH J. HAMILTON
EXECUTIVE DIRECTOR
(203) 629-1112
djh@businessinsurance.com

BI EVENTS TEAM
events@businessinsurance.com

7 Truist Insurance Holdings Inc.

2020 brokerage revenue: **$2.43B**
Percent increase (decrease): **7.2%**

Truist Insurance Holdings Inc. made seven acquisitions in 2020 and achieved solid positive organic growth despite the economic downturn.

Those seven deals, all in the wholesale sector, will generate more than $100 million in annual revenue, according to John Howard, chairman and CEO of the brokerage, which is a unit of Charlotte, North Carolina-based banking company Truist Financial Corp.

Truist Financial was formed by the 2019 merger of SunTrust Banks Inc. and BB&T Corp. The insurance operation changed its name from BB&T Insurance Holdings Inc. on June 1, 2019.

Growth was limited in 2020 but has rebounded this year, Mr. Howard said.

Truist Insurance reported $2.43 billion in brokerage revenue last year, a 7.2% increase over 2019, and retained its position at No. 7 in *Business Insurance*'s ranking of the world's largest brokers.

"Growth in 2020 wasn't to the same extent it would have been had we not experienced the pandemic, but we were still able to grow," he said.

Truist Insurance reported 4.3% organic growth in 2020, which Elyse Greenspan, managing director, equity research, insurance, at Wells Fargo Securities LLC in New York, said was "a strong, healthy number given the impact of the pandemic. From an organic perspective they were able to outgrow their peers," she said.

Truist Insurance reported 6.4% organic growth in the first quarter of 2021.

While the brokerage acquired seven wholesalers in 2020, that was "opportunistic," Mr. Howard said. "We remain very interested in retail acquisitions and it just so happens that in 2020 there were better wholesale acquisition opportunities."

Truist Insurance's business is now 29.1% commercial retail and 48.7% wholesale, with the remainder composed of personal lines, employee benefits and services.

The last deal of 2020 was its December purchase of Wellington Risk Holdings Inc., an insurtech company that operates as a managing general agent in the admitted residential property markets, with a strong presence in Texas.

Prior acquisitions in 2020 included W. Brown & Associates Property & Casualty, an Irvine, California-based surplus lines broker and MGA; Specialty Risk Associates, a Shreveport, Louisiana-based surplus lines broker and MGA; and Program Insurance Management of Sarasota, a Florida-based managing general underwriter with specialized programs for industrial chemical manufacturers and distributors.

"They have a presence in both the wholesale and retail markets, which gives them the ability to go after transactions in both sectors," depending on where the opportunities are, Ms. Greenspan said.

Gerard Vecchio, managing director of Woodmere, Ohio-based mergers and acquisitions consultancy Marsh, Berry & Co. Inc., said Truist Insurance understands "the wholesale and managing general agent markets and is very active."

Truist Insurance continued its wholesale additions with the May 2021 purchase of Constellation Affiliated Partners LLC, an insurance distribution platform with seven managing general agents and program managers, which will add roughly $160 million of annual revenue to Truist's Insurance's wholesale division.

John Howard

Truist Insurance also continues to add staff. In 2020, the broker brought in more than 50 new producers in excess of retirements and departures, Mr. Howard said.

The broker also created a new role, client experience officer, which reports to Mr. Howard. "Somebody who will really focus on improving client retention and enhancing our value proposition," he said. Henry Wright was promoted into the role on Sept. 1, 2020. Prior to that, he was senior vice president and director, risk solutions, for Truist Insurance's wholesale unit McGriff Insurance Services Inc.

Another driver of growth for Truist Insurance since the merger that created its parent company is what it calls integrated relationship management, Ms. Greenspan said. The broker reported that being able to generate revenue through referrals from the larger merged business added $153 million of revenue to the insurance business in 2020, she said.

To help its employees during the pandemic, Mr. Howard said Truist Financial provided more than $100 million in support programs including additional paid time off, reimbursement for child care, enhanced onsite pay, and a $1,200 COVID-19 relief bonus for those making less than $100,000 a year.

Matthew Lerner

8 Lockton Cos. LLC

2020 brokerage revenue: **$2.15B**
Percent increase (decrease): **14.9%**

Lockton Cos. LLC has continued to thrive despite the coronavirus, its senior executives say.

The Kansas City, Missouri-based brokerage reported $2.15 billion in brokerage revenue for its 2020 fiscal year, which ended April 30. That was a 14.9% increase from the prior fiscal year.

Lockton, which added 220 employees to its brokerage business last year, remained in the No. 8 position in *Business Insurance*'s 2021 ranking of the world's largest insurance brokers.

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

"Our performance even at the financial level was the best it's ever been," and "actually far exceeded my expectations," said Peter Clune, Lockton's president and CEO.

"Now that we're on the other side of it, it's easy to breathe a sigh of relief," said Ron Lockton, the broker's chairman. "There was a lot of uncertainty and a lot of fear, and I've just never been so proud to see Lockton associates taking care of clients and each other."

Peter Clune Ron Lockton

Mr. Clune said one highlight over the past year was the development of the broker's transactional liability team. In January, Lockton announced that Matt Heinz, formerly of Aon PLC, would co-lead the practice with fellow partners Joseph Halpern, Eric Ziff and Gaurav Sud, all of whom joined Lockton in 2020. There are now 25 people on this team.

Another bright spot for the company is its reinsurance unit, which "continues to attract industry-leading talent," Mr. Clune said.

Lockton formed Lockton Re in 2019 and hired three former Guy Carpenter & Co. LLC executives to run the unit.

Lockton Re opened a Bermuda office in June and named Jonathan Davies, formerly a senior Aon PLC reinsurance executive, to run it.

Lockton Re now has just over 200 associates and has experienced "phenomenal growth," Mr. Clune said.

The brokerage has adapted well to the pandemic's exigencies, its executives say. About 25% of its employees have returned to the office.

"We're really empowering our leaders to find a flexible work force that works best for our people, their families and their clients," Mr. Clune said.

