INSURANCE JOURNAL

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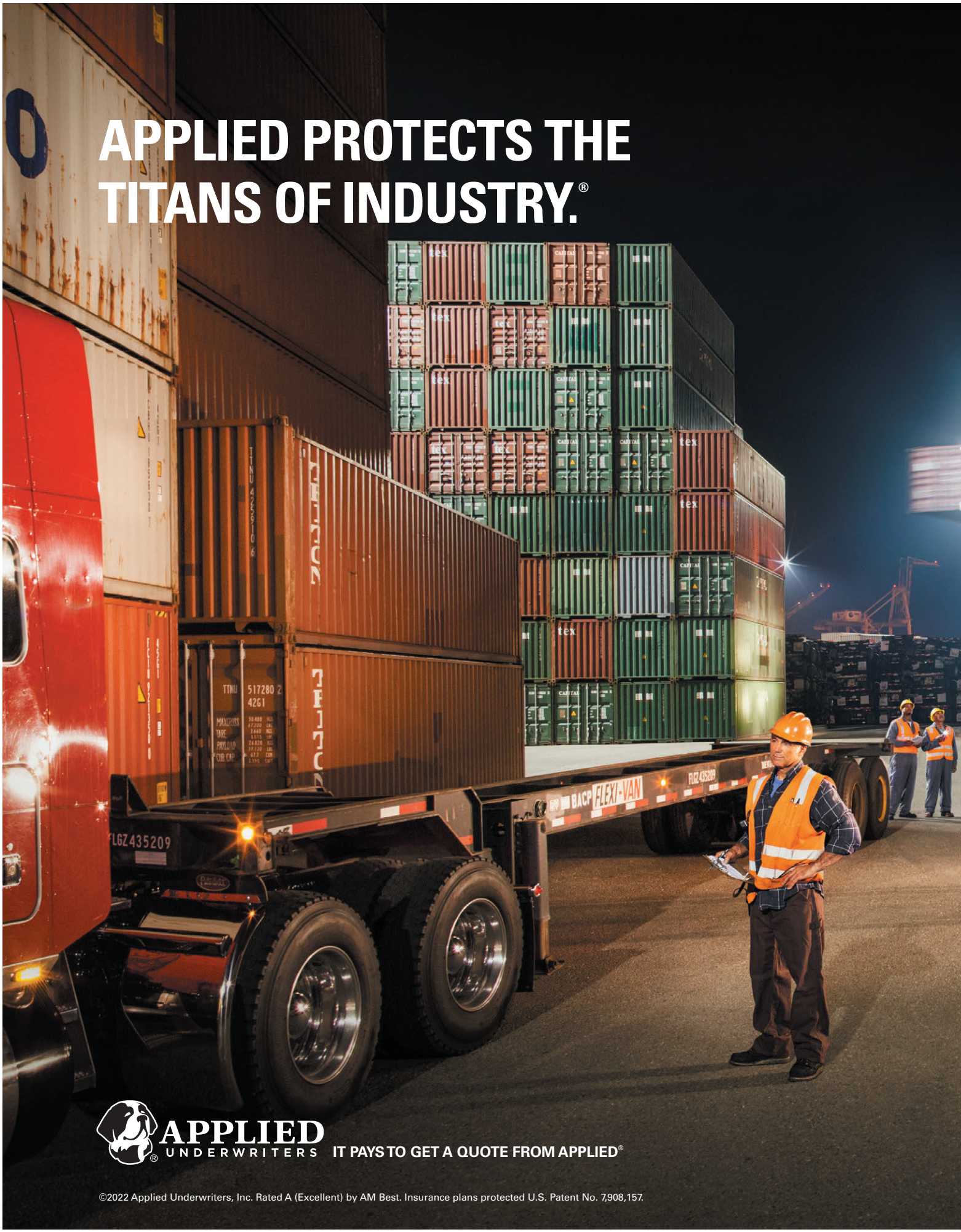
WHAT YOUNG AGENTS THINK

ABOUT THE INDUSTRY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Opening Note

Write the Editor: awells@insurancejournal.com

What Young Agents Think

This issue of Insurance Journal features exclusive results from the 2022 Young Agents Survey where nearly 300 young agents nationwide shared their views on the insurance industry and their experiences as agents. (See page 30 for the full report.)

This annual report also features the professional stories of five young agents. They describe their own journeys into the insurance world, share why they enjoy being an agent, and offer a few tips on what it takes to make it today as an independent agent.

But let's not overlook the industry's veteran agents. One of the biggest challenges for independent agency owners today is recruiting and retaining talent, writes Tony Caldwell in his monthly Insurance Journal column. (See page 40). To help combat this dilemma, Caldwell says it's critical that agencies re-engage the ready-to-retire and rehire the retired.

"Older workers have a great deal of hard-to-find (in new workers) knowledge," Caldwell says. Also, older workers at all agency staffing levels have "an intangible attribute that younger employees cannot match – wisdom," Caldwell writes.

And young agents and agency staff need their older peers to learn and grow. Of those young agents responding to this year's survey, 69% have relied on an older agent mentor during their career.

While young agents remain optimistic about their place in the insurance industry, they do have concerns over the economy, technology advancements, the industry's ability to attract new talent, hard market conditions and the need for more diversity in the agency system.

Here are 10 things that young agents responding to the survey say they'd like to change when it comes to the insurance industry or their own career.

1. More diversity overall in the industry.
2. Technology progress from the preferred carriers that have been around for many years.
3. I would also love to see more young talent and I think the industry as a whole could do better about educating and appealing to young people.
4. I would like to see people understand the true purpose of insurance as being to protect your family and assets. Too many consumers just want to buy on price.
5. Transparency in pricing to end users.
6. More women.
7. Better benefits and compensation.
8. D&I. I am one of two women producers under 40 at my agency. While I love what I do, working in a "boys club" environment is very isolating.
9. I think overall the insurance industry has a negative perception from the public. I think if our ethics improve as a whole, we can change that perception.
10. Technology please. It's 2022 everyone!

'Older workers have a great deal of hard-to-find (in new workers) knowledge.'

Andrea Wells
Editor-in-Chief

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PFAS, Microplastics, Baby Food: Emerging Casualty Risks Keep Coming

By Chad Hemenway

There is no longer a need to ponder the "next asbestos" because the current litigation environment and the recent pace of additions to the list of emerging risks and trends in casualty insurance is enough to keep the industry on its toes.

Risks and trends are "coming in more furious and faster than [we saw] five or 10 years ago," said Ania Caruso, casualty practice leader for the Southeast region at broker Gallagher, during Advisen's Casualty Insights Conference in New York on April 6.

Factors such as social inflation and litigation funding have resulted in nightmare losses for casualty insurers not only for litigation involving opioids, talcum powder, weed killer, and traumatic brain injuries, but also workplace injury claims. And the list of risks that could potentially drive future billion-dollar claims is growing.

"It's difficult," said Casey Petersen, primary casualty broking leader at WTW, during a panel discussion. He said conversations with clients about emerging risks used to include a bullet point or two. "Now it's 12 pages long."

According to Bob Reville, CEO and co-founder of Praedicat, PFAS is the "biggest thing out there." Found in many different consumer products, litigation involving PFAS chemicals is in the early stages but expanding fast, Reville said. "It has an immense footprint," he said.

Known as "forever chemicals," PFAS have been used for 40 to 50 years in everything from firefighting foam to nonstick pans, making the potential risk "massive" since scientific studies have shown the chemicals to be harmful. Total exposure to the insurance industry from litigation could potentially be close to $100 billion without factoring in expected lawsuits involving water contamination.

Furthermore, just around the corner, Reville said to get ready for claims involving microplastics. Studies over the years have found microplastics – very small plastic fragments – in the ocean, sea life, birds, air and most recently in the lungs of people, Reville said.

"Literature is emerging fast," he added. "The crossover to litigation could happen next year or after, but it's a big exposure to the industry."

Arsenic-related claims started to surface last year, Reville said. In what could be the first example of a product liability claim from climate change, suits have been brought against baby food manufacturers due to elevated levels of arsenic in the rice-based product. Arsenic has been found to be more concentrated in soil due to drought and increases in temperature.

Reville and other panelists said the agriculture industry may become more of a target for climate change related litigation, especially when climate change can be linked to bodily injury.

Agriculture might also be marked for litigation from victims of human trafficking. New legislation allows victims to file lawsuits against entities that benefit from human trafficking. Other than agriculture, domestic services, shipping and hospitality industries may see these types of lawsuits, added Connie Germano, president of insurance at Kalepa.

Figures

$102.5 Million

That's how much a jury awarded two women who sued a California school district over what they said was a failure to stop a middle school teacher from sexually abusing them as minors. Parents had repeatedly complained about the former music teacher, who was sentenced to more than 50 years in prison. The women, identified as Jane Doe 1 and Jane Doe 2, were awarded $65 million and $37.5 million, respectively, in the Santa Clara County Superior Court.

19

The number of named storms predicted by researchers at Colorado State University in what is expected to be a very active 2022 Atlantic season. The average for named storms during the Atlantic hurricane season (June 1 through November) is 14.4. The initial forecast from the CSU Tropical Meteorology Project calls for nine hurricanes and four major hurricanes, classified as at least Category 3 storm with sustained winds of 111mph. There were 21 named storms in 2021, including Hurricane Ida, which made landfall as one of the strongest hurricanes ever with maximum sustained winds of 150mph.

22

As in April 22, 2022. That's when a policy endorsement by American Integrity Insurance in Florida kicks in for new policies. The endorsement, approved in March by the Florida Office of Insurance Regulation, offers a premium discount if homeowners agree to mediation and binding arbitration instead of lawsuits when claims disputes arise. The approval was considered a major shift in policy for Florida regulators and now has other companies planning to produce similar endorsements as a way to curtail the vast amount of claims litigation in the state.

$97 Million

The jury award for the family of a boy whose brain was severely injured during birth at an Iowa City hospital, believed to be the largest medical malpractice verdict in Iowa's history. Kathleen and Andrew Kromphardt filed a lawsuit against Mercy Hospital Iowa City and an obstetrician, contending their son's brain damage was caused by medical staff's failure to act on signs that the baby was being deprived of oxygen in the hours before his birth and failure to deliver the baby by cesarean section. The boy is now 3 years old and is unable to walk by himself or speak beyond a few words. The family says he will need 24-hour care for the rest of his life. The hospital and the doctor's medical practice are to each pay half the award.

Declarations

Girl Scouts v. Boy Scouts

"This case boils down to a single question: must the Boy Scouts continue to use the word 'Boy' in its name now that it has become a co-ed institution."

— U.S. District Judge Alvin K. Hellerstein said when he tossed the 2018 trademark lawsuit brought by the Girl Scouts over the term "scouting." The suit claimed the now-coed Boy Scouts' use of the terms "scout" and "scouting" in recruitment ads without reference to gender would confuse the public. The judge ruled that the term was generic enough that both groups could use it without referring to gender. The Girl Scouts of the United States of America said in a statement that they plan to appeal. "This case is about ensuring that parents are not misled into thinking that Girl Scouts are part of or the same as the Boy Scouts."

Transparency Law

"The disclosure of this information is vital. … We give police officers a badge and a gun and we need to be able to trust them with it.'

— Gilles Bissonnette, the state legal director for the American Civil Liberties Union, said when New Hampshire released an expanded list of police officers who the state determined may have credibility concerns due to a range of infractions from excessive force to lying. The ACLU was one of several groups including several media outlets that sued in 2018 for access to what is known as the "Laurie List." The list of 174 officers, released following legislation passed last year, aims to improve transparency by tracking officers whose credibility may be called into question during a trial because of something in their personnel records.

Athletic Offense?

"Defendants acted with actual malice because they deliberately ignored the truth, which was evident in the medical records possessed by The Athletic, and because the defendants' defamatory statements were part of a campaign to harass Mr. Bauer."

— A lawsuit filed on behalf of Los Angeles Dodgers pitcher Trevor Bauer against The Athletic and a former reporter accuses them of "creating and spreading the false narrative" that he had fractured a woman's skull during a sexual encounter. The complaint, filed in California, also alleges two counts of defamation.

Topping Out

"This is an inspiring moment for all of us at Applied and for all of those who have worked so hard to realize this grand success in the making."

— Steve Menzies, chairman and founder of Applied Underwriters, on the construction milestone of the company's future operational headquarters in Omaha, Nebraska. Applied's mixed-use, 500-acre development topped out in late March, a term that refers to when the last beam is placed atop a structure during its construction. Applied plans to move up to 2,000 employees into the 270,000-square-foot facility. The headquarters sits among public nature trails and lawns, residential developments, and retail shops in Heartwood Preserve. Anticipated completion of the site and occupancy is slated for 2024.

Voice From the Grave

"I did fear that he was much bigger than I was and much stronger."

— Days before his own death, Louisiana Master Trooper Chris Hollingsworth told investigators about the night he held down Black motorist Ronald Greene and repeatedly bashed him in the head with a flashlight. Greene's family has filed a civil suit against Hollingsworth's widow over the unarmed motorist's deadly arrest. In a two-hour interrogation obtained by the Associated Press, Hollingsworth portrayed himself as the victim in the violent arrest, saying he feared for his life even as graphic footage played over and over showed white troopers swarming Greene's car after a high-speed chase.

Quality Control

"Most of our guys want to install quality roof systems that will last for years and years, and this requirement takes away from that."

— That's from Mike Silvers, a roofing contractor and director of technical services for the Florida Roofing and Sheetmetal Contractors' Association, talking about the current Florida building code requirement that often means minor roof damage results in a whole new roof for homes. Although property insurers have been at war with some roofing contractors in Florida, the FRSA has proposed major changes to the building code that insurance groups heartily support. The changes would revise the requirement that calls for entire roofs or roof sections to be replaced if just 25% of the shingles are damaged.

Floods Drive Economic Losses in 2021, but Only 25% of Risks Are Insured: Swiss Re

By L.S. Howard

More than 50 severe flood events around the world caused combined economic losses of $82 billion in 2021, while insured losses stood at slightly more than $20 billion — more evidence of a large ongoing global insurance protection gap of 75%, according to Swiss Re Institute's latest sigma report.

Overall, natural catastrophes in 2021 resulted in a total global economic loss of $270 billion and insured losses of $111 billion, the fourth highest on sigma records. "This continues the long-term trend of insured losses increasing by an average of 5%-7% annually worldwide," said the report titled "Natural catastrophes in 2021: the flood gates are open."

The "insurance protection gap" is the difference between total economic losses and the amount that is covered by insurers. For example, in 2021, the protection gap for flood risks was 75%.

The economic losses for 2021 rose by $10 billion after adding the costs of manmade losses, with insurance covering $8 billion of that amount. In 2020, global manmade losses amounted to $14 billion, with insurance covering $10 billion of that total.

While Hurricane Ida was the costliest single natural disaster in 2021, secondary peril events — such as severe convective storms (SCS), floods and wildfires — once again accounted for more than 70% of all insured losses from natural catastrophes over the year.

Last year was the first year on record when two secondary peril events each generated losses in excess of $10 billion (winter storm Uri and the flooding in Europe), the report noted.

The flooding in Europe in July 2021 was the costliest natural disaster on record in the region with economic losses of $41 billion and insurance losses of $13 billion. Swiss Re said the European floods marked only the second time insured losses from a standalone flood event surpassed $10 billion, after the floods in Thailand in 2011. These two events "demonstrate that the insured loss potential from single flood events today can equal and even exceed losses from primary peril events."

Diving into the topic of flood as a secondary peril, Swiss Re said floods represented 31% of global economic losses from natural catastrophes during 2021, only 2% less than tropical cyclones.

For example, during the past decade, there were three times as many large flood events as there were tropical cyclones, and 1.2 times as many floods as SCS.

"The devastation wreaked by floods reflects in the associated economic losses, which are consistently among the highest of all perils each year, alongside those from tropical cyclones and earthquakes," Swiss Re said.

Since 2011, economic losses from floods amounted to 23%, which is the second highest loss after tropical cyclones, the report continued. However, Swiss Re Institute found that "over the past decade only 5% of severe flood losses were insured in emerging markets and 34% in advanced economies, indicating a large global protection gap."

Swiss Re warned that such flood events are likely to increase in frequency and severity due to climate change, urbanization and the inadequacy of flood defense infrastructure in many countries.

"Floods affect nearly a third of the world population, more than any other peril. In 2021 alone, we witnessed more than 50 severe flood events across the world," commented Martin Bertogg, head of Catastrophe Perils at Swiss Re, in a statement. "Given the scale of devastation, flood risk deserves the same attention and risk assessment rigour as primary perils such as hurricanes."

"Climate change is anticipated to cause more frequent and more extreme weather events," said the report. "Growing populations, rapid urban development and the accumulation of economic wealth in disaster-prone areas are contributing to the ever-growing catastrophe losses." IJ

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Supreme Court Removes an Obstacle to Malicious Prosecution Lawsuits

By Andrew Simpson

The U.S. Supreme Court on April 4 eliminated one of the hurdles facing individuals looking to sue for being falsely accused of crimes.

In Thompson v. Clark, a majority (6-3) of the high court not only acknowledged a claim for malicious prosecution under the Fourth Amendment when an individual is held by law enforcement without probable cause but also ruled that claimants must show only that the underlying criminal charges brought against them were terminated in their favor. They need not show that the underlying prosecution ended with an affirmative indication of innocence.

The ruling reverses a U. S. Court of Appeals for the Second Circuit opinion and resolves a split among federal appeals courts over how to apply the favorable termination requirement to a Fourth Amendment claim for malicious prosecution. The opinion includes a reminder that police officers are still protected by the requirement that a plaintiff show the absence of probable cause and by qualified immunity.

The case before the court involved Larry Thompson, who was living with his fiancée (now wife) and their newborn baby in an apartment in Brooklyn, New York. Thompson's sister-in-law, who apparently suffered from a mental illness, called 911 to report that Thompson was sexually abusing the baby. When Emergency Medical Technicians arrived, Thompson denied that anyone had called 911.

When the EMTs returned with four police officers, Thompson told them they could not enter without a warrant. The police nonetheless entered and handcuffed Thompson. EMTs took the baby to the hospital where medical professionals examined her and found no signs of abuse. Meanwhile, Thompson was arrested and charged with obstructing governmental administration and resisting arrest. He was detained for two days before being released. The charges against Thompson were dismissed before trial without any explanation by the prosecutor or judge.

Thompson sued the police officers under an 1871 federal civil rights law known as Section 1983 that created a federal tort liability for individuals to sue state and local officers for deprivations of constitutional rights. Thompson claimed that the officers had violated the Fourth Amendment, which prohibits unreasonable seizures.

Associate Justice Brett Kavanaugh, writing for the majority, noted that the law in 1871 did not require more than dismissal of charges to overcome the requirement of a favorable termination.

The parties to this case, and the lower courts, disagree about what a favorable termination entails. That is, is it sufficient to show that Thompson's prosecution ended without a conviction or must he also show that his prosecution ended with some affirmative indication of innocence, such as an acquittal or a dismissal accompanied by a statement from the judge that the evidence was insufficient?

In this case, as in others, Thompson could not put forth any substantial evidence that would explain why the prosecutor had moved to dismiss the charges or why the trial court had dismissed the charges. The prosecutor and trial court did not explain their decisions.

Since there was no evidence, the district court ruled that Thompson's criminal case had not ended in a way that affirmatively indicated his innocence and granted judgment to the defendant officers on the Fourth Amendment claim. The U. S. Court of Appeals for the Second Circuit affirmed the dismissal of Thompson's Fourth Amendment claim.

In explaining the court's agreement that the 1871 tort law did not require a plaintiff to show an affirmative indication of innocence, Kavanaugh wrote: "The question of whether a criminal defendant was wrongly charged does not logically depend on whether the prosecutor or court explained why the prosecution was dismissed. And the individual's ability to seek redress for a wrongful prosecution cannot reasonably turn on the fortuity of whether the prosecutor or court happened to explain why the charges were dismissed."

Kavanaugh also noted that requiring a plaintiff to show his prosecution ended with an affirmative indication of innocence is not necessary to protect officers from unwarranted civil suits since, among other things, officers are still protected by qualified immunity and the plaintiff must show an absence of probable cause.

Thompson's lawyer, Amir Ali of the MacArthur Justice Center, told the Associated Press that the court had removed an unjust barrier and his client will now get the opportunity to prove his malicious prosecution claim in court.

In a dissent, Associate Justice Samuel Alito argued that a malicious prosecution is not the same as an unreasonable search as cited in the Fourth Amendment. "A comparison of the elements of the malicious prosecution tort with the elements of a Fourth Amendment unreasonable seizure claim shows that there is no overlap," he wrote. He was joined in dissent by Associate Justices Neil Gorsuch and Clarence Thomas. IJ

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Business Moves

National

Berkshire Hathaway

Warren Buffett's Berkshire Hathaway reached an agreement with Alleghany Corp. to buy the New York-based property and casualty insurer for about $11.6 billion.

Omaha, Nebraska-based Berkshire will acquire all outstanding Alleghany shares for $848.02 per share in cash in a transaction unanimously approved by both boards of directors. Berkshire said the acquisition price represents a multiple of 1.26 times Alleghany's book value at Dec. 31, 2021.

The deal brings Joseph Brandon, Alleghany's president and CEO, back into the Berkshire family. From 2001-2008, Brandon was chair and CEO of Berkshire Hathaway's General Re Corp. He joined Alleghany as executive vice president in 2012 and succeeded Weston Hicks as president of Alleghany in April last year.

Alleghany will continue to operate as an independent entity. The deal is set to close in the fourth quarter after regulatory approvals and approval by Alleghany stockholders.

In a statement, Berkshire CEO Buffett said he has been watching Alleghany closely for over 60 years, and that Alleghany "has many similarities to Berkshire Hathaway."

In addition to General Re, Berkshire's reinsurance and specialty businesses include National Indemnity, Berkshire Hathaway Specialty and USLI, among others.

Alleghany's reinsurance and specialty operations include TransRe, RSUI and CapSpecialty. Berkshire's insurance operations also include personal lines giant GEICO.

Like Berkshire, in addition to operations in insurance and reinsurance, Alleghany has an extensive portfolio of investments in non-insurance companies. The company was started in 1929 with a focus on real estate in Cleveland before entering the railroad business.

When its founders died, Robert Young and Allan Kirby purchased the company and focused on an acquired mutual funds business to recover from the effects of the Great Depression. Alleghany sold its stake in the mutual funds business in 1984 and used the proceeds to get into insurance. The Kirby family has remained a part of Alleghany.

Under the terms of the definitive merger agreement, Alleghany may actively solicit and consider alternative acquisition proposals during a 25-day "go-shop" period. Alleghany has the right to terminate the merger agreement to accept a superior proposal, subject to the terms of the merger agreement.

Goldman Sachs & Co. LLC is serving as financial advisor and Willkie Farr & Gallagher LLP is serving as legal advisor to Alleghany. Munger, Tolles & Olson LLP is serving as legal advisor to Berkshire Hathaway.

East

Hilb Group, E.B. Cohen Insurance

The Hilb Group has acquired E.B. Cohen Insurance and Risk Management, expanding the company's presence in the tri-state area.

E.B. Cohen has offices in both Roseland, New Jersey, and New York, New York, and provides insurance and risk management services with a focus on hospitality, real estate, and small businesses.

Agency principals David and Neil Owens and their employees will join the Hilb Group's tri-state regional operations.

The Hilb Group is a property/casualty and employee benefits insurance brokerage and advisory firm headquartered in Richmond, Virginia.

The company has completed more than 130 acquisitions and now has more than 100 offices in 22 states.

Hilb Group is a portfolio company of The Carlyle Group.

Midwest

Ohio National Mutual Holdings

Ohio National Mutual Holdings Inc. and its wholly owned subsidiary Ohio National Financial Services Inc., a leading provider of financial services, successfully completed its sponsored demutualization transaction with Constellation Insurance Holdings Inc.

Following the approval of the transaction by member vote on March 11, 2022, ONMH has converted to a stock company, renamed Ohio National Holdings Inc., and has become an independently managed subsidiary of Constellation.

Ohio National Financial Services Inc. remains a subsidiary to ONH (collectively referred to as Ohio National). Ohio National will maintain its brand, management team and infrastructure, and will continue to be headquartered in Cincinnati, Ohio.

As part of the transaction, Constellation has committed to contribute $500 million of capital into Ohio National Life Insurance Co. over a four-year period, further strengthening Ohio National's strong capital position and ability to fulfill its obligations, as well as to invest in organic and inorganic growth opportunities.

Agam Capital Management LLC, an insurance solutions provider and strategic

partner to Constellation, brings substantial variable annuity risk management and insurance industry expertise, which significantly strengthens Ohio National's ability to capitalize on inorganic growth opportunities, according to the announcement of the transaction.

Sidley Austin LLP served as legal counsel to Ohio National and Debevoise & Plimpton LLP served as legal counsel to Constellation on this transaction.

Keefe, Bruyette & Woods, A Stifel Company, served as financial advisor to Ohio National and its Board of Directors.

Relation Insurance Services, Woller-Anger & Company

Relation Insurance Services Inc. announced it acquired the assets of Wisconsin-based Woller-Anger & Company.

Woller-Anger & Company is a full-service retail insurance agency, and offers commercial lines, personal lines, and life and health coverage for clients across a range of industries.

Woller-Anger is headquartered in Elm Grove, Wisconsin, and will join Relation's Great Lakes region.

Erv Woller and Bob Anger will continue to lead Woller-Anger under Relation.

High Street Insurance Partners, Gemini Risk Partners

High Street Insurance Partners has acquired Michigan-based Gemini Risk Partners.

Gemini Risk Partners was founded by attorneys David Kramer and Theodore Nittis to service the insurance needs of law firms.

The agency specializes in providing professional liability coverage and other comprehensive insurance solutions exclusively to law firms.

Traverse City, Michigan-based HSIP is a full-service independent insurance brokerage firm.

South Central

Relation, Dixon Insurance Services

Relation Insurance Services Inc. has acquired the assets of Arkansas-based Dixon Insurance Services LLC.

Dixon is a multi-line property/casualty agency with a heavy focus on commercial lines within the farm and agriculture industry.

Dixon is headquartered in Lake City, Arkansas.

The company will fold into Relation's Central Region and will report up through Mark Kochner.

Relation is an insurance brokerage that offers superior risk-management and benefits-consulting services through its family of brands across the U.S.

NFP, Achilles & Associates

NFP has acquired Achilles & Associates, an Austin, Texas-based proberty/casualty broker that provides customized commercial P/C, personal lines P/C, and benefits insurance products and services to individuals, small businesses and middle market clients.

The acquisition strengthens NFP's capabilities and product offerings in its Central region, according to the companies' announcement.

Firm principals Jerry Achilles and David Achilles will join NFP as vice presidents and report to Kevin Brown, managing director, Corporate Services.

NFP provides specialized property and casualty products, corporate benefits, retirement, and individual coverage through licensed subsidiaries and affiliates. It has some 6,600 employees around the world.

Southeast

Hub, JAG

Hub International, an insurance brokerage firm, acquired JAG Investment Partners and its JAG Insurance Group, based in Coral Gables, Florida, the company announced.

JAG Insurance specializes in insurance products and consulting for a number of industries, including hospitality, non-profit and real estate.

The move expands Hub's services in the South. Hub, headquartered in Chicago, said it has more than 14,000 employees in North America.

King, Generic

King Insurance, an insurance brokerage known for its rapid expansion in recent years, has acquired Generic Insurance Agencies of North Central Florida.

GIA operates out of offices in Gainesville and West Palm Beach, offering commercial and personal lines products to about 3,000 customers, the company said in a news release.

The agency's Gainesville office will be combined into King's Gainesville site, and the West Palm office will remain.

King was founded in 1974 and is headquartered in Gainesville. The firm offers property/casualty and employee benefits insurance solutions.

West

Hub, Chun-Ha Insurance Services

Hub International Ltd. acquired Chun-Ha Insurance Services Inc. in Garden Grove, California.

Chun-Ha Insurance is an agency serving the Korean American community, providing insurance solutions, including commercial and personal insurance, and employee benefits services.

Ki Hong Park, CEO and president of Chun-Ha Insurance, and the Chun-Ha Insurance team will join Hub Los Angeles/Orange County

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

ALKEME, Snapp & Associates

ALKEME has acquired Snapp & Associates Insurance Services in San Diego, California.

Snapp & Associates serves a broad base of industries and has a specialty focus in risk management, insurance planning and employment benefits services in the hospitality, entertainment, construction, and real estate industries.

Ladera Ranch, California-based ALKEME is backed by GCP Capital Partners, and provides services including property/casualty, benefits, surety, risk and wealth management. IJ

People

National


Michelle Faylo

Lockton appointed **Michelle Faylo** as its U.S. Cyber & Technology leader.

A 20-year veteran of the insurance industry, Faylo joins Lockton from AIG, where she most recently was North America Head of Cyber & Professional Liability. Before joining AIG in 2006, she worked as a client advocate at Willis.


Chris Boggs

The Big "I" promoted **Christopher Boggs** to vice president of agent development, research and education.

Boggs succeeds Madelyn Flannagan, who will retire after 26 years of excellent service to the independent agency channel.

Boggs joined the Big "I" team in November 2016. In his new role, Boggs will manage and lead the Big "I" agent development department, including the Virtual University, Agents Council for Technology (ACT), Invest, the Diversity Council, Young Agents, Best Practices and errors & omissions risk management.
He previously served as the vice president of education for Insurance Journal's Academy of Insurance.


David Lynders

Falcon Risk Holdings appointed **David Lynders** as head of Management Liability, **John Merchant** as head of Cyber & Technology E&O, and **Martin Schnabel** as head of Claims.


John Merchant

Falcon Risk, an MGA, started underwriting risk in January 2022 and provides a full suite of financial, professional and cyber insurance products and services.

Lynders joins from AIG, where he held a number of senior roles, including head of Financial Institutions, Financial Lines North America. Merchant joins Falcon from Optio Insurance Services where he was managing director - Cyber & Technology Practice, North America. Schnabel was at Nationwide E/S Specialty for the last 12 years, where he most recently served as chief claims officer.

Marsh McLennan appointed **Mikhail "Misha" Vanyo** as general counsel of Marsh. Based in New York, Vanyo will lead all legal and compliance strategy for Marsh globally.

He succeeds Katherine Brennan, who was named senior vice president and general counsel of Marsh McLennan. Vanyo will report to Brennan and to Martin South, president and CEO of Marsh.

Vanyo joined Marsh McLennan as the firm's chief competition counsel in 2017, later taking on the role of Marsh's chief counsel for Global Placement and Specialty. Prior to joining Marsh McLennan, he served as federal prosecutor with the U.S. Department of Justice, focusing on antitrust, fraud, and other white collar crime, and as an associate at the global law firms Simpson Thacher & Bartlett and O'Melveny & Myers.

Karl Hersch has been named the leader of advisory firm **Deloitte's** U.S. insurance sector within the organization's financial services industry practice.

Hersch will oversee more than 3,200 practitioners providing services to organizations across the insurance industry. Hersch, a principal with Deloitte Consulting LLP, will be responsible for leading the overall insurance sector strategy, bringing practice areas together to serve Deloitte's portfolio of insurance clients.

Hersch has 30 years of experience and has held numerous leadership roles, serving as the U.S. insurance consulting practice leader since 2019. .

Hersch succeeds Gary Shaw, who will continue to focus on the organization's largest accounts. During his tenure, Shaw oversaw the exponential growth of the U.S. insurance practice, while also serving as the lead client service partner for a major global insurance company.

Deloitte's insurance group brings together specialists from actuarial, risk, strategy, operations, technology, tax and audit.

East


George MacKinnon

Vermont's Union Mutual Insurance Co. hired **George MacKinnon** as vice president of underwriting.

MacKinnon has 30 years of experience in the insurance industry, working most recently at Patrons Oxford as vice president of underwriting. He has experience in commercial lines, workers' compensation and personal lines as well as information technology, accounting and sales.

MacKinnon will be based in the company's Montpelier office.

Massachusetts' **Gilbert Insurance Agency** has hired **Keith Monti**.

In his 13 years in the industry as an insurance producer, Monti has focused on risk management and insurance for contractors, subcontractors, restaurants, auto repair shops, property investors, and others. He is a certified Construction Risk and Insurance Specialist.

Monti will work out of Gilbert's new Georgetown office, which opened in February. This location is the third for the family-owned Gilbert agency, which also has offices in Reading and Medford.

Midwest

Western Reserve Group promoted **Greg A. Brunn** to president and CEO effective Jan. 1, 2023, upon the retirement of current President and CEO Kevin W. Day. In addition, Brunn has been elected to the board of directors.

Brunn began his career with WRG in 1997 as the marketing manager. In January 2021, he was appointed executive vice president/COO, a position in which he will remain through the end of the year.

Western Reserve, founded in 1906 and based in Wooster, Ohio, partners with more than 400 independent agencies to distribute quality property and casualty insurance products

throughout Ohio and Indiana.

The Hilb Group named **Ryan Hartzler** Midwest Platform leader. He will be responsible for the growth and development of Hilb Group agencies in Indiana, Michigan and additional Midwest states as the company expands its presence and brand throughout the region.

Hartzler joined the Hilb Group in 2016 as part of the company's acquisition of Patriot Insurance.

The Hilb Group is a property/casualty and employee benefits insurance brokerage and advisory firm headquartered in Richmond, Virginia.

POWERS Insurance & Risk Management promoted **Kate Murphy** to licensing coordinator and **Shari Smith** to account manager for sister company Valley Insurance Agency Alliance (VIAA).

Murphy is responsible for licensing and compliance needs across the country. She will handle carrier appointments, license renewals, and arranging continuing education for the company's associates. Murphy previously was an administrative assistant at POWERS.

Smith was promoted to a newly created position at VIAA where she will manage both commercial and personal lines accounts. She also will assist with quoting and issuing new business policies, as well as work with commercial book roll transfers. Smith previously served as a commercial account manager at POWERS. She has more than 20 years of customer service experience and is a certified insurance service representative.

St. Louis, Missouri-based POWERS provides personal and business insurance, surety, and risk management.

TigerRisk Partners LLC, a risk, capital and strategic advisor to the global insurance and reinsurance industries, appointed **Bill Tuttle** as partner, senior reinsurance broker.

Based in Minnesota, Tuttle will be responsible for guiding key clients through complex property placements in this difficult time in the market cycle. He has over 35 years' experience in the property/casualty industry, and joins most recently from Aon, where he was managing director with a focus on property catastrophe clients.