While the brokerage sector has seen significant mergers and acquisitions activity over the past several years, Lockton is committed to remaining private, Mr. Lockton said.

"We're not just private; we're perpetually private and independent" and "focused on staying that way," he said.

"What we're really finding is that private ownership brings a level of stability and focus" and has "proven to be a winning formula for us."

Over the past year, Lockton has entered markets in Ohio and Washington state and added 66 new producers.

Other high-profile hires include former Arthur J. Gallagher & Co. area president Patrick J. Haraden as president of its Boston operations.

It also appointed a new chief financial officer, Troy Cook, who was executive vice president and chief financial officer of Pittsburg, Kansas-based NPC International Inc., a restaurant franchisor and operator. He replaced Henry Bond, who left the company in July 2020 after nearly eight years as CFO.

Mr. Cook previously served on Lockton's board. "He brings an amazing perspective as a client, board member, and someone with a private equity strategic background," Mr. Clune said.

Lockton saw strong new business last year, Mr. Clune said. "The fact is that there's some pain in the market," he said. "Where clients are receiving increases, they're more open to talking to our people, and I think our ability to get in and help clients solve issues is the reason why we've had record new business."

Lockton remains "a very impressive company," said Timothy J. Cunningham, managing director at Optis Partners LLC, a Chicago-based investment banking and financial consulting firm.

"They continue to grow significantly over the years," including to some extent outside the United States, but "they do it without making acquisitions, which is a bit unusual in this day and age," he said.

"They keep a relatively low profile" and "they're not really splashy," Mr. Cunningham said. "They go out and they deliver to their clients."

Judy Greenwald

9 Acrisure LLC

2020 brokerage revenue: **$1.97B**
Percent increase (decrease): **9.2%**

Acrisure LLC has continued its breakneck acquisition strategy while juggling a move to a new headquarters, changes in the C-suite and a continued drive toward making technology a cornerstone of its business.

The brokerage has already closed or signed letters of intent for more than 85 acquisitions since the start of the year and is on pace to eclipse the 110 acquisitions that closed in 2020, CEO Gregory L. Williams said.

The 2020 deals helped Grand Rapids, Michigan-based Acrisure grow its brokerage revenue 9.2% to $1.97 billion and move up one notch to No. 9 in *Business Insurance*'s ranking of the world's largest brokers.

A key transaction was its July 2020 purchase of artificial intelligence company Tulco LLC's insurance practice — the broker's largest investment in a single asset at the time. The $400 million deal was a stock-for-stock trade, and Tulco became a significant minority shareholder in Acrisure.

Mr. Williams described the acquisition as "highly intentional" and a way to continue to leverage technology.

"We chose to deploy technology in a way that helps the human relationship side of our business. … It is transforming every facet of our business," he said.

"In the P/C industry itself, there's more discussion today about value chain compression than there has ever been, there's more talk about tech deployment than there has ever been," Mr. Williams said. "Those that have deployed (technology) thoughtfully are going to have a differentiated capability."

"They're one of a small handful of companies that have made certain investments that are more forward tech-oriented," said Chris Scott, New York-based assistant vice president at Moody's Investors Service Inc. "That's not to say that they are the only broker doing that, but I think they're in a small group of brokers that have made initial strides to implement artificial intelligence more broadly within their organizations."

In 2020, the brokerage also rebranded Beach & Associates Ltd., which it acquired in 2018, as Acrisure Re and Acrisure London Wholesale. Grahame Millwater, who joined Acrisure via the deal, was recently named of head of global insurance.

Mr. Williams said that through the London-based reinsurance unit Acrisure has "been able to quickly replenish and bring capacity to any market that we've needed to. The Acrisure Re folks have stood very tall as it relates to helping us as a brokerage firm."

Like much of the industry, Acrisure's organic growth in 2020 was flat. That can be partially attributed to its target market segment of small and middle-market companies that were "impacted by rate and exposure," said Joe Marinucci, New York-based senior director at Standard & Poor's Global Ratings. "There were some accounts that didn't make it or had to scale back on exposure units, and as a result, (Acrisure's) potential to achieve positive growth was impacted by that."

"(Last year) was a tough year to go out and grow business organically, and we knew it was going to be," Mr. Williams said. "This year, we rebounded nicely. If you look at the last two months, basically we averaged double-digit organic growth."

Gregory L. Williams

Acrisure is on track to exceed its approximately 5% organic growth average each year for the past five years, excluding 2020, he said.

The brokerage is amid some changes this year. In late summer or early fall, Acrisure will move into its new Studio Park headquarters in Grand Rapids and is expected to announce a new chief financial officer soon.

In April, Acrisure's CFO Matt Schweinzger stepped down when another company where he serves as a principal, JJMT Capital LLC, was connected to an alleged Ponzi scheme. JJMT and Mr. Schweinzger are not accused of wrongdoing. Mr. Schweinzger, who also served as chief acquisitions officer, will continue at Acrisure in an advisory role. The brokerage has since appointed two interim co-CFOs, Sozon Vatikiotis and Kent Snyder. A company spokesman said the CFO role will be filled "with a full-time person soon," but that the chief acquisition officer position would remain open for now.

While the situation is "unfortunate," Acrisure's strategic growth has appeared unaffected by the change, Mr. Marinucci said. "They have a plan to incorporate (artificial intelligence) to enhance their competitiveness and seek out potential new avenues for growth."

Angela Childers

10 USI Insurance Services LLC

2020 brokerage revenue: **$1.95B**
Percent increase (decrease): **6.4%**

Mergers and acquisitions supplemented by some organic growth comprised the formula for growth at USI Insurance Services LLC in 2020.

The broker saw only marginal organic growth last year but is expected to return to mid-single-digit organic growth in 2021 and remains committed to recruiting more staff.

Valhalla, New York-based USI reported $1.95 billion in brokerage revenue in 2020, up 6.4%, but slipped one place to No. 10 in *Business Insurance*'s ranking of the world's largest brokers.