TigerRisk is a risk, capital and strategic advisor to the insurance and reinsurance industries founded in 2008.

Southeast

Jimcor Agency Inc., a national wholesale broker and managing general agent, hired **Michael Becotte** as a commercial lines underwriter for the Southeast, based in Cumming, Georgia.

Becotte has more than 35 years experience, including eight in the insurance business. He is certified in government sales and was most recently with Southern Insurance Underwriters.

Owens Insurance Agency in Greer, South Carolina, named **Chad Hannon** market president.

Hannon joined Owens as executive vice president of the commercial division seven years ago.

Owens, licensed in South Carolina and Georgia, specializes in insurance for most types of construction companies.


Halsey Fischer

Nashville's **Tucker Agency**, an independent insurance agency, hired **Halsey Fischer** as controller and to assist with client management.

Fischer, a Nashville native, has been an accountant for more than 14 years, most recently with HCA.

Tucker Agency, founded in 2018, is licensed in more than 30 states. It is led by founder and principal Will Tucker.

West

Island Insurance Cos. announced that **The Law Offices of Cary T. Tanaka** joined the company as its newly created staff counsel.


Cary Tanaka

In addition to Cary T. Tanaka, the staff counsel team includes **Greg Takase**, **Jared Say**, and legal staff.


Greg Takase


Jared Say

Tanaka, now Island Insurance vice president and managing staff counsel, has served for nearly three decades as outside panel counsel representing the company's customers.

Takase has nearly 25 years of legal experience, many of which were spent in service to Island Insurance's customers.

Say has worked for nearly 15 years in the Island Insurance claims department.

Island Insurance's offerings include personal auto, homeowners, condo, renters and umbrella insurance, and commercial insurance.

Insurance broker **McGriff** added **Donna Matthews**, a senior vice president and Denver, Colorado-based marketing account executive, to its real estate and hospitality practice.


Donna Matthews

Matthews has nearly 20 years of experience.

A subsidiary of Truist Insurance Holdings, McGriff provides risk management and insurance solutions to clients across the United States.

Crest Insurance added **Chris Haller** to its Wyoming team.

He previously worked in career in sports management at the University of Wyoming, IMG/Learfield, where he oversaw strategic corporate sponsorships.

Crest Insurance has offices throughout the Southwest and holds licenses in all 50 states.

Alliant Insurance Services promoted **Peter Arkley** to president of its retail property/casualty operations.

He joined Alliant in 2011.

Alliant also named Brittany Thune Lindberg vice president, mergers and acquisitions.

Thune Lindberg previously was with Elgethun Capital Management Inc.

Alliant is a distributor of diversified insurance products and services.

Chubb's Greenberg on War, Ex-CAT Reporting and Insurance Profits

'As we manage risk at home and abroad, geopolitical and political strife, social divisions, economic uncertainty, climate change, and technological advances pose tough questions for the insurance industry and for liberal democracy and the free enterprise system that have sustained our way of life.'

Chubb's 2021 annual report, published online in April 2022, contains more than the details of the best year in the company's history. As in past years, the chief executive commented on world events in his letter to shareholders.

Starting his letter by recalling a prediction included in his 2020 annual report letter — that Chubb was entering a period of greater wealth creation — Chubb Chair and CEO Evan Greenberg quickly referenced the Russia-Ukraine conflict in his opening paragraph.

"I am confident this pattern will continue," he wrote, referring to the wealth created by double-digit premium growth and record underwriting profit in 2021. He added, however, "I am naturally more cautious when considering the external environment with a war now raging in Europe involving a major nuclear power."

Strong organic growth was one of Chubb's 2021 shareholder wealth drivers. Another was a combined ratio below 90.

Organic growth was the best since 2003, according to Greenberg, reporting P/C net premiums written globally jumping 13%, driven by commercial lines growth of almost 18%. The published P/C combined ratio was 89.1 for the full year 2021.

Although Greenberg's letter repeatedly talks about the company's reasons to "look to that future with clarity, conviction and optimism," writing the letter at the time a war is unfolding in Ukraine prompted the insurance leader to comment on its impacts on Chubb, the insurance industry and the overall economy.

"As we manage risk at home and abroad, geopolitical and political strife, social divisions, economic uncertainty, climate change, and technological advances pose tough questions for the insurance industry and for liberal democracy and the free enterprise system that have sustained our way of life," Greenberg wrote. "An emerging multipolar world and, until the last two months, a lack of strong political leadership and unity among democracies, as well as an intensifying U.S.-China/Russia rivalry, are sources of concern." Still, even though "we are living through times that are, on the one hand, uncertain, risky and complicated, particularly now given war in Europe, there is also great opportunity" for insurers, he said, later referring to global property/casualty market conditions conducive to growth "now and over time, [which is] constrained only by our underwriting discipline to earn a proper risk-adjusted return and management of risk."

Other growth drivers include:

- The potential reversion of consumer spending and travel to pre-COVID levels, coupled with a longer-term trend of an expanding middle class, which will boost Chubb's large and diverse consumer businesses.
- Rising interest rates, which will boost investment returns.
- Revenue and earnings power from Chubb's acquisition of Cigna's accident and health and life insurance business in the Asia-Pacific region (expected to close in 2022) and from Chubb's increasing ownership in Huatai Insurance Group in China.
- Digitalization of Chubb's business, providing a competitive advantage long into the future.

"All of this gives me confidence that we will not only benefit in the short term but are also well placed to take our company into the future," Greenberg wrote.

The confidence, however, is tempered by words of caution, with the CEO describing the Russia-Ukraine conflict as "a human tragedy of epic proportions and an event with profound geopolitical implications." Wrote Greenberg: "The crisis is testing the leadership of liberal democracies, and it will change the world in ways we cannot yet predict."

The letter continued with an admonition: "We abhor and reject on every level Russia's extraordinarily barbaric military actions in Ukraine, but we simply don't know the endgame. Before the Ukraine invasion, pressures were intensifying on the international trading system and on the liberal world order, which the U.S. has led since the middle of the last century."

"Will Ukraine be an enduring wake-up call while at the same time accelerate the move toward a multipolar world and a new Cold War between democracy and autocracy?"

"As a global company, Chubb is in the thick of these trends but, frankly, we all are, as they deeply impact our country — including our peace and prosperity as citizens."

Not directly referenced in the letter is Chubb's local presence in Russia. On the page immediately following the letter, the report includes an image of an array of dots on a global map, and below it, a list of the 54 countries in which Chubb has a local presence, including Russia.

The global breadth of Chubb's operations is among the growth drivers Greenberg highlights in the opening letter. "The depth of our local presence and the well-integrated design of our organization enable us to take advantage of opportunities arising from both cyclical and longer-term secular growth trends in the U.S., Europe, Asia, Latin America and other parts of the world."

Ex-CAT Reporting: A 'Head-Fake'

More than five pages of the 20-page letter deal with natural catastrophe exposure and Chubb's commitments to protect society against the impacts of climate change. "In our way of thinking, virtually all geographies and properties are exposed to some combination of threats arising from increased weather-related events," the letter says, after describing the contributions of natural phenomena and carbon emissions to climate change, and the impact of aging infrastructure on property losses.

That means the insurance price of every property risk needs to include catastrophe premium. And when carriers report their results, they need to stop highlighting the "current accident year combined ratio excluding catastrophes." The "ex-CAT" measure of underlying financial health is a secondary one, which made sense when natural catastrophes were infrequent events.

"The industry and investment community should focus primarily on the published results, including CAT losses ... By focusing more on ex-CAT, managements and investors are led to give a pass to inadequate pricing and underwriting, and it's a head fake," Greenberg wrote, noting the mismatch between the denominator of the calculation, which includes CAT premium, and the numerator with CAT losses excluded. "What a great gig."

Greenberg also addresses Chubb's commitments on climate action, including placing certain limits on fossil fuel underwriting, including coal and tar sands. "But underwriting limitations must be balanced against the essential and core purpose of insurance, which is to provide risk protection for lawful activity. Any such limits on entire classes of activity interfere with this purpose and must be an exception based on an analytical, fact-based examination of realistic alternatives," he wrote.

The Rest of the 20 Pages

The 20-page letter touches on almost every issue on the minds of insurance carriers' leadership teams, including inflation ("I doubt [it] is simply a temporary phenomenon, given such broad-based supply- and demand-side pressures across the economy"), digitization of insurance ("it's here"), the talent war ("If you are ambitious, disciplined, take responsibility, are a decent human being and have a need to belong, [then] give us a call,"), cyber threats ("Like a pandemic, a cyber-CAT event knows no geographic or temporal boundaries"), and more.

Greenberg also comments on U.S.-China relations and America's domestic problems, including the divisive ideological extremes that stand in the way of progress.

Other highlights of the letter more directly related to Chubb's performance included Greenberg' comments on Chubb's patience during the soft market and its ability to capitalize on hard market conditions in commercial insurance in 2021. "As a good underwriter does, we chose to forsake growth — painfully, I might add — for an underwriting profit" during the six prior years. "Quite a number of our competitors, on the other hand, in their pursuit of market share during the soft part of the commercial P/C cycle, inflicted damage on themselves (and, frankly, their customers, too) by underpricing risk and providing excessively broad coverage."

Discussing the litigation environment, Greenberg observed that "lawyers drive up insurance costs by cleverly twisting insurance contract language and testing new theories of legal liability" and described a portion of the "money-making investment class" of litigation funding as being comparable to "betting on a horse race."

Regarding Chubb's M&A philosophy, Greenberg commented: "We pull the trigger on an acquisition only if we are already engaged in and understand the business, are confident that there is an industrial logic, and there is a financial return that is attractive to the company and our shareholders."

Looking back on the ACE-Chubb merger of 2016, which occurred at a time when market conditions were soft, he noted Chubb's accelerated growth in the more recent harder market. "[I]t is clear our success has been much greater than it would have been if Chubb and ACE had stayed on their separate paths."

Not mentioned in the letter was Chubb's failed takeover bid of The Hartford early last year. IJ

Secondary Perils Responsible for Growing Share of Disaster Claims: RMS

By L.S. Howard

About the photo: In this Aug. 16, 2020, file photo, a rare lightning storm crackles over Mitchell's Cove in early morning in Santa Cruz, Calif. The severe storm system rolled through the San Francisco and Monterey Bay areas in August, packing a combination of dry lightning and high winds that triggered wildfires throughout the region. This year has seen record Atlantic hurricanes and western wildfires, devastating floods in Asia and Africa and a hot, melting Arctic. It's not just been a disastrous year, but a year of disasters. (Shmuel Thaler/The Santa Cruz Sentinel via AP, File)

Not only did natural catastrophes in 2021 break insurance claims records, but they also highlighted the growing cost of non-modeled characteristics of disasters, which are altering the industry's understanding of these risks, according to a report published by RMS.

"Secondary perils," such as severe convective storms, floods and wildfires, are occurring with greater frequency across the globe and have contributed a significant amount of industry loss in recent years, said the Newark, California-based modeling company in its report, "2021 Catastrophe Year in Review."

Secondary perils, which are generally not modeled to the same extent as primary perils, are defined as smaller to mid-sized events, or the secondary effects that follow a primary peril, such as hurricane-induced flooding, storm surges, hailstorms, tsunamis and fire following an earthquake.

"[T]he complex, non-modeled characteristics of the events makes loss more challenging than events in the past – not just for modelers but also for the insurance industry itself," said Mohsen Rahnama, RMS chief risk modeling officer, who authored a chapter in the report titled "2021 Proves to Be Another Game Changer."

He cited the examples in recent years of Typhoon Jebi in 2018 and Hurricane Irma in 2017, when insurers saw sharp spikes in loss development in succeeding months, which "caught everyone by surprise."

In addition, the report indicated that other non-modeled trends have gained prominence and increased the price tag for insurers, such as contingent business interruption, infrastructure damage, supply chain disruptions and demand surge.

Rahnama then turned to the examples of the winter storm in Texas in February 2021 and the July floods in western and central Europe. These events "particularly highlighted the significance of contingent business interruption and additional expenses caused by infrastructure damage, such as the Texas power grid failure and the destruction of German roads and bridges," Rahnama explained.

"For the second straight year, supply chain issues and high housing demand brought about by COVID-19 have driven post-event loss amplification and economic demand surge beyond normal expectations," he added.

A separate chapter of the report, titled "Tropical Cyclone Ida Devastates Louisiana and Drenches the Northeast," noted that Hurricane Ida was a complex event "that came amid a backdrop of the ongoing COVID-19 pandemic, rising construction costs, labor shortages, overlapping events, and property undervaluation – all of which are expected to influence the total financial cost of the event."

RMS said Hurricane Ida was one of the costliest landfalling U.S. hurricanes on record with an insured price tag ranging from $30.3 billion to $42.5 billion. This cost includes wind and storm surge losses along the Gulf of Mexico and the effects of rain-induced inland flooding in the Gulf, Ohio Valley, mid-Atlantic and Northeast regions.

"It reflects property damage and business interruption to residential, commercial, automobile, industrial, infrastructure, marine cargo and specie, watercraft, and other specialty lines of business,"

said the report. "The estimate also includes factors to reflect impacts of post-event loss amplification and non-modeled sources of loss."

Lumber Costs

RMS highlighted lumber costs as another unexpected factor that drove catastrophe losses.

In early 2021, high lumber prices were driven by "a combination of low mortgage rates, sharp rises in housing starts, COVID-19 stay-at-home orders, and global supply chain disruptions," according to the Hurricane Ida-focused section of the report, which was authored by James Cosgrove, senior modeler, RMS Event Response, and Jeff Waters senior product manager, RMS Product Management.

"At the peak, prices rose five-to-seven times above normal. By the time Ida struck, prices had come down significantly but were still higher than the long-term historical average. Steel, copper, fuel, and other appliances also saw a rise in costs," Cosgrove and Waters said. "The insurance industry's tendency to undervalue many exposures and books of business may also exacerbate the overall cost of repairs for this event, thus compounding the rise in construction costs."

These issues exacerbated other non-modeled trends that have gained prominence in recent years, said Rahnama. "For example, our industry is well aware of unique circumstances and building codes in Florida, such as the assignment of benefits and the '25% roof replacement rule' that significantly add to cost of claims."

'[T]he complex, non-modeled characteristics of the events makes loss more challenging than events in the past – not just for modelers but also for the insurance industry itself.'

(An AOB is an agreement that transfers the insurance claims benefits of a policy to a third party, which can inflate claims. The roof replacement rule states that if more than 25% of the roof is damaged in a hurricane, then the homeowner, in many cases, is entitled to a complete replacement of the roof under Florida building codes).

In the section that addressed Hurricane Ida, Cosgrove and Waters said trends in the labor market, such as high unemployment levels in the construction sector, could lead to an uptick in AOB, which "could potentially raise costs of a claim and subsequent loss adjustment expenses."

"Many areas in Louisiana including New Orleans suffered prolonged power outages following the event, as strong winds downed power lines and damaged parts of the state's power grid. Extended business interruption claims could result from the extended power outages," the report continued.

RMS noted that many of the areas hit by Ida in the Gulf Coast were still recovering from 2020's storms – Hurricanes Laura, Delta and Zeta – and approximately 35% of the claims filed from those storms had not been closed when Ida struck.

"The properties that had yet to be prepared were more susceptible to further damage from Ida, particularly through rainfall infiltration or where tarps had been poorly secured," Cosgrove and Waters said in their commentary. "These open claims will make loss attribution and differentiation more complex and time consuming, which could lead to longer claim settlement periods."

Further, the pressure to settle claims quickly could lead to inflated claim frequency and severity, which RMS refers to as "claims inflation," they explained.

In addition to Hurricane Ida, other record-breaking natural catastrophes in 2021 were the winter storms in Texas, which cost insurers an estimated $15 billion, and the July floods in western and central Europe, which RMS estimates will cost the industry €10.0 billion to €13.2 billion (US$11.5 billion to US$15.1 billion).

"These events follow in the footsteps of Hurricanes Harvey, Irma, and Maria in 2017, Typhoon Jebi in 2018, the western U.S. wildfires of 2018 and 2020, and the hyperactive Atlantic hurricane season of 2020. The record books have been completely rewritten in just the last four years," said Rahnama in the report's chapter that describes 2021 as a game changer.

D&O Loss Ratios Unchanged by Rate Hikes; Supply Disruption to Fuel Suits

By Susanne Sclafane

Directors and officers liability insurance premium rate hikes have not had the anticipated impacts on loss ratios that carriers had hoped for, AM Best reported in March, citing the impact of social inflation on rising claims and defense costs.

Separately, Kevin LaCroix, author of the D&O Diary blog, in mid-January noted that regular economic inflation – in particular, the trio of supply chain disruption, labor shortages and economic inflation – has started to contribute to a new wave of securities lawsuits.

While both the AM Best analysts and LaCroix noted the federal securities class actions dropped in 2021, offering slightly different interpretations of the data, they agree that risk factors like climate change, discrimination cases, and growing cyber exposures are contributing to new types of D&O insurance losses.

The Best report, "D&O Insurance: Fundamental Problems Persists Despite Pricing," shows that direct premiums written for the D&O product line grew 15%, on average, over the last six quarters, and that $14.6 billion of premium estimated for 2021 (annualized based on a nine-month figure) was more than double the annual levels of around $6.5 billion that persisted from 2014-2018.

Direct loss ratios, however, after falling 2.4 points from 62.4 in 2017 and 2018 to 60 in 2019, ticked up to 60.9 and 61 in 2020 and 2021, in spite of the premium jumps, according to data compiled by AM Best.

In addition, defense and cost containment expenses (DCC) for D&O liability rose to 14.7% and 13.0% of earned premiums in 2019 and 2020 (2021 figures not provided), compared to levels averaging of 9.1% from 2011-2016.

"Whether the aggressive rate increases and higher premiums are sufficiently offsetting complex risk factors for carriers insuring D&O risks remains unclear," the report says, noting that 2021 price increases will show up in earned premiums in 2022, revealing more of the story about price adequacy and D&O profitability.

Why Did Federal Securities Class Actions Drop?

LaCroix tallied 210 federal court securities class action lawsuits filed in 2021, representing a 34% decline from the 320 in 2020, and a 48% drop when measured against an average annual number of 405 for the 2017-2019 period.

The biggest factor contributing to the decline, he said, was a decrease in the number of federal court merger objection class action lawsuits. Dropping those out of the comparison, LaCroix counted 192 "traditional" securities suit filings in 2021, representing only about an 11.9% decline from the 218 traditional filings in 2020.

"The filing levels in 2021 simply returned to long-term historical levels, compared to the artificially elevated levels that prevailed during the 2017-2020 period," he said, adding that plaintiffs' lawyers are still filing merger objection lawsuits – but now as individual actions rather than as class actions.

AM Best points to the U.S. Supreme Court's March 2018 decision in Cyan Inc. v. Beaver Country Employees Retirement Fund as a factor in the decline of securities class action filings and a rise in the number of state court class action suits.

In Cyan, the Supreme Court ruled that IPO-related lawsuits filed under Section 11 of the Securities Act of 1933 could be brought in all state courts.

"Cases may be complicated in more difficult to defend in state courts, which could further increase DCC costs," AM Best said.

Referring specifically to the increase in DCC, mainly for legal expenses, in 2017-2019, the report notes the high levels of federal securities class actions in those years (which have since fallen). The AM Best analysts concede that the exact cause of the rise in DCC isn't clear without more detailed claims data, suggesting greater complexity of cases may have been a driver. "What is clear is that the development on open claims is causing companies to add to their initial estimates on individual claims, which will manifest in worsening calendar year results," the report says.

U.S Directors and Officers Liability

Standalone DPW and Loss Ratio			Defense and Cost Containment Expense		
	Direct Written Premium ($ Billions)	Direct Loss Ratio		DCC ($ Millions)	DCC/ Earned Premium
2015	6.4	57.5	2015	563	8.8
2016	6.4	55.6	2016	636	10.0
2017	6.5	62.4	2017	946	14.8
2018	6.5	62.4	2018	727	11.4
2019	7.6	60.0	2019	1,011	14.7
2020	10.8	60.9	2020	1,155	13.0
2021	14.6	61.0	2021	NA	NA

Source: AM Best Report
D&O Insurance: Fundamental Problems Persist Despite Pricing (02/28/2022)

The report discusses social inflation and the impacts of increased levels of plaintiff attorney advertising and for-profit litigation funders. But Best analysts refrain from making go-forward forecasts about social inflation trends on D&O loss and loss adjustment expense ratios. "Social inflation issues are being driven by a generations-long deterioration in the public's trust of corporations, and making predictions about social inflation is difficult, because they are not driven by empirical evidence but by changing demographics and public perception of corporate behavior, especially with the expanding influence of social media."

Pandemic Effects

LaCroix, executive vice president of specialty insurance intermediary RT ProExec, listed economic drivers of securities litigation as the No. 4 trend on a list of Top 10 D&O Stories for 2022 in a early January post on his D&O Diary blog, under the subheading, "Pandemic-Related Effects Roiling the Economy."

Supply chain disruptions, labor supply shortages and economic inflation, he said, are second-level impacts from the coronavirus, reporting that securities lawsuits tied to a worsening economy already started emerging in 2021. "I think they will contribute to securities litigation in 2022 and beyond," he added during a webinar about his Top 10 predictions.

Detailing the types of lawsuits that will emerge, he presented an example of a case filed last year against a maker of batteries for electric vehicles, Travis Nichols, et al. v. Romeo Power Inc., et al. "Their battery cells were stuck somewhere on a boat out in the Pacific, and they weren't able to maintain their production levels. And the investors allege that Romeo Power misrepresented the durability of its supply chain," LaCroix said, demonstrating one way in which supply chain disruption is linked to the possibility of litigation.

A securities class action against a national chain of physical therapy clinics, Kevin Burbige, et al. v. ATI Physical Therapy, Inc., et al., also arose out of COVID-related economic impacts — The Great Resignation and labor supply shortages, LaCroix said. The complaint alleges that defendants failed to disclose to investors that ATI was experiencing attrition among its physical therapists and faced competition to hire replacements, as well as increased labor costs and the possibility that it could not open new clinics, among other things.

SPACs

Both the Romeo Power and ATI cases also are examples of companies that were sued shortly after their companies merged with a SPAC, and both LaCroix and AM Best highlight the explosion of SPACs as a trend to watch for 2022.

"The growth in SPAC-related litigation also has played a role in the coverage and cost of D&O insurance," said David Blades, associate director, industry research and analytics, AM Best. He added, however, that "the number of insurers in the market who are willing to write D&O coverage for SPACs has been somewhat scarce."

Climate Change and Cyber

Returning to the impacts of changes in the economy on D&O losses, AM Best noted in its report that hiccups in the financial markets can "lead to an increase in new and creative securities class actions."

"Any market declines due to inflation fears, potential spikes in infections owing to COVID-19 variants," and the conflict between Russia and the Ukraine "could lead to a rise in class action filings," the AM Best report says.

Both AM Best and LaCroix cited another supply chain disruption case — this one driving a class action against mattress maker Sleep Number (Steamfitters Local 449 Pension & Retirement Security Funds, et al. v. Sleep Number Corporation, et al.), which alleges that the company didn't have supply chain flexibility when it experienced disruption in its supply of foam for bedding as a result of the Winter Storm Uri.

That case suggests yet another potential avenue for D&O lawsuits, according to LaCroix — climate-related D&O litigation.

"If you pay attention to the warnings of climate change scientists, there may be increasing numbers of climate events. Certainly, we saw a number of them in 2021, the heat wave in the Pacific Northwest in the United States, the wildfires, the storms in the Midwest during the year, and the Texas winter storm. If we see more of those types of weather events, will we see more lawsuits like the Sleep Number case? Is this perhaps representative of the kind of litigation climate-related D&O litigation we might see in the future?" LaCroix asked.

Another set of risks that AM Best analysts and LaCroix have their eyes on are growing cyber and privacy exposures. Here, LaCroix notes that the track record for plaintiff lawyers in this area was blemished by dismissals in 2021. That's small consolation for insurers, however, since the plaintiffs' bar has racked up some high-profile wins in the past, and will continue to file cases ("It's just, that's what plaintiffs' lawyers do. Fish got to swim, birds got to fly, plaintiffs' lawyers got to file lawsuits," LaCroix said.)

Regulatory enforcement actions and shareholder derivative cases are also on the horizon for cyber, he said, highlighting a trend in Delaware courts sustaining claims alleging breach of the duty of oversight.

LaCroix highlighted a shareholder derivative lawsuit against the board of Solar Winds — a software company, which suffered a hack (allegedly carried out by Russia's foreign intelligence service) that compromised nine federal agencies and hundreds of private sector companies in late 2020.

In this case and others, there are "allegations relating to 'mission critical operations,' and [situations] where the board allegedly has disregarded 'red flags,'" he said. These echo language in a Boeing 737 Max Air Crash derivative suit, which survived a motion to dismiss late last year, he said, citing that Boeing case as one of several Delaware cases paving the way for cybersecurity-related derivative actions with similar pleadings. IJ

Sclafane is the executive editor of Carrier Management

Climate Change Could Cost U.S. Budget $2 Trillion a Year by End Century

By Timothy Gardner

Flood, fire, and drought fueled by climate change could take a massive bite out of the U.S. federal budget per year by the end of the century, the White House said in its first ever such assessment, released in early April.

The Office of Management and Budget assessment, tasked by President Joe Biden last May, found the upper range of climate change's hit to the budget by the end of the century could total 7.1% annual revenue loss, equal to $2 trillion a year in today's dollars.

"Climate change threatens communities and sectors across the country, including through floods, drought, extreme heat, wildfires, and hurricanes (affecting) the U.S. economy and the lives of everyday Americans," Candace Vahlsing, an OMB climate and science official, and its chief economist Danny Yagan, said in a blog seen by Reuters ahead of publication. "Future damages could dwarf current damages if greenhouse gas emissions continue unabated."

The analysis found that the federal government could spend an additional $25 billion to $128 billion annually on expenditures such as coastal disaster relief, flood, crop, and healthcare insurance, wildfire suppression and flooding at federal facilities.

Last year, a record heatwave and drought in the U.S. West gave rise to two massive wildfires that tore through California and Oregon and were among the largest in the history of both states. The severe drought that has gripped parts of the U.S. West since mid-2020 is likely to persist or worsen this spring, the National Oceanic and Atmospheric Administration said in March.

U.S. military bases, including Offutt Air Force Base in Nebraska and Tyndall Air Force base in Florida, have suffered billions of dollars in damage in recent years from floods and hurricanes. The OMB said increased wildfires could boost federal fire suppression costs between $1.55 billion to $9.6 billion annually. Nearly 12,200 federal buildings and structures could be flooded as seas rise with replacement costs of nearly $44 billion.

Absent policies and actions to slow the rate of greenhouse gas emissions, world temperatures are on pace to rise more than 2 degrees Celsius (3.6F) above pre-industrial levels by the end of the century. The grim OMB assessment came hours before publication of a long-awaited U.N. climate science panel report on methods of curbing the emissions, a report that some scientists say may downplay certain potentially devastating scenarios due to its consensual nature in which 195 governments had to sign off on it.

Biden, a Democrat who positioned himself as a champion for tackling climate change when he took office in January 2021, has been forced to support hiked domestic oil drilling and liquefied natural gas exports to Europe as Russia's war on Ukraine spikes energy inflation. His "Build Back Better" bill, which contained hundreds of billions of dollars in funding to fight climate change and support clean energy, has been stalled in the narrowly-divided Senate by Republicans and West Virginia's conservative Democrat Senator Joe Manchin, founder and partial owner of a private coal brokerage.

Biden in late March submitted a $5.8 trillion budget plan to Congress with a focus on deficit reduction in an apparent overture to Manchin has said he could not vote for the bill because it would worsen deficits. Biden's budget plan calls for nearly $45 billion to tackle climate change in fiscal year 2023, an increase of nearly 60% over fiscal year 2021. IJ

Florida Consumer Advocate, Attorneys Concerned about Growing Use of Arbitration in Claims Disputes

Plaintiffs' attorneys and Florida's insurance consumer advocate are pushing back on insurers' plans to require arbitration to settle more claims disputes. Some attorneys warned that the plans could lead to legal challenges and potentially more claims litigation.

"That's going to be a real issue," said Dan Rheaume, a trial attorney in Hollywood, Florida, who represents homeowners in claims disputes. "They're taking away the insured's day in court. There will be challenges to that."

Rheaume was reacting to news that broke in early April that the Florida Office of Insurance Regulation had approved an endorsement filing by American Integrity Insurance Co. The insurer will offer premium discounts if homeowners agree to mediation or binding arbitration, for new policies starting April 22 and for renewals starting June 21.

Other insurance companies' leaders have said their firms are now considering similar endorsements as a way to help reduce the extreme amount of claims litigation that has plagued the industry in Florida for the past few years. One carrier's executives met on the plan right after word spread about American Integrity's approval.

But arbitration may not be in the best interest of policyholders, said Tasha Carter, the insurance consumer advocate at the Florida Department of Financial Services.

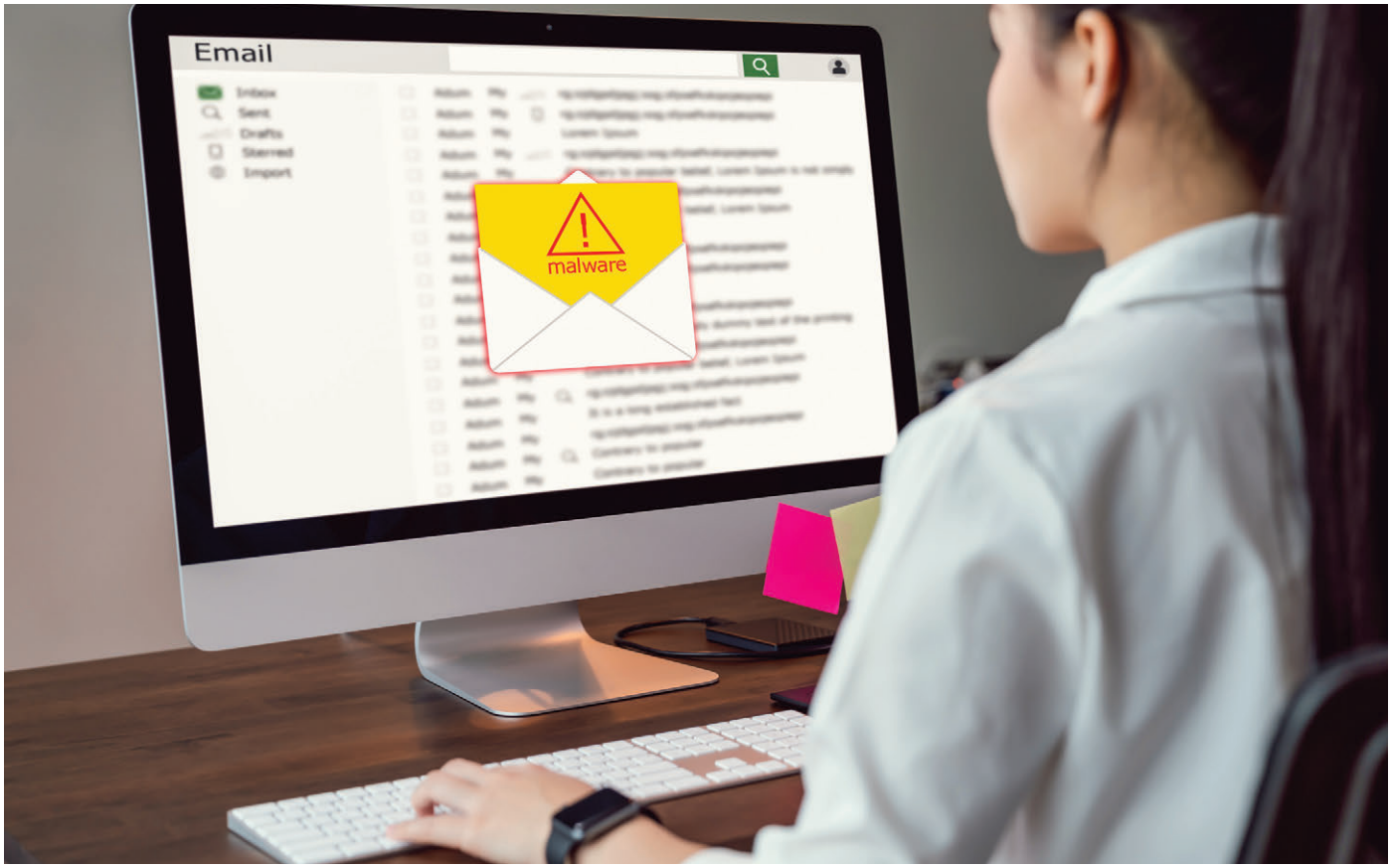
"I definitely think more and more insurance companies moving to include a mandatory arbitration clause in homeowners policies should be a concern for policyholders," Carter said. "Arbitration could put policyholders at a disadvantage."

Non-litigation solutions can eliminate some of the legal protections consumers now enjoy, including the right to trial by judge or jury, and, in most cases, appeals to a higher court, she said.

Carter said her office plans to scrutinize similar endorsement requests that other insurers may file with OIR in coming months, and may submit comments.

Under American Integrity's endorsement, if a homeowner initiates a dispute over the value of a claim, it should first go to mediation then to confidential, binding arbitration. IJ

Accounts Deceivable: Email Scam Costliest Type of Cybercrime



By Alan Suderman

It's a crime that siphons untold billions from the economy – but many people have never heard of it.

Business Email Compromise scams involve criminals hacking into email accounts, pretending to be someone they're not and fooling victims into sending money where it doesn't belong.

Although they get far less attention than the massive ransomware attacks that have triggered a powerful government response, BEC scams have been by far the costliest type of cybercrime in the U.S. for years, according to the FBI. The huge payoffs and low risks associated with BEC scams have attracted criminals worldwide. Some flaunt their ill-gotten riches on social media, posing in pictures next to Ferraris, Bentleys, and stacks of cash.

Almost every enterprise is vulnerable to BEC scams, from Fortune 500 companies to small towns. Even the U.S. State Department got duped into sending BEC scammers more than $200,000 in grant funds meant to help Tunisian farmers, court records show.

"The scammers are extremely well organized and law enforcement is not," said Sherry Williams, a director of a San Francisco nonprofit that recently fell victim to a BEC scam.