"We expect mergers and acquisitions to support growth, mainly focused on tuck-in acquisitions," said Francesca Mannarino, a New York-based associate director at S&P Global Ratings. USI also made some "more materially sized acquisitions in 2020," she said.

USI's June 2020 purchase of Minnetonka, Minnesota-based broker Associated Benefits and Risk Consulting in a $266 million cash deal from seller Associated Banc-Corp added 400 staff to USI's ranks.

At the time, Associated Benefits & Risk Consulting was the 39th largest broker of U.S. business, according to *Business Insurance*'s ranking, reporting $92.6 million in 2019 brokerage revenue, mostly employee benefits and retail business.

Michael J. Sicard

In October, USI bought Nashville, Tennessee-based employee benefits and human resources company Findley Inc., which added some $41 million in annualized revenue, according to Ms. Mannarino.

Michael J. Sicard, USI's chairman and CEO, said 2020 was an active M&A year for the brokerage. Privately held USI does not disclose the number of deals it closes or exact revenue figures.

Phil Trem, president, financial advisory, for Woodmere, Ohio-based mergers and acquisitions advisory and consulting company Marsh, Berry & Co. Inc., said its research shows USI completed 10 acquisitions in 2019, 10 more last year and six so far in 2021, putting the broker slightly ahead of its historical pace for deals.

Pricing for acquisition targets is rich. "Valuations have never been higher than they are today, and they continue to go up," Mr. Trem said, adding that pricing levels may be as much as 10% higher than just six months ago.

"Valuations today for the industry are at the highest level they've been on a historical basis," Mr. Sicard said.

The acquisitions also help provide a steady stream of new talent along with recruitment by USI.

"They are very heavy in terms of producer recruitment and continue to invest in that initiative, specifically citing that if it's a little dilutive to margins at the outset, they have a long-term view and focus," Ms. Mannarino said.

"We're making hundreds of new hires a year," Mr. Sicard said. "Think of it as a nine-figure investment for USI. It's very material."

USI was able to achieve slightly less than 1% organic growth for 2020, in line with S&P's forecast, Ms. Mannarino said. The forecast is for the broker to return to the "low-single-digit range" of organic growth for 2021, she said.

Like many brokers, USI saw its business constrained in 2020 by the economic slowdown tied to the COVID-19 pandemic. The broker was, however, "able to adapt to selling strategies virtually with good digital marketing," underpinned by its Omni technology platform, said Julie Herman, director in New York with S&P Global Ratings.

While increasing commercial primary insurance rates helped to offset some of the decline in exposures, Ms. Herman said brokers may not reap the full benefits of insurance price increases if their clients' spending remains flat.

"They might have a certain amount they can spend on an insurance program, and with rates going up, clients are going to have lower limits, change deductibles to more easily absorb rate," Ms. Herman said.

Commercial insurance rates are expected to continue to rise, Mr. Sicard said. "In the near term, we expect to see rate pressure in single to double digits across most lines of business," with loss affected accounts seeing rate pressure of 20% to 40% and even higher, he said.

USI has for roughly the past year been analyzing locally available data on infection rates, hospitalizations and more to guide small amounts of employees back to offices, but the vast majority of the workforce through June was still working from home, Mr. Sicard said.

Moving forward the broker will likely implement a hybrid model of home and office work, Mr. Sicard said.

Matthew Lerner

RESEARCH & DATA

First-half M&A pace hints at torrid ’21 finish

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

Insurance agency/brokerage mergers and acquisitions activity in the first half of 2021 returned to normal volumes following a second-half 2020 race to the exits that set record deal activity. Will the backend of 2021 be a repeat of last year? Let us look.

The total number of U.S. and Canadian property/casualty, benefits, managing general agents and third-party administrator transactions during the first half of 2021 was up 10% to 338 from 307, an all-time high though only 5% above the five-year average. On a quarterly basis, there were 181 transactions during the second quarter of this year, compared with 131 reported in the same period for 2020, a 38% increase. On a trailing 12-month basis, current deal count is 882, much higher than the 791 reported in 2020 and 630 reported for the previous 12 months.

This backs up what sellers, buyers and advisers are all experiencing: The pace of M&A continues to rise.

It’s no surprise that the private equity world continues to drive this increase, with the more established firms generally keeping pace with their historical activity, fairly new firms starting to hit their stride with increased activity and several brand-new entrants starting to close some deals.

Grand Rapids, Michigan-based Acrisure LLC continues to complete more transactions than all other buyers and reported 31 deals for the first six months of the year, down from 39 in the first half of 2020 and well below its five-year first-half average of 40. PCF Insurance Services in Woodland Hills, California, followed with 22, up 69% from 13 reported in the same period last year and three in 2019. Lake Mary, Florida-based Assured Partners Inc. logged 21 transactions, up from 19 in the first half of 2020 and slightly above its first-half average of 18, and BroadStreet Partners Inc. in Columbus, Ohio, recorded 19, approximating its five-year average of 18 first-half deals.

In total, the 10 most active buyers booked 51% of the announced transactions. There were 134 buyers in total that completed the remaining 49% of the deals, 29 of which made more than one acquisition.

Historically active buyers whose transaction count in the first half of 2021 dropped below their first half five-year average included Acrisure, with nine fewer, Hub with eight fewer, Alera with two fewer, and BroadStreet with one fewer.

The number of deals being done is on the rise across most segments, and it is important to note that the overall pace of large agency transactions is on the rise this year as well. Whereas we recorded only two large M&A transactions among retail agencies in the first half of 2020, there have been seven logged so far in 2021 (see chart).

Not included in the chart is the announcement of BRP Group’s purchase of RogersGray Inc. ($38.8 million revenue), effective July 1, 2021, and there could be more announcements coming.