Losses in the U.S. due to BEC scams in 2021 were nearly $2.4 billion, according to a new report by the FBI. That's a 33% increase from 2020 and more than a tenfold increase from just seven years ago. And experts say many victims never come forward and the FBI's numbers only show a small fraction of just how much money is stolen each year.

BEC scammers use a variety of techniques to hack into legitimate business email accounts and trick employees to send wire payments or make purchases they shouldn't. Targeted phishing emails are a common type of attack, but experts say the scammers have been quick to adopt new technologies, like "deep fake" audio generated by artificial intelligence to pretend to be executives at a company and fool subordinates into sending money.

In the case of Williams, the San Francisco nonprofit director, thieves hacked the email account of the nonprofit's bookkeeper, then inserted themselves into a long email thread, sent messages asking to change the wire payment instructions for a grant recipient, and made off with $650,000. After she discovered what happened, Williams said, her calls to law enforcement went nowhere.

The FBI told her the local U.S. attorney's office won't take her case. She flew to Odessa, Texas, where the bank that initially received the stolen money was located. The money by then was long gone

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and the local detective was powerless to help. Williams asked her U.S. senators for help and later learned the Secret Service was investigating, but she said it hasn't given her any updates.

Crane Hassold, an expert on BEC scams and former cyber analyst with the FBI, has heard of federal prosecutors declining to take BEC cases unless several million dollars were stolen, a minimum threshold that speaks to how out of control the problem is. "There's so many of them they can't possibly work them all," said Hassold, now director of threat intelligence at Abnormal Security.

The Justice Department has launched months-long operations in recent years that have netted hundreds of arrests worldwide. "Our message to criminals involved in these types of BEC schemes will remain clear: The FBI's memory and reach is long and wide-ranging, we will relentlessly pursue you no matter where you may be located," said Brian Turner, executive assistant director of the FBI's Criminal, Cyber, Response, and Services Branch.

But security experts say the wave of arrests has had little impact, and the FBI's own numbers show that BEC scams continue to grow at a rapid clip.

Sophisticated BEC scams targeting businesses and other organizations started taking off in the mid-2010s. It was also around that time when ransomware attacks — in which hackers break into networks and encrypt data — started to grow in frequency and severity.

For years both BEC scams and ransomware attacks were treated largely as a law enforcement problem. That's still true for BEC attacks, but ransomware is now a key national security concern after a series of disruptive attacks on critical infrastructure like the one last year against the biggest fuels pipeline in the U.S. that led to gas shortages along the East Coast.

The National Security Agency's hackers have taken action to disrupt ransomware operators' networks. The Justice Department set up a special ransomware task force to better organize the law enforcement response. And U.S. President Joe Biden has pressed the issue directly with President Vladimir Putin of Russia, where many ransomware operators are located.

Nothing close to those efforts has been deployed against BEC fraud despite the huge financial losses.

If the U.S. were to launch a whole-of-government response to BEC fraud, it almost certainly would focus heavily on Nigeria. Nowhere are BEC fraudsters more active than in Africa's most populous nation, where scammers have able to operate almost unchecked for decades.

Ramon Abbas, a well-known Nigerian social media influencer who went by Hushpuppi, had more than 2 million followers on Instagram before he was arrested in Dubai. Abbas' social media posts showed him living a life of total luxury, complete with private jets, ultra-expensive cars and high-end clothes and watches.

"I hope someday I will be inspiring more young people to join me on this path," read one Instagram post by Abbas, who pleaded guilty in the U.S. to international money laundering related to BEC and other cybercrimes last year. His sentencing is currently set for July.

Rates Up Again in Q1 as Signs May Point to 'Stronger Increases': MarketScout

By Chad Hemenway

During the first quarter 2022 buyers of commercial insurance saw average rate increases across all lines of 6%, according to MarketScout's Market Barometer.

The average increase remained consistent compared to the average increase of 5.8% observed in the fourth quarter 2021 but CEO Richard Kerr said rates started to go up more in March, "which could be the beginning of stronger increases for the next several quarters."

By industry, rates for transportation and habitational risks increased the most at 10.3% and 8%, respectively.

Looking at specific lines of coverage, rate increases for cyber insurance were far more than other lines, at 19.7% on average, MarketScout said. Excess Umbrella rates were up 9.7% and D&O rates increased 8.7% during the first quarter. Turning to personal lines, first quarter rates increased 5.2%, according to the Market Barometer.

"We expect homeowners rates across the U.S. to continue to increase," Kerr said. "What used to be considered relatively benign catastrophe prone areas of the U.S. are now experiencing more and more claims. Further, several major insurers are dramatically cutting back their appetite for tough-to-place homes. This will impact the availability of coverage and result in significant rate increases or coverage restrictions for many homeowners whose insurer will issue a notice of non-renewal."

Kerr said some homes considered high risk may see rate increases of as much as 35%.

Homes valued at more than $1 million during the first quarter experienced rate increases of 7%, up from 6.3% during the fourth quarter, while homes under $1 million saw rates increase more than 5%.

Rates for personal auto were relatively stable at plus 4.3% in the first quarter.

Young Agents Remain Optimistic About Career Choice But Concerned About Economy

Young Agents' Biggest Challenges

By Andrea Wells

Young agents are an optimistic bunch when it comes to their career choice and the future of the independent agency system with some 62.4% reporting they remain "very optimistic" on the outlook for their careers and 47.2% feeling "very optimistic" about the future of the agency system.

But their outlook on the U.S. economy in 2022 is a little less positive. Just 6.4% of young agents responding to this year's Young Agent Survey feel "very optimistic" about the U.S. economy in 2022 while 17.5% feel "optimistic."

That's down from a year ago, when 18.3% of young agents surveyed reported "very optimistic" outlook on the U.S. economy, while 26.6% viewed it as "optimistic." More than a quarter (25.5%) in this year's survey do not feel optimistic about the economy for 2022 at all.

Samantha Tucci

Despite their concerns, more young agents say their income will be greater in 2022 than in 2021 with some two-thirds (62.2%) feeling "very optimistic" and 25.8% feeling "optimistic" that their income will rise this year over last year's.

The annual Insurance Journal survey polls the opinions and views of independent agents 40 years old and younger. About 300 young agents responded to this year's online survey. Below are what a few of those young agents had to say about their careers in insurance.

'When I Grow Up'

Joining the insurance industry wasn't something that Samantha Tucci ever thought would happen.

"You don't grow up saying, 'I'm going to be in insurance when I get older.' It falls in your lap; it kind of just happens," Tucci told Insurance Journal. For Tucci, a career in insurance wasn't a first career either.

Prior to insurance, Tucci spent 10 years working for a music company in both retail and purchasing. Then a friend told her about Mackoul Risk Solutions, an independent agency in Island Park, New York.

"She [her friend] was doing really well there, and she really liked it," Tucci said.

When the right opportunity opened-up, Tucci landed a position at Mackoul herself. "It will be 10 years this summer and they're amazing."

Since starting her career in insurance, Tucci has held several positions within in the agency.

When asked what made Mackoul a good fit for young agents, Tucci quickly replied, "They are huge on education." That support has helped her grow from a young professional with no background insurance to a seasoned producer who serves as a liaison between the agency's real

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Profile of Young Agents

Older Side of Young
66.8% are 31 to 40 years old.
33.2% are 30 and under.

Career Choice
86.3% consider insurance to be a permanent career choice;
12.9% are unsure.
85.6% would recommend career choice to another young person – but
9.4% are not sure they would while
5.0% wouldn't recommend being an agent.

Experience
21.6% have less than three years in insurance;
21.2% have three to five years;
26.1% have six to 10 years;
23.2% have 11 to 15 years;
7.9% have more than 15 years.

Education
66.5% have a college degree;
8.9% have a master's, doctorate or other advanced degree;
54.2% have completed or are working on an insurance designation.
69.0% have an insurance agent mentor.

Family Affairs
55.0% work in family-owned agencies.
24.9% are members of the family that owns the agency.

Size
28.3% work for agencies generating $5 million or less in P/C premium.
23.3% work for agencies generating $6 million to $25 million in P/C premium.
39.2% work for agencies generating more than $26 million.
90.0% are privately held independent agencies.

Employment Status
91.7% are independent agents;
7.7% presently are sole owners of an agency;
24.9% share ownership with a partner(s).

Ownership Dreams
67.4% do not presently own an agency. Of these,
41.0% would like to own someday and
21.3% of those feel very confident ownership dreams will come true – but
39.7% don't believe it will happen.

Book of Business
65.4% target mostly commercial lines.
34.6% target mostly personal lines.

Gender ID
60.1% Male
39.1% Female
41.4% Describe their political affiliation as Republican;
23.3% Democrat;
8.6% Libertarian;
16.8% Did not wish to say.

Ethnic Background
87.1% White/Caucasian
6.4% Hispanic/Latino
1.3% Black
1.3% Asian
3.4% Native American
6.0% Other or did not wish to say

What Young Agents Do
57.6% Attend local business or community meetings;
55.8% Volunteer in the community;
14.7% Get involved in local politics;
65.4% Use Facebook;
72.7% Use LinkedIn;
20.4% Use Twitter;
12.1% Write a blog;
60.2% Utilize insurance coverage or other checklists;
76.2% Take insurance courses online.

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estate property management clients and community association boards of directors.

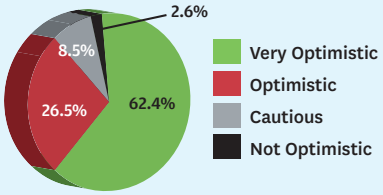
At 38, Tucci says she's glad to have made the move.

'Insurance is never boring. … It sounds a little cheesy, but I really do like helping people.'

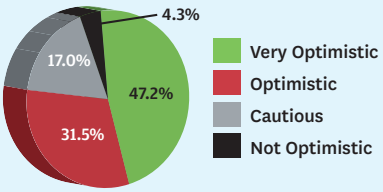
"Insurance is never boring," she said. "It sounds a little cheesy, but I really do like helping people."

Insurance is the perfect way to do that, she said. "It's not easy to always understand insurance if you're not heavily involved in it, and just being able to consult and advise people on what they need and how to avoid any future risks

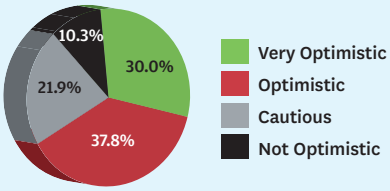
Young Agents' Outlook on Their Career



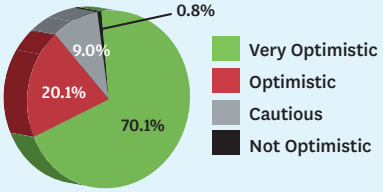
Outlook on the Future of the Independent Agency System



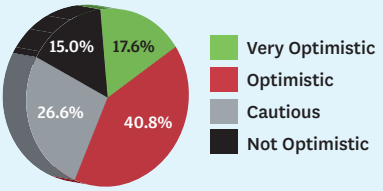
Independent Agents' Ability to Grow Personal Lines Market Share



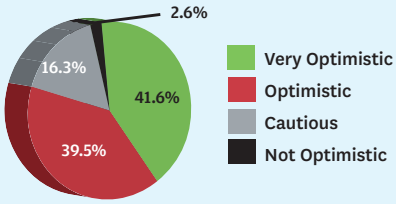
Young Agents' Outlook on Keeping Current Job



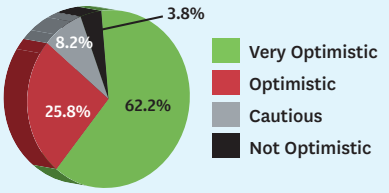
Agency's Ability to Attract Quality Talent



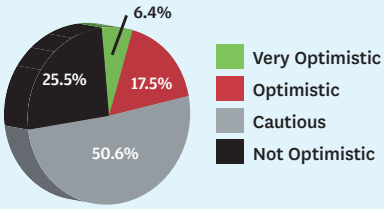
Independent Agents' Ability to Grow Commercial Lines Market Share



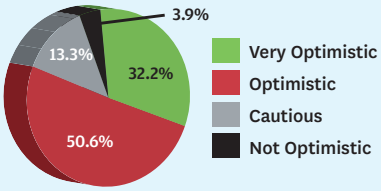
Believe 2022 Income Will Be Greater Than 2021



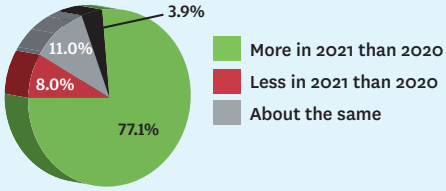
Outlook on U.S. Economy in 2022



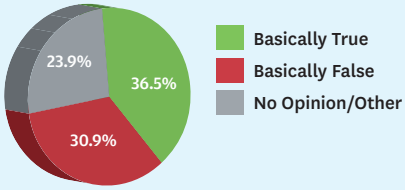
Independent Agency Channel's Ability to Advance in Technology Use



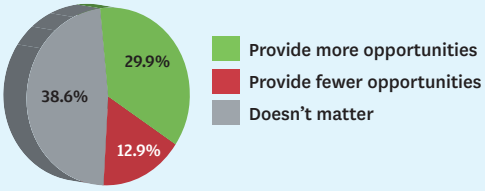
Total Compensation in 2021 vs. 2020



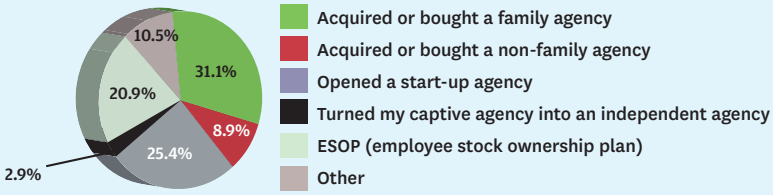
More Opportunity for Men vs. Women



Opportunities in Family Owned Agencies



How Young Agents Became an Owner



or issues of liability is something I really enjoy doing," she said.

The COVID-19 pandemic and current hard market conditions have been challenging but it hasn't been all bad either.

"The insurance industry was already in a hard market so it wasn't very competitive and rates were on the rise," she said. "And the pandemic definitely did not help."

But the way in which her agency and clients adapted out of need did help. "We just kept going," she said. "We just did Zoom meetings instead of office meetings. I would review proposals on a Zoom or conference calls. And now for most board meetings, instead of traveling, everyone's able to just jump on Zoom and have a meeting. It's a lot more productive."

'As a whole, the pandemic forced me to use my time and my prospective clients' time more efficiently. … It made prospecting efforts much more targeted.'

Winston Durbin

Team Models

For 27-year-old Winston Durbin, a career in insurance began right after college graduation, thanks to a colleague he met while attending Auburn University in Alabama.

"I met a guy who had family in the insurance business, and through our time in the finance department at Auburn recommended the industry," Durbin said. "He said, 'I think you'll love' the industry. It's a people-oriented industry with a complex sale," Durbin said.

So far, after four years, it's been a great choice for Durbin. "It's fun and very interesting."

After Durbin joined Cobbs Allen, an independent risk management and insurance brokerage firm headquartered in Birmingham, Alabama, he spent the first year in a

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What Young Agents Think

	Basically True	Basically False
As a younger agent, I have to work harder to gain the confidence of clients.	74.5%	18.8%
I fear that my career will be hurt by a merger or sale of my agency.	29.7%	54.0%
I wish I could specialize more than I am now permitted to do.	21.3%	61.1%
I have one or more areas of specialization.	81.6%	13.8%
Much of my production supports older producers in the agency.	30.5%	57.3%
During my career, I have worked for more than one agency.	37.2%	61.5%
While in my present position, I have been offered a job with another agency.	63.5%	30.7%
Success in this business is mostly about building relationships.	92.9%	2.5%
Efficiency and effectiveness are more important than relationships to succeed in this business.	25.6%	58.0%
I propose new ideas but our firm rarely seems to get to them.	21.0%	64.7%
The agency ranks could use more women and minorities.	40.2%	34.2%
I have already completed or am working to complete a CPCU, CIC, ARM or other insurance designation program.	54.2%	37.7%
I wish my agency would expand into new markets.	22.9%	56.8%
I think my compensation is fair.	70.9%	21.5%
I think my agency's management is fair.	79.7%	12.7%
I believe advancement is based on relationships more than performance.	26.7%	57.6%
I would like to increase the time I spend on sales versus servicing or administrative tasks.	58.1%	27.5%
The industry has been too slow to adopt new technology.	54.9%	35.7%
In 25 years, the independent agency system will be stronger than it is now.	58.5%	21.2%

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producer training role. "There I spent time earning some credentials and studying contract language in order to make myself more valuable to my clients."

After that, Durbin moved on to the national accounts team for construction and energy. "I really like the people in construction and some specific niches within construction so I'm trying to build those out as we speak," he told Insurance Journal.

Building up his book of business during COVID times hasn't been easy but Durbin also thinks in some ways it helped. "As a whole, the pandemic forced me to use my time and my prospective clients' time more efficiently," Durbin said. "It made prospecting efforts much more targeted."

'Look around at the people that have been successful and really seek advice and wisdom from them.'

The experience pushed him to study policy language, policy forms and contracts, and indemnification language, in specialized areas of construction. "I can't be a jack of all trades with contractors," he said, "so focusing on several sub-industries or niches within the construction industry is absolutely necessary."