TOP BUYERS

The top buyers during the first half of 2021 are shown below with comparable totals for 2017 through 2021:

Buyer	Company type	1st half 2017	1st half 2018	1st half 2019	1st half 2020	1st half 2021
Acrisure LLC	Private equity/hybrid	48	42	39	39	31
PCF Insurance Services LLC	Private equity/hybrid	0	4	3	13	22
AssuredPartners Inc.	Private equity/hybrid	12	19	20	19	21
BroadStreet Partners Inc.	Private equity/hybrid	18	14	17	30	19
Hub International Ltd.	Private equity/hybrid	21	33	26	28	17
World Insurance Associates LLC	Private equity/hybrid	4	5	8	12	16
Relation Insurance Inc.	Private equity/hybrid	1	0	3	2	14
High Street Insurance Partners Inc.	Private equity/hybrid	0	0	1	3	13
Alera Group	Private equity/hybrid	27	15	11	5	12
The Hilb Group LLC	Private equity/hybrid	6	3	9	10	9
TOP 10 TOTALS		137	135	137	161	174
ALL OTHERS		196	165	190	146	164
TOTALS FOR 1ST HALF OF YEAR		**333**	**300**	**327**	**307**	**338**

Source: Optis Partners LLC

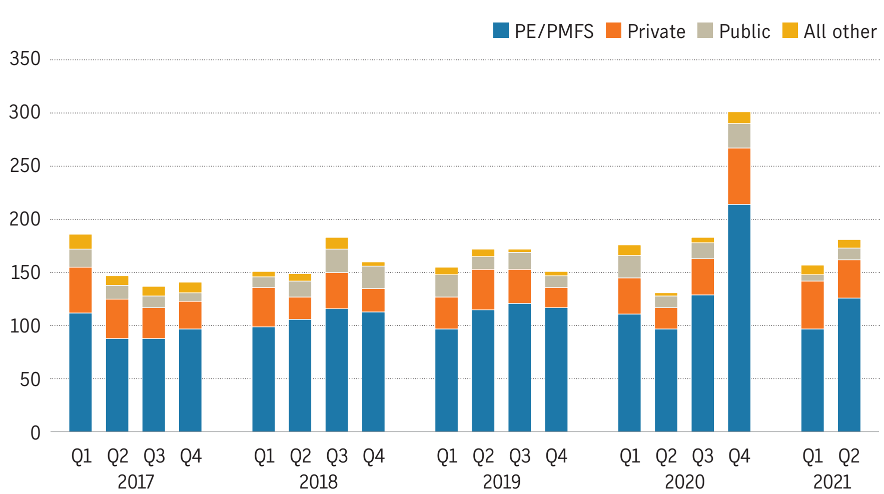
TOP FIRMS SOLD

Major 2021 acquisition announcements of sellers with more than $25 million in revenue included:

Seller	Buyer	Date	PY revenue
Murray Insurance Associates Inc.	AssuredPartners Inc.	January	$31,000,000
Fifth Third Insurance Agency Inc.	Foundation Risk Partners Corp.	January	$35,400,000
AP Intego Insurance Group LLC	Next Insurance Inc.	March	$33,000,000
Fiorella Insurance Agency Inc.	AssuredPartners Inc.	March	$33,000,000
Confie	Alliant Insurance Services Inc.	April	$475,000,000
PayneWest Insurance Inc.	Marsh & McLennan Agency LLC	April	$134,000,000
Bolton & Co.	IMA Financial Group Inc.	May	$57,000,000

Source: Optis Partners LLC

TRANSACTIONS BY QUARTER BY TYPE (2017 – Q2 2020)



Source: Optis Partners LLC

It’s no surprise that private equity continues to drive the increased pace of deals, with more established firms generally keeping pace with their historical activity, fairly new firms starting to hit their stride with increased activity, and several brand-new entrants starting to close some deals.

Further, there was one notable private equity-related transaction announced in the second quarter: Huron Capital sold its interest in High Street Partners to Abry Partners, which had recently exited Confie Seguros.

We and many pundits believe that deal count for 2021 will be at an all-time high. Both anecdotal and data-driven evidence in the first half of the year are strong indicators this will be true.

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

COMMENTARY

Cybercrime needs balanced response

The surge in ransomware attacks over the past year is fueling wide-ranging debates over how to stop the alarming trend but few concrete answers are emerging.

The international nature of the crimes, the difficulty in tracking and recovering ransoms paid in cryptocurrency and the vulnerabilities to cyberattacks that are evidently present at many organizations are all complicating the discussions.

In addition, some security experts and policymakers have suggested that the payment of ransoms is a big part of the problem, because the ill-gotten gains finance the operations of criminal networks and encourage hackers to launch more attacks.

Some public policy experts in the U.S. and overseas have also suggested that cyber insurance that covers ransomware payments is part of the problem.

Clearly, if organizations refused to pay ransoms, criminals would have little financial incentive to carry out future attacks, but equally clearly, it's not as simple as that.

Gavin Souter
EDITOR

As we have seen with recent attacks on infrastructure, financial companies and health care systems, hackers have the potential to cripple operations through the attacks. Those companies that pay the ransoms appear to regain control of their systems quickly and those that don't, such as Ireland's health system, face weeks or months of disruption.

Failure to return systems swiftly can put lives at risk, disrupt operations at other organizations and lead to the release of sensitive information.

For many organizations attacked, the ransoms they pay are significantly less than the money they would potentially lose through lost revenue or from the liabilities they would face from a swath of lawsuits.

Faced with the unappealing choice of paying millions of dollars to a hacker or potentially significantly more if they don't, many companies opt to pay the criminals. According to a recent survey by insurer Hiscox Ltd., 58% of companies targeted with ransomware met the cyber kidnappers' demands.

Banning or restricting insurance coverage for the payments would likely make little difference, other than put the already distressed organizations under even more pressure. Looking at the size of most of the ransom payments that have been made public, few of the companies involved would be unable to make the payments if they did not have insurance.

Instead, cyber insurance can be part of the solution. During the underwriting process, insurers can highlight potential weaknesses in policyholders' cybersecurity frameworks and help provide access to resources that can make networks more secure. If the carrot of improved risk management does not work, the stick of higher insurance premiums or coverage declines might.

Government has a big role to play in fighting the ransomware crime wave, but those efforts should center on ransom recovery, centralization of breach information and improving public and private cyber defenses. Undercutting organizations' ability to recover crucial data won't help.

FIGHTING CYBERCRIME

CYBERCRIME

Cyber defense practices advocated by the FBI:

- Regularly **back up data** and verify its integrity.
- Focus on **awareness and training**.
- Patch the **operating system**, **software** and **firmware** on devices.
- Ensure **antivirus** and **anti-malware** solutions are set to automatically update and that regular scans are conducted.
- Implement the **least privilege** for file, directory and network share permissions.
- Implement **software restriction policies** or other controls to prevent the execution of programs in common ransomware locations.
- **Disable macro scripts** from Office files transmitted via email.
- Employ best practices for use of **remote desktop protocols**.
- Implement **application whitelisting**.
- Use **virtualized environments** to execute operating system environments or specific programs.
- **Categorize data** based on organizational value.
- **Require user interaction** for end-user applications communicating with websites uncategorized by the network proxy or firewall.

VIEWPOINT

Sports require backstop

BY CLAIRE WILKINSON
cwilkinson@businessinsurance.com

As the summer months unfold, it's wonderful to see the return of live sporting events from the delayed UEFA Euro 2020 soccer tournament to the 2021 Wimbledon Championships, and as the postponed 2020 Tokyo Summer Olympics gets underway on July 28, I will be among the millions watching from home on television, assuming it goes ahead as scheduled.

That thought struck a note during the recently televised U.S. Olympics gymnastic trials when one commentator made the point that for the athletes going on to Tokyo this would be the last time their families would see them perform live in-person ahead of the event. Overseas spectators were banned from the Tokyo Games months ago, and just recently the president of the Olympic organizing committee said that the decision to allow some local spectators into venues might be revisited.

Risk management protections to control the spread of COVID-19 in Tokyo are understandably top of mind amid concerns over the spread of coronavirus variants and as the city reported rising case numbers after it lifted a state of emergency in June. Recent reports of a surge in COVID-19 cases among Scottish soccer fans who attended a match in London during Euro 2020 are a reminder that large live events still present a challenge. Fortunately, there are some successful prototypes to learn from. For example, the National Basketball Association's bubble environment that was put in place at Disney World during last summer's 2020 playoffs was extremely effective at keeping athletes within its perimeter COVID-19-free.

As the world continues to move toward, a new normal with vaccinations in arms but herd immunity not necessarily reached amid variant surges and ongoing gathering restrictions in certain areas, it's not just the safety of athletes and spectators and local communities that is in the balance. The event cancellation insurance market was among the hardest hit by the pandemic, with billions of dollars in claims. Since then, rates have increased, and capacity has tightened. Communicable disease exclusions were often a feature of pre-pandemic policies, but a "buy-back" option was typically offered under which policyholders could remove the exclusion and secure the coverage by paying an extra premium. Nowadays, communicable disease coverage is no longer available, even though new capacity has entered the event cancellation market.

For organizers of sports tournaments, music festivals, conventions or shows, the lack of pandemic insurance coverage adds to their problems as they try to ensure that events go ahead as planned and more revenue isn't lost. Billions of dollars are tied up in many of the megaevents. Potential insured losses from the Olympics are estimated to be in the \$2 billion to \$3 billion range if the Games are canceled, for example.

Meanwhile, several countries are moving toward establishing government-backed entities covering the COVID-19-related cancellation risks facing event organizers. Such a scheme is reported to be imminent in Britain and possibly Germany, following a similar approach in the Netherlands and Switzerland. These temporary safety nets are a good way to support businesses and supply chains that have been decimated by the pandemic, but whether there should be a permanent backstop for pandemic insurance remains an open question in the industry. As private insurers continue to absorb the losses from prior canceled events, a temporary backstop would at least give them time to assess whether they can address the risk going forward.

Resilient design for a safer, more secure future

Andrew D. Mendelson is senior vice president, chief risk management officer, at Berkley Design Professional, a W.R. Berkley Corp. company. He has more than four decades of experience as a licensed architect and insurance risk manager. He can be contacted at amendelson@berkleydp.com.

The consequences are undeniable. Global climate change has affected everything from the design and building of roads, bridges, homes and office complexes to the upgrading of our nation's electrical grids and pipeline systems.

Unfortunately, the forecasts of many of the world's leading climate research agencies are less than optimistic. According to NASA, the effects of global climate change are likely to continue "over this century and beyond" as the growing intensity and frequency of severe storm events, heat waves and wildfires increasingly wreak havoc on the nation's infrastructure and ecosystem. In fact, the National Centers for Environmental Information, recently reported that 25 storm-related disasters in the U.S. caused more than a billion dollars in damages each from 2018 to 2019. Of these, the top five combined to cause more than $75 billion in damages.

As a result, a renewed emphasis has been placed on the creation of buildings and infrastructure that not only withstand severe natural events but remain habitable under extreme conditions. Even President Biden's American Jobs Plan proposed wide-ranging initiatives promising that infrastructure projects developed under the plan would include funding to prevent, reduce and withstand the impacts of the climate crisis.

Given that researchers from Colorado State University have already forecast an "active" 2021 hurricane season, with 18 named storms of which four or more may become major hurricanes, resilience has become a prominent topic among engineers, architects, environmental consultants, legislators and property owners.

Defined by the Resilient Design Institute "as the capacity to adapt to changing conditions and to maintain or regain functionality and vitality in the face of stress or disturbance," resilient design has moved to the forefront of criteria necessary to protect critical infrastructure systems, structures and the environment from severe storm damage. In its 2018 publication titled "Building Community Resilience through Modern Model Building Codes," the International Code Council defines four of the initiative's primary components. They are:

- Efficient disaster mitigation and recovery.
- Ensuring mental and physical health and well-being.
- Improving building lifecycles.
- Creating a sustainable community.