Durbin credits Cobb Allen's team approach in sales for his early success, as well. "More often than not you do have a co-producer on an account," he said. "I love the team model and that is one of the reasons I came to Cobbs Allen."

But winning on his own can be gratifying, as well.

"I won my first large account on my own, the first account that I solely produced on my own, came in June 2020," he said. "So, in the midst of everyone shutting down and layoffs and all that, I was actually able to win that account." That was a great confidence booster, he said.

William Lathem

Young Agent Opinions on Current Employer

	Excellent	Good	Fair	Poor
Outlook for the future of my agency	57.4%	36.8%	4.4%	1.5%
Access to quality markets	54.4%	38.2%	7.4%	0.0%
Relationships with carriers	55.1%	36.2%	8.7%	0.0%
Agency's culture	54.4%	33.8%	10.3%	1.5%
Use of technology	26.5%	60.3%	13.2%	0.0%
Use of social media to market/brand agency	17.7%	42.7%	30.9%	8.8%
Employee relationships	45.6%	41.2%	11.8%	1.5%
Recruiting	16.2%	29.4%	45.6%	8.8%
Compensation and benefits	41.2%	38.2%	19.1%	1.5%

What Young Agents Think About the P/C Industry

	Excellent	Good	Fair	Poor
Customer service	27.0%	51.1%	18.0%	3.9%
Public image	16.3%	32.2%	36.1%	15.5%
Treatment of employees	27.5%	52.8%	16.7%	3.0%
Professionalism	35.6%	53.2%	9.0%	2.2%
Ethics	33.5%	47.6%	15.5%	3.4%
Career attractiveness to young professionals	16.7%	21.9%	38.6%	22.8%
Use of technology	17.2%	40.3%	33.9%	8.6%
Marketing and advertising	19.0%	42.7%	31.9%	6.5%

Family Business

William Lathem, 27, vice president, Property & Casualty, at Cobbs Allen, grew up in the insurance industry. His family ties go back to his great-grandfather who had his own agency in Alabama. His uncle also ran an insurance agency and his aunt, Margaret Ann Pyburn, currently serves as the executive vice president, Personal Insurance, at Cobbs Allen.

Despite his insurance family ties, insurance wasn't Lathem's first choice in college. He was working on his accounting degree and took an internship in an accounting department. It was there that he quickly realized he didn't want to be an accountant.

"So, I went back and shifted my focus to finance."

But it was an internship at Cobbs Allen during the summer of his junior year that sealed his choice.

"The following year Cobbs Allen offered me a job and actually sent me to London for a 10-week learning program through Lloyds," Lathem said. "That's where my eyes were opened to the insurance industry as a whole."

After that he jumped into sales production and has spent the past four and a half years building a book in the construction, manufacturing and distribution sectors. What he loves most about being an agent is the impact he has on businesses — even at a young age.

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What Young Agents Like Most

1. Knowing that we can help anyone because we offer a product that everyone needs with a variety of options.
2. I work for my clients, not the carrier. We can truly be advocates and advisors for our clients.
3. Flexibility. I can make as much money or as little money as I want.
4. Being there when our clients need us the most and exceeding their expectations, and being able to give back to the community.
5. Autonomy, relationship-building, protecting the things in life that matter most to families in the community.
6. The flexibility is very important. I am thankful that my employer has allowed us to work from home the past two years and has not pushed me to come back in.
7. What I enjoy most is speaking with my clients and being there to answer questions, explain coverages, and make recommendations in order to help protect their livelihoods.
8. Work life balance.
9. I love the fact that I can quote with multiple companies. This gives me a better chance at getting the customer the best rate.
10. Flexibility and in control of your own business.
11. Being in an in-demand profession where I never have to worry about finding a job, and the mental stimulation/problem solving.
12. It allows me to have a personal life.
13. The freedom and being able to work from anywhere.
14. Better hours than most careers, excellent source of income and the relationships built with clients.
15. I enjoy the task of finding coverage for hard to place risks.

What Young Agents Like Least

1. Many of the carriers' systems are extremely outdated, making it difficult to leverage modern technology and automation available to provide great customer experiences leveraged in other businesses.
2. The stress of planning for the future in this ever changing insurance environment — carriers leaving, appetites becoming so strict, minimal markets, lack of employees available for hire.
3. Not being able to compete with larger agencies.
4. It takes a long time to build a lucrative business.
5. The negative connotation that many agents have created for the profession. Agents have forced many business owners to be extremely resistant due to poor practices, and serving themselves before serving their client.
6. The idea that insurance agents are con artists still exists sometimes and you have to overcome those preconceived notions.
7. Carrier demands and lack of service/understanding for independent agents when it comes to Broker of Record Letters.
8. Difficult to recruit young talent.
9. My peers have no clue what I actually do. The "So, what do you do?" question at a party is the question I dread. Nobody likes to talk about insurance.
10. The first 3-5 years are tough and you have to keep pushing through, every single day!
11. What I like least about being an independent agent is sometimes being the bearer of bad news to clients.
12. There are a lot of renewal requotes lately due to what is happening in the world which is more busy work and less focus on new customers.
13. Shrinking commissions and revenues compared to the work flow that has to be done.
14. It can feel kind of lonely as we learn our lessons on our own $100 at a time.
15. Stress of making sure clients are happy and properly covered as well as worrying about documenting communication to defend an E&O claim.

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"One of my largest clients, Athens Paper, they are a $300 million national distributor, and I get to impact their business and help hundreds of employees," he said. That is not always easy to do at 27, he added. His younger age can be a challenge. "But I would say for the most part, we're able to use that ... it actually helps us (younger agents) in some ways."

'You become an advocate for the people you're working with and that feels important.'

Lathem teams up with other agents at Cobbs Allen, including Winston Durbin. "We're very forward, and in most of our introductory meetings, we're very honest and say, 'Hey, we're younger, but we're aggressive.' ... And we work extremely hard for our clients."

Lathem says that seeking out experienced mentors is important to a young person starting a career as an agent. "Look around at the people that have been successful and really seek advice and wisdom from them," he said. "Look to the people that are 20 years in front of you and look to the people that are your peers, or 10 years in front of you," he said.

Both Lathem and Durbin are already mentoring other younger producers themselves.

Work Together

Michael Addison, producer/shareholder at Ross & Yerger Insurance Inc. in Jackson,

Michael Addison

Mississippi, found the insurance industry after a different career — or two.

He spent more than 10 years working in distribution sales and business development for an auto supply company and co-owned a portable storage business. Prior to that he spent a few years working with a construction remodeling business.

Along the way Addison met Bailey Menetre, vice president/shareholder at Ross & Yerger, and the agency's Construction Practice Group leader.

Menetre, now 40, has been in the insurance agency business since graduating from college at Mississippi State University.

A friend introduced him to Barksdale Bonding & Insurance Inc., an independent agency focused on the construction sector. But when Barksdale sold to Regions Bank, Menetre decided to make a move and took a position with Ross & Yerger in January 2008.

Menetre said at that time Ross & Yerger didn't have a specialized construction practice but offered him the opportunity to start one.

"Unfortunately, the construction economy went south shortly thereafter (thanks to the Great Recession of 2008) so we had a tough couple of years," he said.

But during those first years, he focused on building his construction team from the ground up, which today includes 18 people, including Addison. It now represents the largest practice group in property/casualty at Ross & Yerger, which is ranked No. 99 on Insurance Journal's Top 100 Independent P/C Agency list in 2021.

Since joining the firm in 2014, Addison has been able to team up with Menetre to help grow the construction practice.

"He and I have partnered up on a great deal of our business," Addison told Insurance Journal. "With my construction background, calling on contractors was a natural fit."

Menetre's insurance experience along with Addison's construction experience have made for a good sales partnership.

"In addition to that kind of mentoring alongside Bailey, working hand-in-hand with him daily on construction clients, I was able to accelerate my learning by having someone who had been doing it probably 10 years prior to me joining the agency," Addison said.

Before joining the inde-

Bailey Menetre

pendent insurance agency world, Addison said he felt underemployed, and wasn't making the impact he wanted to make in his professional life. The value he brings to his insurance clients is why he loves what he does, he said.

"Insurance has been extremely rewarding. You become an advocate for the people you're working with and that feels important," Addison said.

Addison recalled an incident concerning his first client in January 2014.

"Four months after writing that account a tornado came through our hometown of Tupelo and caused a total loss," he said. "In my first quarter of working in insurance, I got to see a total loss take place and see the promise of taking care of someone in the event of a total loss. .... That experience, while it was awful to see and experience ... allowed me to see what I was selling, and how it is utilized," he said. "That probably shaped my passion for the career."

He said hopefully his clients never have to experience a total loss, but if they do, he wants to make sure they have the right insurance coverage in place.

Sharing that experience with clients is one of the strongest ways to help them understand the value behind an insurance policy, he said.

Find the Right Place

Being an insurance producer isn't for everyone, Menetre said.

"But it's a very rewarding career for somebody who is focused on developing long term relationships, developing long term solutions and products for businesses that require risk management programs," he said.

First find the right place to work, he suggested to young professionals entering the agency world.

"One of the biggest draws that we have as a company is our culture," he said.

That's not unique to his firm, Menetre knows. But at Ross & Yerger, the oldest privately held independent agency in Mississippi, founded in 1860, it's important to employees, he said, because everyone is an owner.

"We've remained privately held by becoming a 100% employee-owned ESOP in 2002," he said. "Having that culture where everybody has ownership in our business means a lot to our employees because everybody's pulling towards the same goal."

Then, find the right specialty, he advised.

Find a "niche that excites you. I would not be nearly as passionate in this industry if I were not focusing on my passion – construction," he said. "That's what motivates me and allows me to enjoy what I'm doing as a broker," he said. "It's rewarding, it's fun and it provides a lot of close relationships that I'll have for a long, long time." IJ

25 Things 'Most Important' to Young Agents in the Workplace

1. Work life balance.
2. Being recognized for a good day's work.
3. A teamwork mentality meshed with a desire to do the right thing for the client.
4. Flexibility, great compensation, great benefits, and understanding.
5. Honestly for me, I want everyone to do what they love in this world. As long as the person loves what they are doing, and has passion for it, that is what is most important to me. That is what makes a team.
6. Education. We, as agents, need to be educated to be able to better protect and advise our clients.
7. Good compensation is a prerequisite for a good workplace, but opportunity for advancement is even more important.
8. Flexibility and good comp but also good leaders. People don't quit because of the work; they quit because of bad leaders.
9. Culture.
10. Communication, compensation, role expectations and proper support.
11. Flexibility of schedule and workplace location (at office, home, etc.)
12. Treating all the staff fairly. Equal pay based on work production and knowledge.
13. Mentoring the new staff.
14. Better health benefits that pay for your family.
15. Good management, good agency culture, and fair compensation.
16. Great company culture. Flexibility, opportunity for advancement, fair compensation, opportunity for growth and development, and great colleagues.
17. Feeling valued.
18. Keeping all of your employees on the same page and making the workplace a fun place where you don't dread going to work every day.
19. Focus on helping clients.
20. Working in a work environment that allows for family/personal time.
21. Work life balance, compensation, career path opportunities, educational support, Employee Assistance Programs, volunteer opportunities.
22. Good leadership/management.
23. Compensation and flexibility are really important.
24. Respect, team approach, recognition of efforts, fair, good communication, and leaders who also take pride in being part of the team.
25. Faith, reasonable expectations, and trust in your people to get their job done.

Producer and Carrier Contracts:
An Agent's Lifeblood, But Will Your Contracts Save You?

By Chris Burand

The world is a different place today. In days gone by, agents focused on protecting their expiration rights from carriers and producers stealing their books of business. From many angles, those were the halcyon days.

Carrier Contracts

For a very long time now the value of expirations has been diluted. Two other rights have become important and arguably have equal or excess value to expirations today to the more strategic brokers, carriers and tech people.

The first goes back over 15 years ago, when a particular carrier sent letters to certain agents' clients advising the client that their agent's appointment had been canceled. This was a mass event and not specific to individual agency issues or trust money issues or anything like that. The carrier simply seemed to want to eliminate a large proportion of its agents. Also, the carrier went beyond notifying clients that an agency's appointment had been canceled and was quite proactive by encouraging those clients to move their business to specific other agents. The letters went out before the agents could contact their own clients.

If my memory is correct, the agents and agents associations protested, and the carrier noted that the contract "only" gave expiration rights to the agents and not exclusive communication rights. The Texas association, I believe, helped to get that law changed in the next legislative session.

It is unfortunate many other states have not done the same.

If carriers can communicate directly with clients regardless of the subject matter (obviously carriers must have the right to communicate relative to policy notices, renewals and so forth), they obtain some power and value over expirations. What do your contracts say?

Fast forward to a few years ago when certain smart individuals realized that the information in the renewals was possibly as important or more important than the expirations themselves. Most agents with whom I initially broached the subject could not separate in their minds how data and expirations are different. It is the data that is severable from the insurance renewal and/or unrelated or of no use to the user of the data.

'If the contract can be broken, albeit broken unfairly, how do I keep my best producers (these opponents don't want your worst producers) in my agency?'

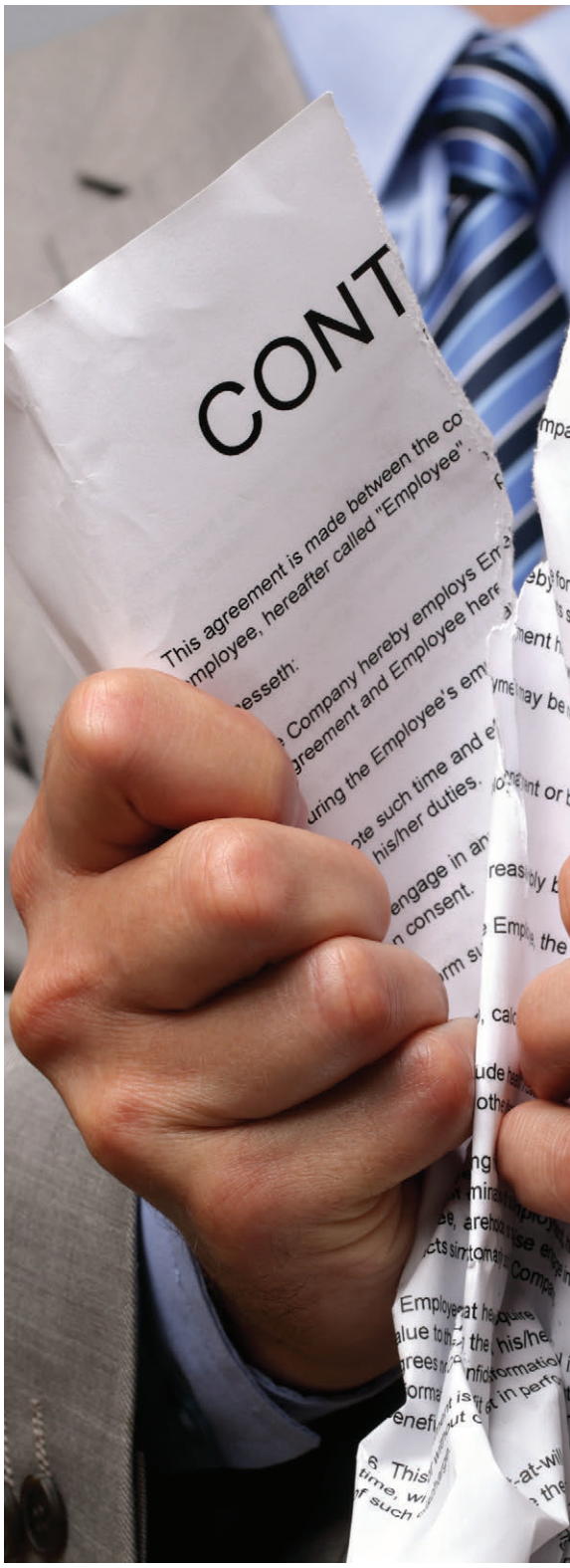
Who actually owns the data in your file? I am not addressing ownership of the expiration, which is a de facto future cash flow rather than the data points. I saw an interesting article that ownership of the data is not only between carriers and distributors, but also potentially the owners of agency management systems. It is an interesting three-way split of the blanket!