Resilient design strategies

Resilient design and construction is intended to maintain the ongoing operation of key infrastructure, systems and facilities during and after severe weather events, and restore the capacity to return to normality in the short term with minimal interruptions.

For this to happen, the adoption of resilient strategies ranging from the design and construction of structures that can withstand the impact of severe storms to the installation and implementation of renewable energy and potable water sources must be conducted on multifaceted levels that jointly involve local businesses; energy, water and other utilities; and state and local governments.

On the construction side, practical and realistic solutions often begin by emphasizing the building of highly durable, self-sustaining structures that remain habitable no matter the challenge. This includes expanding the livability of these facilities with features such as compostable toilets, rainwater harvesting techniques, and passive heating and cooling. For many communities, this also means focusing on better management of stormwater, protecting aquifers, implementing enhanced wildfire mitigation measures and reducing urban heat island effects with advanced technologies, components and materials.

Standard of care issues

How has climate change affected the standard of care of construction projects? What is the potential culpability of designers and contractors? What exposures accompany the compliance or non-compliance with non-binding standards? These questions are increasingly being debated within the design and construction communities as today's building codes and regulations steadily evolve to address the new environmental normal posed by the ever-increasing threat of global climate conditions.

The challenge for many professionals, particularly engineers and environmental scientists, is the need to strike a balance among a project's budget, client goals, community best interests and resilient design principles, which can be affected by a wide range of factors from the area's storm history to the latest climatology studies. In such cases, the typical standard of care definition used as a defense by design professionals, contractors and subcontractors in most negligence cases may not be sufficient. This is because the reasonable degree of care and skill applied in similar instances by members of the same profession may be significantly stretched in regions where comparable buildings and structures were designed and built to a higher standard.

Consequently, mere compliance with local codes may not be enough to protect design or construction professionals from the liability associated with potential environmental disasters. This can be particularly true for high-impact storm areas that can reasonably be expected to sustain additional losses in the foreseeable future. To prepare for such instances and mitigate the potential liability risks, professionals should:

- **Anticipate code and practice standard upgrades.** Engage with professional associations to understand future trends. Stay informed with the latest climatology models, reports and studies to guide project criteria and site designs.
- **Think long-term durability and safety.** Recommend to project owners the establishment of design criteria with protocols not yet memorialized in building codes to address the likelihood of increased severe storm events and excessive wind, rain and flooding. Consider additional features such as structural reinforcement, storm water management, spillways, retention ponds, and sea and retaining walls to provide extra layers of building and infrastructure protection.
- **Document everything.** Document owner directives, especially the ones that decline the added resilient design criteria you have recommended.
- **Disclaim third-party reliance.** To some degree, this can mitigate risk based on the decisions and directives of clients who would rather design to code minimums than to the enhanced levels recommended by design professionals.

There is significant evidence that global climate change will have a profound influence on the way we live our lives for years to come. Fortunately, the methods exist to assist in protecting against its devastating effects. Resilient design offers a practical approach for fortifying everything from roads and bridges to public safety facilities and commercial and residential properties from the costly, destructive and sometimes deadly circumstances resulting from severe weather events.

But resilience alone will not work without common sense. Professionals need to protect against unforeseen liabilities by advocating and employing strategies intended to mitigate the risks of severe climatic events. Fortunately, numerous insurance alternatives exist for professionals presently working within this increasingly volatile, unforgiving and highly litigious environment.

MARKET PULSE

PRODUCTS & SERVICES

Aon unveils hurricane forecasting model

■ Aon PLC released its new Impact Forecasting Florida hurricane model.

The model incorporates a range of wind mitigation options and secondary building characteristics and features an event set that calculates wind hazards during the life cycle of each simulated hurricane.

Aon says the model can assist insurers with the identification of risk drivers at the location level, with calculating portfolio loss metrics, and with understanding the impact of climate change.

The Florida Commission on Hurricane Loss Projection Methodology has certified the model for rate making in the state, Aon said in its statement.

Hub adds transportation excess liability/umbrella

■ Hub International Ltd. launched an excess liability/umbrella coverage for the transportation industry, backed by Oklahoma City-based Trisura Specialty Insurance Co.

Hub Drive Excess Liability Shield will provide coverage with limits of up to $5 million, or a component of a transportation policyholder's excess tower, Chicago-based Hub said in a statement.

The coverage, which is available in all states except New York, is designed for transportation policyholders, including general freight, moving and storage, and last mile, auto/truck dealers, public auto and rail.

Trisura Specialty Insurance Co. is a subsidiary of Toronto-based Trisura Group Ltd.

Aegis launches parametric active shooter cover

■ Aegis Managing Agency Ltd., known as Aegis London, launched a parametric active shooter insurance policy.

The product insures small businesses against economic losses following a shooting or malicious incident that occurs within 250 meters of the policyholder's business, Aegis said in a statement.

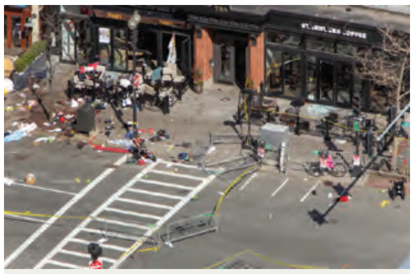
Limits are flexible, with up to $50,000 per event or a maximum of $500,000 per policyholder. Limits are capped at 10% of an insured's annual business interruption values or rental income.

The product is being marketed initially to small and medium-sized enterprises in the Dallas area with up to 10 properties.

Aegis monitors open-source data from the Dallas Police Department to identify when a triggering event has taken place. Within 48 hours of relevant data being published by the police, policyholders will be notified that an insured event has occurred and asked to confirm they have suffered a loss.

The insurer said it intends to make payment within 14 days after the event.

Aegis London is part of a group of companies of which Associated Electric & Gas Insurance Services Ltd. is the parent.



AIR updates bomb blast modeling

■ AIR Worldwide, the Boston-based catastrophe modeling firm and part of Verisk Inc., said it had improved modeling of the extent of damage from conventional bomb blast attacks in its terrorism model for the United States.

The model can help show damage and loss estimates, including property damage and workers compensation, and personal injury, by using the size and location of the bomb, AIR said in its statement. Model users can obtain loss results for a specific floor within a structure.

Clients can use AIR's Touchstone online platform to select a blast size and location to analyze the impact it will have on their specific book of business.

AIR used 3D computational fluid dynamics simulations and incorporated input as recent as from the detonation of a recreational vehicle bomb in downtown Nashville, Tennessee, on Dec. 25, 2020, in developing the model.

RPS offers E&O cover for agents, brokers

■ Risk Placement Services Inc. has launched a professional liability program for agents and brokers underwritten by ISMIE Indemnity Co., a subsidiary of ISMIE Mutual Insurance Co.

The program provides errors and omissions coverage for small to mid-sized insurance agencies, wholesalers and managing general agents, offering limits of $500,000 to $5 million.

First-dollar defense coverage, unlimited tail coverage and a modified coinsurance hammer clause of up to 80/20 are available under the program, the Rolling Meadows, Illinois-based wholesale broking and managing general agent unit of Arthur J. Gallagher & Co. said in a statement.

Founder Shield unit adds social influencer coverage

■ Scale Underwriting Services LLC, a managing general agent and a Founder Shield company, has launched media liability coverage for social media influencers and their agencies with up to $5 million in limits available.

The coverage is backed by specialist insurer Beazley PLC.

Scale Social covers U.S.-based influencers and agencies, particularly those with paid brand partnerships, from potential lawsuits involving their social media activities, the New York-based MGA said in a statement.

The online policy covers influencers' advertising, publishing and regulatory exposures.

Coverage also extends to influencers who promote goods without a direct contract with a brand if a party asserts there was a negligent or unflattering promotion.

Crisis management costs can also be covered under a sub-limit.

"The emergence of TikTok and other digital content platforms requires the insurance industry to think differently," Christine McCarthy, underwriter at Scale, said in the statement.

Skyward, tech underwriter partner on flood risks

■ Houston-based Skyward Specialty Insurance Group said it has entered into a partnership with Denver-based eThought Insurance Corp., a technology and underwriting managing general agent that will underwrite complex commercial flood risks.

It said coverage will be available through a select group of partner distributors for a broad range of classes, with primary and excess limits of up to $20 million per risk and $100 million for replacement values available.

Skyward said eThought brings to the partnership the ability to visualize, assess, underwrite and price commercial flood coverage for complex risks with its proprietary underwriting methodology and risk assessment technology.

DEALS & MOVES

BRP buys Mass. brokerage group

Brokerage BRP Group Inc. said it has agreed to buy South Dennis, Massachusetts-based RogersGray Inc. and two related brokerages with combined revenues of about $38.8 million.

The purchase will be made by two of BRP's indirect subsidiaries, Baldwin Krystyn Sherman Partners LLC and Millennia Specialty Insurance LLC, and will include RogersGray Inc., Breakwater Brokerage LLC and Monomoy Insurance Group, according to a BRP statement.

RogersGray and its affiliates provide commercial and personal lines coverage and employee benefits insurance to large and mid-sized companies and individuals, BRP said.

AssuredPartners buys Delaware agency

AssuredPartners Inc. has bought B&H Insurance LLC, an insurance agency with about $8 million in annual revenue.

Newark, Delaware-based BHI offers commercial property/casualty insurance, personal lines, employee benefits, and safety and human resources consulting services.

The team of 26 will join Lake Mary, Florida-based AssuredPartners and remain under the leadership of John Boykin, president and CEO of BHI.

IMA unit buys wholesale insurance brokerage

An IMA Financial Group Inc. unit said it has acquired Professional Lines Underwriting Specialists Inc., an Austin, Texas-based wholesale insurance brokerage that specializes in management and professional liability.

The announcement was made by Towerstone, the Dallas-based wholesale division of IMA. Financial terms were not disclosed.

PLUS will operate as a specialty division of Towerstone, with its eight employees continuing to operate out of the company's Austin office, Towerstone said.

PE firms complete purchase of CoreLogic

CoreLogic Inc. said its purchase by private equity firms Stone Point Capital LLC and Insight Venture Management LLC for $80 per share in cash has been completed.

CoreLogic will continue to be based in Irvine, California, and its management team led by president and CEO Frank Martell will remain in place.

"We've focused on underwriting discipline that looks at the unique qualities of each risk and provides clients with appropriate terms, limits and pricing."

UP CLOSE

Susan Chmieleski

NEW JOB TITLE: Hartford, Connecticut-based head of professional liability, Lexington Insurance Co., surplus lines unit of American International Group Inc.

PREVIOUS POSITION: Hartford, Connecticut-based head of health care, Lexington Insurance Co.

OUTLOOK FOR THE INDUSTRY: While there are differences and nuances in individual segments, I remain positive. Professional lines have been challenged by a prolonged soft market, rising loss costs and most recently the uncertainty around the effects of the pandemic. However, we have done the hard work over the last couple of years to remediate portfolios and position our business for success. We've focused on underwriting discipline that looks at the unique qualities of each risk and provides clients with appropriate terms, limits and pricing. The clear leaders will be those markets, like AIG, that navigate the headwinds and stick to their strategy.

GOALS FOR YOUR NEW POSITION: To more closely align strategy and execution across health care, LexPro and architects and engineers professional lines and capitalize on the talent we have assembled. Our goal is to be the market of choice and employer of choice in each segment.

CHALLENGES FACING THE INDUSTRY: As we emerge from the pandemic, it will be important to watch loss development patterns and ultimate costs.

FIRST EXPERIENCE: My first experience in the insurance field was in the area of professional liability and medical malpractice claims adjusting.

ADVICE FOR A NEWCOMER: I advise early career professionals to take advantage of opportunities in a number of different industry segments and products — to stretch and try new things — before setting a long-term career path.

DREAM JOB: Criminal defense attorney.