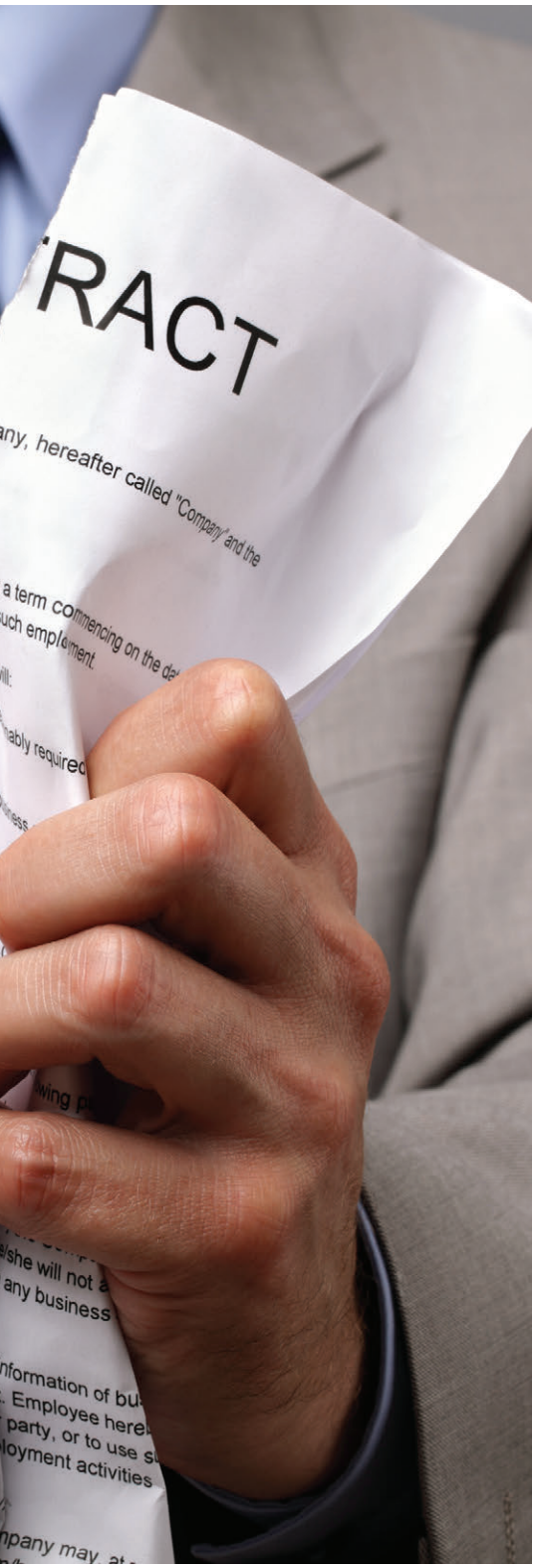
Do you have the right contracts with your carriers and vendors? If you sell your agency, are you selling too cheap, considering the buyer can possibly split the value of the renewal rights cash flow and data points?

It reminds me of a billionaire who sold his railroad but kept the right of way for communication lines.

The right-of-way may have been as valuable as the railway. Where is your protection?

I have read a few hundred carrier contracts and it pays to read those contracts prior to signing.





Producer Contracts

For a long time, the debate has been about the ability of a producer to leave an agency and take the former employer's clients. Initially, non-competes were used but so many courts have ruled that strict non-competes were not fair, so that a more balanced solution was sought. That solution is usually some form of non-piracy agreement, although trade secrets agreements are probably a better solution.

That said, all those agreements were written from the perspective that the agency was more powerful than the producer. I remember a consultant telling me when he was teaching me about producer contracts that a certain design was ideal because the terms were identical and therefore, fair.

However, the terms were not level because the producer would never be able to afford to get out of the contract.

The tables have turned somewhat over the past 24 months. Producers can now afford to get out of contracts and, in many cases, they have more money than the agency owners. The difference is that a handful of entities have decided the best way to grow is to take producers and pay for the ensuing litigation rather than just buy the books or regulate the producer while they sit out their contract. Some of these players have private equity money.

From this perspective, let's say you have a great producer contract written by the best attorney. So what? By the time you litigate the situation, even if you win, you will probably lose. You just lose less.

I suggest your attorneys rewrite your contracts with this new development in mind. I also suggest agency managers think through the following question: If the contract can be broken, albeit broken unfairly, how do I keep my best producers (these opponents don't want your worst producers) in my agency?

Different options might include increasing compensation. However, straight compensation increases often don't hold water relative to the promises that are being made of ownership equity appreciation and upfront bonuses.

What else might work?

The number one solution is to institutionalize client relationships with others in the agency who have stronger ties to the agency than the producer, and therefore, will not leave. This is a strong risk mitigation strategy for many reasons, but particularly for this risk.

Other factors involve addressing what motivates good producers. Again, ignore marginal and poor producers. Good producers are often motivated by resources that enable them to write more business, more quickly. These resources may include a great staff, education, certain carrier representation, specific value-added services, and specific marketing (also a way to institutionalize client relationships).

Historically, some kind of deferred compensation plan became the equivalent of velvet handcuffs. Beyond the complexity and expense of creating 409A Treasury regulation-compliant plans, I still like this concept. If you have some form of vesting or deferred compensation or phantom stock or other versions and haven't had the plan reviewed by a specialist tax attorney, do so because the penalties for non-compliance are huge.

Regular accountants are rarely sufficiently knowledgeable on this subject. More thought needs to be put into these plans because I am seeing some producers, for the first time, willing to walk away.

As the world has become more complex, it pays to invest in experts who know what they are doing. The worst possible solution is to use boilerplate contracts that you find online, from an agent forum or from your buddy. This is no place to cut corners.

With every difficulty comes opportunity. The opportunity is for those that will rise to these new challenges. IJ

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Turning the Great Retirement on Its Head:

Look to Hire the Retired

By Tony Caldwell

One of the biggest challenges for independent agency owners today is recruiting and retaining talent. A variety of surveys taken pre-pandemic indicated that most of the industry workforce would be age-eligible for retirement within this decade.

Over the last several years as I've spoken to agency principals across the spectrum, it's clear that the problem is getting more acute. Now, post-pandemic, the so-called "great retirement" is creating real stress in many agencies. While long-term solutions remain elusive, an immediate solution is right in front of us.

Re-engage the ready-to-retire and rehire the retired.

But before we explore strategies to do that, let's consider why it's a good idea. For one, older workers have a great deal of hard-to-find (in new workers) knowledge. This may be obvious, but I think it's often overlooked and sometimes undervalued. So, to put a price on it, consider how long it takes to "validate" a producer. Typically, it takes three years and success rates can be low. Part of that time is simply spent with the employee acquiring knowledge.

Meanwhile, the cost to the agency for that is easily in the six figures. A highly knowledgeable commercial lines CSR similarly takes three-to-five years to become reasonably productive and the salary and training expenses for that also easily represent six figures.

Also, older workers have an intangible attribute that younger employees cannot match – wisdom. This wisdom can translate into more creative or tailored risk solutions in difficult markets, anticipation of problems and appropriate solutions and other valuable considerations. This wisdom is acquired through experience. If you allocate a part of employment cost to this experience acquisition over 30 or more years, it's easy to see how valuable it is.

Because these older workers are so valuable, and even more so due to the current supply and demand imbalance, it's worth considering how to hang on to them a bit longer. The first thing to do is to understand why they're quitting.

'It's clear to me that many people who choose to leave the workforce don't really want to be "useless," they just want to be productive in a different way. And that is where the opportunity for agency owners lies.'

Reasons Why Older Workers Quit

Most people I speak to who are preparing to retire tell me the number one reason is they are "tired of putting up" with something. The something varies. In these conversations, I often ask the question "if you could eliminate the thing(s) you are tired of, would you still want to retire?" and often the answer is "no." The solution for managers here is obvious. Ask that question and identify ways to eliminate the problem. Often that solution can be as simple as job reinvention. Perhaps the older worker focuses on the higher-order work where experience counts the most, while the younger people take on the other tasks as they earn their own wisdom.

The second-most common reason I hear is a desire for more freedom. This often comes in expressions of desire to travel, spend more time with grandchildren and similar things. When I drill down into this objection, the real issue for many is that their current job doesn't offer flexibility.

The older worker has the same work hours and vacation or personal time off opportunities as younger employees. When asked if they would like to continue to work either part time or with more flexibility, many near retirees tell me they'd love that opportunity.

Less frequently than the first two answers, I hear a desire to move to a different community to be closer to family or to experience a different way of life. When I follow up with the question "if you could continue working for your employer part time, or even full time, from wherever you'd like to settle, would you want to do that?" I often hear an enthusiastic "yes."

Reengaging the Ready-for-Retirement

The word retirement in general means to "be put out of use." It's clear to me that many people who choose to leave the workforce don't really want to be "useless," they just want to be productive in a different way. And that is where the opportunity for agency owners lies.

They need to ask what their current, and prospective, older workers want and then provide it. Fortunately, meeting many of these requests has never been easier. The COVID-19 era has led many workers to reflect on why they don't like their jobs – why they no longer want to put up with the things, places or time necessary to work in their current jobs. At the same time, it has also created and accelerated the adoption of many tools and management strategies that make redefining work for this valuable, experienced and wise cohort possible.

Clearly, remote work is possible and

effective. The experimentation with continued work-from-home flexibility is ongoing in agencies and the obvious solution to having workers relocate using work-from-home technologies is clear. Not only can current employees easily relocate, but agencies can hire experienced and otherwise ready-for-retirement employees regardless of their geographic location.

This management flexibility that COVID forced can be expanded. We recognize that the number of hours worked per week does not necessarily correlate with employee value. Schools closed, parents took over education responsibilities, employees cut working hours for family care, and as employers we came to see that was okay. For many agency tasks, the where and when these tasks were completed were less important than we originally thought. Extending this management strategy to older workers allows for part-time, even episodic, work where employees might only work part of the year, freeing them to pursue the things that heretofore forced them into retirement. This flexibility of time can also allow older workers to do the things they want to do like spend time with family, care for family members, hobbies and so on — while they continue to work.

Redefining the Work, Rewarding the Employee

COVID has also forced many businesses to reexamine the work that various employees need to do to make the business run properly. If agency owners embrace this creativity and flexibility to redefine jobs, they may find older workers eager to remain working or return to work. They simply need to redefine the job in a way that addresses the things the employee was "tired of putting up with." Job sharing, work reorganization or hiring other employees who enjoy those tasks are all effective strategies to help redefine positions.

Another strategy that can be used in combination with those already mentioned is rewarding older employees with greater compensation. It's clear that the experience and wisdom discussed earlier often translate to greater effectiveness and productivity. Why not analyze that in a given business and then create pay programs that reward it? Doing so holds the promise of maintaining the agency's capability to get the needed work completed while increasing job flexibility and remunerative incentive to continue working.

Retaining or recruiting older workers isn't the only solution to the talent crisis. But it does hold the promise of solving part of it for agencies that are willing to think differently and engage in and promote a different, and I think better, kind of teamwork. That teamwork and improved engagement can begin by asking older employees what they want. With those answers in hand, it's not difficult to redefine agency operations in a way that benefits everyone. IJ

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Redefining Leadership Development

The role of a great leader continues to evolve as new business demands and expectations are met with shifting challenges and priorities. However, while most insurers are focused on growing employees' technical abilities, many overlook the importance of interpersonal and leadership skills in a comprehensive career development plan.

By Julie Dunn

A Gartner study found 45% of human resources professionals struggle to develop mid-level leaders and 37% struggle with developing senior leaders. Understanding what leadership means within your company and focusing on leadership development strategies can help high potential employees maximize their skills and abilities, while building a strong bench of loyal and dedicated insurance talent.

Define Leadership

Leadership comes in many forms and will look different from company to company. Clearly define what leadership looks like within your specific organization, aligning it to your corporate culture, mission and values. A few common leadership traits and skills include inspiring and motivating others, displaying integrity, maintaining a growth mindset, and being honest and trustworthy. While these may come innately for some individuals, they can be learned and developed within others.

Identify High Potential Individuals

Once you've defined leadership, it's important to identify your organization's high potential talent. Within this exercise, keep in mind that leadership can be a behavior and may not necessarily be a title, such as a manager. Skilled individual contributors don't always strive to be people managers, yet they can still play valuable leadership roles within an organization. Strong leaders embody your company's values, and can motivate and engage others, while contributing to overall success.

There are various methods for identifying these high potential individuals. Some organizations choose to invest in formal leadership assessment tools and programs, and others may take a more qualitative approach. Consider how employees are performing and their aptitude to continue to grow and develop. Do they quickly pick up new concepts? Do they seek out opportunities to learn and take on new responsibilities? How do their colleagues respond to them? Do they naturally show up as a leader? Be open and observant. Individuals can show an inclination for leadership at very early career stages.

Build Leadership Development Strategies

Leadership and soft skill development should be built into your high potential employees' professional development plans, even at the junior level. Incorporate training around problem-solving, communication and relationship-building throughout individuals' careers. How this looks will vary depending on your organization. Many larger insurance organizations have well-defined leadership development programs already established and driven by their HR teams. Others may not have the resources to support a formal program, but should still prioritize putting certain components in place, even if it's at the department level. Regardless of your approach, ensure your senior management team is modeling the leadership traits that have been identified as valuable to your company and supporting these behaviors in others.

Leverage Multiple Tools Within Your Strategies

There are several tools that can be included within a comprehensive leadership development strategy. Consider what will best meet your organization's leadership goals, while also tailoring programs to each individual employee's trajectory.

Identification of Skill Gaps. To best focus your training, leverage assessments to understand employees' current strengths and weaknesses, then develop leadership

training that aligns with each individual's needs. You may also use 360-feedback from their managers, peers, staff and themselves to better understand how they're perceived, what they're good at, and where to focus their energy.

Broad Insight. Determine how you can provide high potential employees with a well-rounded view of your organization. This could include rotational programs and experiences across divisions to help them better understand how departments are interconnected. Be thoughtful and intentional about their exposure to the broader business, including them in interdepartmental projects and meetings.

Mentorships and Coaching. While informal mentoring relationships are valuable, strive to create a more formal mentorship program within your organization and encourage senior leaders to commit to mentoring more junior-level employees.

Through a well-defined program, you can better identify the areas where high potential employees need to grow and partner them with the individuals who can best support their journey. Mentorships provide invaluable insight and can connect individuals with current leaders they may not otherwise have direct access to.

While mentors should be outside of an individual's reporting structure, anyone can serve as a coach, including direct managers. Coaching relationships are also an essential component of leadership development and provide individuals with feedback and support on certain projects and situations.

Emotional Intelligence Training. Soft and interpersonal skills are often key in distinguishing great leaders as they move forward in their careers. Consider having formal training around emotional intelligence and even coupling it with unconscious bias training. Strong emotional intelligence enables individuals to effectively collaborate and communicate, while proactively managing relationships. Achieving the most sophisticated level of emotional intelligence takes dedication, as individuals work to neutralize their own emotions, better understand how others respond to them, and ultimately use this knowledge to successfully work through challenging conversations and conflict.

Take the time to create formal leadership development strategies that identify high potential employees and pinpoint their strengths and areas for growth. By focusing on growing leadership skills within your young professionals, you'll be able to position them in a way that sets both them and your organization up for future success. IJ

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My New Markets

Franchised Truck Dealerships

Market Detail: Williams & Stazzone offers a specialty package insurance program for Franchised Truck Dealerships. The comprehensive program may include: Garage Liability Package Policy; Contingent Lease & Rental; Dealers Physical Damage (Inventory); Property, Crime, and Inland Marine; Dealer E&O; Umbrella; Discrimination; Pollution. Additional details: Stable insurance program backed by a well rated carrier. Comprehensive form and competitive pricing. Ideal agency partners will have an existing focus on Garage Liability or have staff with prior experience but will also entertain one-off submissions from agents/brokers that have little understanding of this market and/or don't have access to the right product.
Available Limits: As needed
Carrier: Not disclosed, admitted
States: All states except Hawaii and Alaska
Contact: Vincent Stazzone at 800-868-1235 or email: info@wsins.com

Imaging Facilities and Radiology

Market Detail: Ultra Risk Advisors' imaging program provides broad coverage and customized loss control services for stand-alone diagnostic imaging facilities and radiologists: Radiology Practices; Stand Alone Imaging Centers; Telemedicine; Teleradiology Groups; Mobile Imaging Services. Policy highlights include: Occurrence and claims made options available; Incident sensitive trigger; Defense outside limits; Punitive damages where insurable by law; Vicarious liability for acts of uncovered providers; Consent to settle no hammer; First dollar coverage available; Physician coverage available. Coverage enhancements include: Unlimited reporting endorsement available with reinstatement of limits; Medical director and independent contractors in definition of insured; Indemnity only deductible available; Government billing; Action-defense cost; No-interest installment plans available for greater than $50,000 in premium; Excess including commercial auto and employer's liability available.
Available Limits: As needed
Carrier: Not disclosed; rated A++, AM Best

States: All states
Contact: Mark Walker at 425-450-1090 or email: Mark.Walker@ultrariskadvisors.com

Diving

Market Detail: LIG Marine Underwriters offers a program, DivePak, designed exclusively for diving contractors or marine businesses with diving exposure (excluding energy). This program provides the needed coverage to fulfill contract requirements, in addition to providing an array of options to protect business and employees. The program features a flexible and creative underwriting approach to allow it to be tailored to most circumstances. Each section is available monoline, except if requesting workers compensation/USL&H then must also include MEL.
Available Limits: As needed
Carrier: Not disclosed
States: All states except the District of Columbia
Contact: Karen Tischler at727-578-2800 or email: KLT@LIGMarine.com

ROV AUV Coverage

Market Detail: Accessible Marine Insurance (AMI) has many clients who provide remotely operated underwater vehicle (ROV) inspection services. The limits of insurance can vary depending on a customer's requirements, but as a general rule limits start at $1 million for general liability. A typical equipment policy may not cover equipment once it hits the water, therefore it is important to secure a contractors equipment policy for waterborne exposures with limits equal to the value of the ROV. Also, a general liability policy may not cover wet operations such as ROV inspection work. AMI has been offering very competitive rates for ROV, autonomous underwater vehicle (AUV) and other waterborne equipment for many years. We can also provide a quote for workers' compensation with a USL&H endorsement, although it may not be required if the water is not navigable.
Available Limits: As needed
Carrier: Not disclosed
States: All states
Contact: Accessible Marine at 504-486-5411 or email: insure@ami-ins.com

Workers' Comp for Buildings Operations by Owner

Market Detail: Preferred Property Programs offers workers' compensation coverage for property managers, condominiums, apartment owners and homeowners associations. Building operations by owners is the primary classification we are looking to underwrite.
Available Limits: As needed
Carrier: Not disclosed, admitted
States: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin
Contact: Kenneth Hager at 888-548-2465 or email: khager@jgsinsurance.com

Business Planning Made Easy

By Catherine Oak

If agency owners haven't created the annual business plan, it is not too late. It is best to take a good look at the past and reflect on how the agency has been operating over the past year. Operations may need to be restructured to the way it should be run in the coming year, especially with a harder market in most lines of business.