LOOKING FORWARD TO: Supporting the development of our early-career professionals and creating more career paths and opportunities across the entire professional lines team.

COLLEGE MAJOR: Nursing.

FAVORITE MEAL: My mom's chicken and dumplings.

FAVORITE BOOK: "The Pillars of the Earth," by Ken Follett.

HOBBIES: Golf and traveling.

FAVORITE TV SHOW: "Jeopardy."

ON A SATURDAY AFTERNOON: Play golf.

ON THE MOVE

Charles Taylor PLC named London-based **John Pickersgill** to the newly created role of group chief commercial officer. Previously, Mr. Pickersgill was head of global client management at Axa XL, a division of Axa SA.

Liberty Mutual Insurance Co. promoted **Tim Sweeney** to the newly created position of company president. Previously, Mr. Sweeney was president, global retail markets.

The Hartford Financial Services Group Inc. promoted Brea, California-based **Gretchen Thompson** to head of construction, inland marine, excess solutions and complex liability solutions. Previously, Ms. Thompson headed the Western division. She was named one of the *Business Insurance* Women to Watch in 2016.

Lockton Cos. LLC announced its Lockton Re unit is opening a Bermuda office headed by **Jonathan Davies**, former head of Global Re Specialty Bermuda for Aon PLC. Mr. Davies was named CEO of Lockton Re (Bermuda) Ltd.

Woodruff Sawyer & Co. has recruited former Marsh LLC managing director **John Fuhrman** as Southern California practice leader, a new position based in Irvine, California. At Marsh, Mr. Fuhrman led the brokerage's Pacific South partnership. He joined Marsh in 2016 after 10 years as a managing partner at Willis Towers Watson PLC.

AssuredPartners Inc. hired former M&T Bank broking executive **Nick Napolitano** as captives practice leader. Mr. Napolitano, based in White Plains, New York, was previously national sales leader at M&T Insurance Agency Inc., part of M&T Bank Corp. Prior to that, he worked at Brown & Brown Inc.

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Responsible drivers will unlike this

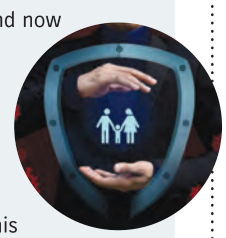
A recent insurance survey revealed that 5% of those behind the wheel can't wait to tell their friends and followers where they're going, what they did, what they ate, who they're with or what they think of (insert political discussion of the day).

Just in time for summer road trip season, Erie Insurance Group surveyed 500 U.S. residents ages 18 and older in February. Of those surveyed, 50% admit they use their smartphones while driving. In that group, 5% are engaging in social media.

And of them, 89% say they are usually scrolling through photographs, 63% are either taking or posting photos, 22% are watching or shooting videos, and 19% are commenting on other people's photos or videos.

Panic-buying life insurance

A research report for Expertise.com found many young Americans "panic-bought" life insurance during the pandemic and now 21% of them regret it.



Of a survey of 1,000 Americans, the report revealed that 25% bought a life insurance policy during the pandemic and within this group, 21% were ages 18-24, 32% were ages 25-34, and 26% were ages 35-44. Just 22% were over 45.

And among those who bought life insurance during the pandemic, 21% now regret it while another 13% preferred not to say. Within that group of 21%, 74% were between the ages of 18 and 44, according to results.

In following up with the people who regretted their life insurance purchase, Expertise.com asked if they will cancel their policy now that the pandemic appears to be winding down: 9% have already canceled it, 16% indicated they will cancel it eventually, 26% were not sure either way, 41% will not, and 9% opted not to say.

DAVID LETTERMAN GETS SERIOUS WITH INSURANCE SPONSOR

Nobody's laughing at a Boca Raton, Florida, insurance agency reneging on a $500,000 deal to sponsor an IndyCar racing team owned by retired late night television host David Letterman.

With its company logo already emblazoned on race cars and drivers' uniforms, Seeman Holtz Family of Cos. saw its name on tracks across the country, including at the famed Indianapolis 500, yet never paid the racing team despite its early excitement over the deal, as reported in the Palm Beach Post.

"We are excited to partner with Rahal Letterman Lanigan Racing to continue to expand our business, raise awareness of our services and deliver on consumer-focused strategies," Marshal Seeman, president of Seeman Holtz, said in 2018 announcing the partnership.

Reported as a "messy divorce" two years in the making, the team, renowned IndyCar driver Bobby Rahal and motorsports fan Michael Lanigan, all sued, claiming Seeman Holtz failed to pay the $500,000 to sponsor the 2019 racing series, the newspaper reported.

Beer says cheers to insurance offerings

Perhaps in line with its slogan "enjoy life responsibly," Budweiser Canada is now brewing plans to provide insurance coverage plans, the company announced.

Offering a modern take on classic insurance plans, the company says Budweiser Insurance will provide "unique coverage opportunities that have been designed around meaningful insights about customer experiences."

The announcement included few details on offerings, but a Labatt Breweries of Canada spokesman said he understood there would be doubters, but he said the venture makes sense for the beer brand.

"Unconventional as insurance may seem, Budweiser is known for putting our customers first," he said. "... Bud's got your back."

Shady Dollar Tree ripoffs lose out

Things you can no longer buy for a dollar: Vera Bradley's fabulously floral and quirky lookalike eyeglasses, sunglasses and cases.

Dollar Tree Stores Inc. and Vera Bradley Designs Inc. have settled for an undisclosed amount a lawsuit that accused the discount retailer of using copyrighted designs on its own eyeglasses, sunglasses and glasses cases, Bloomberg Law reported.

Vera Bradley alleged in legal documents filed in the U.S. District Court for the Northern District of Indiana in late 2020 that it learned about the copycat versions of its goods from a Facebook fan page that showed a pair of glasses and case featuring one of its signature designs that a fan had scored at their local Dollar Tree, according to the news outlet.

Officials with Vera Bradley reportedly bought such eyeglasses from Dollar Tree upon investigation, and went on to sue the chain store for copyright infringement, according to the news outlet.