What better way to get the year headed in the right direction than with a short and concise business plan? To make sure that this plan gets done, here's a formula for a one-page business plan that can be done in no time at all. This formula follows below.

Where to Start

Planning ahead requires an understanding of where the agency is now, how it got there, what works and what does not work. Once the current status is defined, then a roadmap to the future can be drawn. The rule of this game is to keep it simple.

The objective is to review the agency's performance and set future goals in five areas of primary focus: Book of Business, Sales, Financial Performance, Employee Productivity, and Market Relationships. The owners and key managers should get together and do this plan as a team.

Start with a large poster board in the conference room or offsite facility. Then draw a vertical line down the middle and two horizontal lines to split the page into thirds. The paper will now have six equal size boxes. Prioritize the list of five areas of primary focus (Book of Business, Sales, etc.). Write the top two topics on the top of the top two boxes, the next two topics on the top of the middle boxes and the fifth topic on the top of the lower left box. Leave the lower right box blank at this point. Now start planning!

Book of Business Composition

It is valuable to examine the composition of an agency's book of business once a year. This is a great starting point because it defines the agency's "personality." The "personality" of an agency in turn will define what to expect in the other primary areas in the review process. For example, a large urban agency that sells mainly large commercial accounts will have different expectations than a small town agency that sells all lines of insurance.

Start by finding out what the split of business is along each line: personal, commercial, life, group benefits, individual health and program business. Then calculate the average size of account for each line. Also, how much of the agency business comes from the top 10 accounts. Finally, analyze the distribution of business and identify the firm's top five industries.

In the Book of Business box vertically

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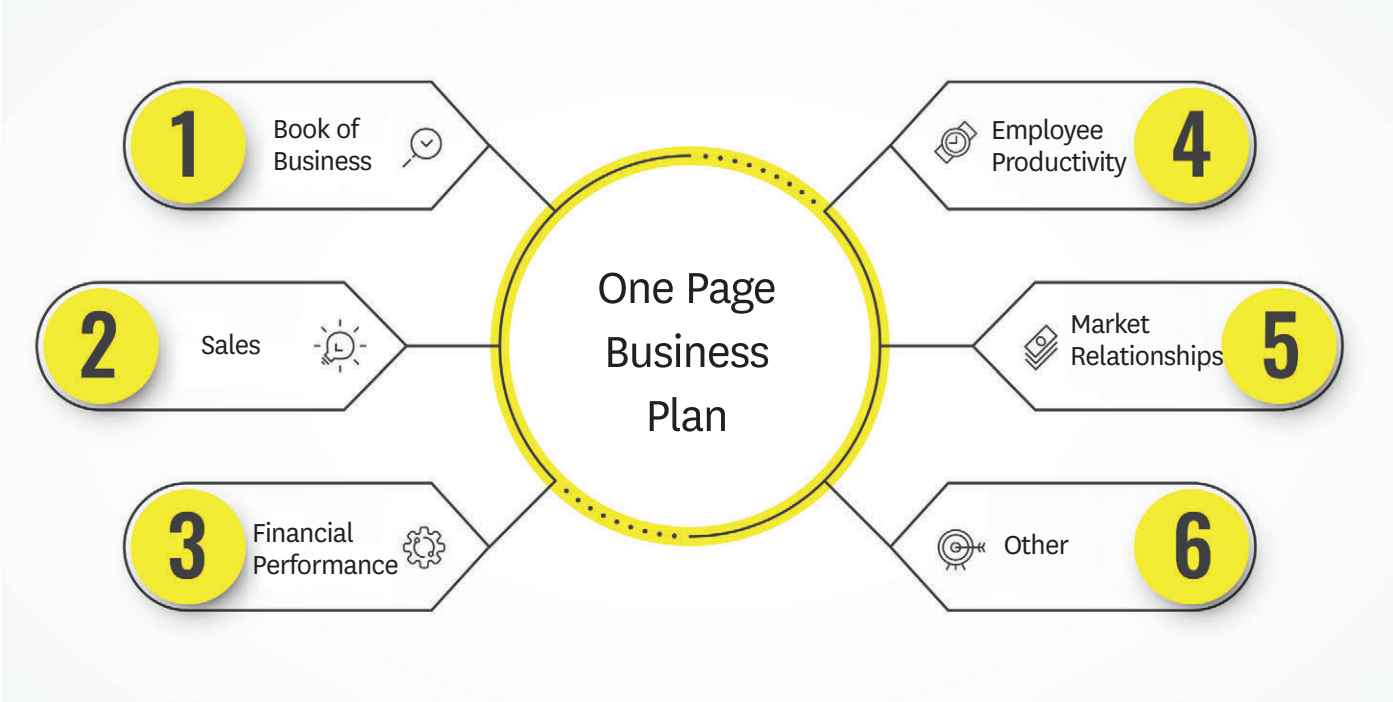

list the breakdown of the current book of business by line of business, top 10 accounts and key industries. Write the current percentage of the overall book for that line of business but leave room for goal setting.

Is the mix of business healthy for the agency? This is a judgement call for the owners. Niche selling is usually more profitable, however, it is also riskier. If the agency has a lot of small accounts, the procedures in place for selling and servicing them are critical in order to make a profit.

It is important to distance oneself from the book of business and objectively ask the question "is this book valuable enough the way it is or should its composition be changed?" If it needs to be changed, what should the agency target? This depends on the expertise of the producers and service staff, as well as the appetite of the firm's current markets. Write down those future targets next to the current composition.

Have all lines of coverage been sold? Cross-selling helps with retention and profitability. This thought process is what separates the entrepreneur from the average person. Also, below that list write one or two actions that need to be accomplished to reach those goals.

Sales Review

It is important to review the new sales for the agency overall and for each producer. An experienced producer in a typical agency should generate at least $25,000 to $75,000 in new commission dollars each year, depending on their size of book. For large firms with large accounts, the amount could be much higher, likely in the $75,000 to $150,000 commission range.

The hit ratio of each producer needs to be determined. Hit ratios of less than 25% to 33% cost the agency a lot of time and money. The technique of producers with low hit ratios needs to be checked and adjusted. Often, the producer fails to pre-qualify the prospect. Sometimes producers just are not approaching businesses that match up with the products the agency has expertise in writing, nor markets that are competitive for those classes of business. Use the successful producers as a model.

The agency may have tremendous sales; however, if there is loss of business through attrition, much of the effort for new sales is wasted. Calculate the attrition rate for the agency and each producer. The goal should be around 10% or less attrition for the typical property/casualty insurance agency. Higher attrition is usually an indication that the business the agency writes is transient and either the clients are price shopping or are not good risks. On medium to large risks, renewals need to be worked on at least 90 days in advance and contact with the insureds must be done in a timely manner to get the renewal right.

In the Sales box, vertically list the current overall hit ratio, average new business produced and the average book of business in the agency. Write next to those numbers the target for next year. Below that list write two or three actions that need to be accomplished to reach those sales goals.

Financial Analysis

The beginning of the year is also a great time to check the agency's financial performance. It is relatively easy to do, and it will need to be done for budgeting and tax purposes anyway. For the financial review, income statements and balance sheets are needed. Don't forget to also obtain the summary accounts receivable and account payable reports.

First look at the changes in revenue and expenses compared to prior years. Have they gone up or down? What is the percentage of the change in each category?

If there are major changes, what was the reason? Sometimes the change is because of a non-recurring event or a discretionary item. The real problem is if the situation has gotten progressively worse over the years. Subtle changes each year can add up to a big change.

Is the agency spending more or less for each expense than its peers? Make sure that the peer group used is a fair comparison. Use a benchmark that is for agencies of similar size, book composition (personal lines, commercial lines, life and health), size of account and, if possible, in the same geographic region. If the agency is significantly different from its peers, why is it so and should there be any adjustments made to the operation? The IIAA Best Practices report and the Society of CIC performance standards are two great sources for these comparisons.

What is the bottom line? Is the agency profitable? A good rule of thumb is the total return for the owners and producers (compensation, perks and profit) in an agency should be at least 50% of the revenue. Since most of the time the agency does not want to show too much profit, for tax purposes, a pro forma analysis should be done to remove those write-offs that are a use of profit versus ongoing, necessary expenses needed by the agency.

Next take a look at the following balance sheet ratios:

- Trust Ratio (cash plus receivables divided by company payables), should be greater than 1;
- Collection Ratio (receivables divided by premium payables); and
- Current Ratio (current assets divided by current liabilities).

Review the aged receivables report. How good are the agency's collection practices? Many firms are moving more to direct bill, to avoid collection hassles, but then should not be following up on late pays. This can cause an agency E&O problem if not followed consistently. The beauty of direct bill is that collections are the carrier's role for direct bill.

In the Financial Review box, write down the total revenues and expenses for the agency. Also write down the total compensation to the owners (salary, commission bonuses, perks, etc.). Next to those numbers write down projections for the next two years. Below that list, write down two or three problem areas for the agency that are noticeable with the analysis, such as poor collections or higher than average rent expense. These will be the issues that need to be resolved.

Productivity Analysis

The next area to look at is employee productivity. The following information is needed: 1) an employee list, including the percentage of time each employee (and owners) spends on production, service, administration and management; 2)

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compensation for each employee; and 3) commissions and number of accounts that each CSR handles.

It is important to begin the review with the big picture. Calculate revenue per employee, per CSR, and per owner/producer. Keep in mind to not use the job titles, but the percentage of time employees spend in each category. If a producer spends a third of their time doing traditional CSR service work, then they count as 33% of a CSR and 66% of that person as a producer.

Next, narrow the scope down to commissions per CSR and accounts per CSR. This should be broken down by line of business if the CSR handles more than one line.

Compare the CSRs to each other and the agency's performance to its peers. There may need to be some subjective adjustments. For example, a CSR may have had to move a book of business from one carrier to another. Also, some types of business may be more complicated and service intensive than other types and this could affect performance if a CSR's book is heavily niched in areas such as contractors, which can be very service intensive.

In the box marked Employee Productivity, vertically list the current revenue per employee, average commission and number of accounts handled by the CSRs by line of business (commercial lines, personal lines, etc.). In addition, write down the projected goals for next year.

Below that, list two or three action items that need to be accomplished to reach those goals. This could include new computer software or more training for the CSRs, for example.

Market Relations

If the current hard market does or does not continue, the carriers may make some changes, such as changing the profit sharing agreements, tightening up or loosening some underwriting or pulling out of certain markets.

Today's agent or broker needs to have a clear understanding of what the carriers can do for them and how this fits into the overall agency plan.

Run a list of all carriers with volumes, commission rates (or commissions), loss ratios and contingents received. Analyze how the agency's book of business stacks up with the existing markets.

Compare all the carriers and their products against what the agency has with the top five or 10 industry groups the agency writes.

Some of the questions that should be asked include: Will volume commitments be met and how will it be done? Are there new markets the firm should seek out? Is the volume spread too thick or too thin? Is the agency maximizing profit sharing agreements?

'If management does not know where they are, how can they possibly plan for tomorrow and know how to get there?'

In the box marked Carrier Relations, list the five most important markets (not necessarily the largest) and the agency's volume with them. Write realistic agency productions goals for the next year beside those numbers. It is best if one starts the planning before the carriers dictate to the agency what they expect. Next, list one or two markets that the agency does not have but thinks the agency could use. Write down on one side of those names the dates those markets will be approached. Finally, list two or three markets that the agency has outgrown and should get rid of. This is an important step.

The Final Ingredient

The last box can be used to write out the goals for any other key area for the agency. This could include automation, personnel changes, workflow issues, compensation or management issues.

Why This Needs to be Done

Competition is keen. The continued market cycle continues to cause havoc and agency value is at stake. This annual planning process and self-assessment is the key to success. If management does not know where they are, how can they possibly plan for tomorrow and know how to get there? Agencies without a plan are totally reactive to their environment and have little control over their future.

This simple planning technique can be done in less than a day. Through delegation, if time permits, each box in this plan can be expanded into several pages of a complete business plan. The beauty of the one-page plan is that it can be kept in management's day planner and scanned for easy reference. Business plans need to be reviewed at least once a quarter.

These goals should be shared with the middle managers, producers and of course, the rest of the service and administrative staff. How can employees help the firm

reach its goals, if they don't know what they are? This is a common complaint from agency staff, they want the communication of goals, plans by management, and they also want to be rewarded, if they assist the firm in getting there.

An off-site planning meeting should be held at least once a year. Having an independent third-party facilitator can also assist in achieving this plan more quickly, letting others be involved in the brainstorming of the plan and having others involved to help the firm reach its goals.

The man without a plan is simply lost, like a rudderless ship. Make a choice. Take the time to plan ahead and be successful.

Oak & Associates also has a template available on their website at www.oakandassociates.com for the Annual Business Plan and a Sales & Marketing plan template. N

Oak is the founder of the consulting firm, Oak & Associates, based in Northern California and Central Oregon. Oak & Associates specializes in financial and management consulting for independent insurance agencies, including valuations, mergers acquisitions, sales and marketing planning as well as perpetuation planning. Phone: 707-935-6565. Email: catoak@gmail.com.

Advertisers Index

April 18, 2022

DB Insurance Company, Ltd. (US Branch)
222 S. Harbor Road, Suite 710
Anaheim, CA 92805

The above company has made application to the Division of Insurance to obtain a Foreign Company License to transact Property and Casualty Insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

April 18, 2022

Wellfleet Insurance Company
5814 Reed Road
Fort Wayne, IN 46835

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty Insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

April 18, 2022

American Benefit Life Insurance Company
1605 LBJ Freeway, Suite 700
Dallas, TX 75234

The above company has made application to the Division of Insurance to obtain a Foreign Company License to transact Life, Accident, and Health Insurance and Property and Casualty Insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

April 18, 2022

Emphesys Insurance Company
1221 S. MoPac Expy., Suite 300
Austin, TX 78746

The above company has made application to the Division of Insurance to obtain a Foreign Company License to transact Life, Accident, and Health insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

April 18, 2022

Concert Insurance Company
1701 Golf Road, Suite 1-1110
Rolling Meadows, IL 60008

The above company has made application to the Division of Insurance to obtain a Foreign Company License to transact Property and Casualty Insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

April 18, 2022

GBU Life Insurance
4254 Saw Mill Run Blvd.
Pittsburgh, PA 15227

The above company has made application to the Division of Insurance to obtain a Certificate of Authority to transact Life, Accident and Health Insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

Closing Quote

Why Topa Made the Leap to Permanent Remote Work

By Denise Pavlov

Like most insurance businesses, Topa Insurance Co. (TIC) shifted to a remote workforce out of necessity in March 2020. With continued success in this new work environment, TIC quickly decided to make the remote workforce move a permanent one.

Since the shift, TIC's talent pool has expanded, the company reduced office overhead and its carbon footprint, and employees say they have a better work-life balance. This transition has been beneficial to TIC's company culture, partner relationships, and overall business strategy. While TIC management initially anticipated this to be a temporary solution, the team quickly acclimated and appreciated the many benefits of working from home.

When company leaders surveyed the team on their remote work experience, they found that more than 85% of the team were comfortable, able and/or preferred to work from home. Based on employee feedback, the desire to increase safety, flexibility and talent pool, and decrease physical footprint, the firm made the decision to extend the work from home policy permanently.

Since moving to a remote work environment, TIC realized several benefits:

Talent. Without the necessary commute to a physical office, TIC's talent pool expanded. It now recruits talent from across the country and current employees have the flexibility to move to other cities and states. In 2020, all employees worked in Calabasas, California. With the increased flexibility, TIC now has employees in more than 14 states.

Environment. TIC reduced its office overhead and carbon footprint. Employees enjoy greater flexibility within their day as they no longer commute in Southern California traffic. For some employees that means saving 12,000 miles a year (at the current rate of gas, and for a standard 30 MPG, employees could be saving $2,400 a year).

Work-Life Balance. During breaks and lunch, employees enjoy their neighborhood or backyard, spend time with family, take their pet for a walk, and squeeze in housework or a workout. Employees say this has contributed to a better work-life balance.

Customers. By eliminating obstacles such as conference room size, travel time and unpredictable traffic, TIC underwriters and their assistants have the flexibility to meet with more of their brokers, more frequently face to face over Zoom. This has created stronger connections while allowing TIC underwriters to remain safe and use their time more efficiently.

TIC has not only maintained its strong culture, diversity and engagement, those features have improved in the remote work environment. Strategies utilized include:

- Multiple communication touchpoints for teams: Email; chat; events; phone meetings.
- Host company-wide events and opportunities for employees to share their stories. These can include: Contests where employees share photos, costumes; experiences or participate in creative projects including a cookie decorating contest; personal features in the company-wide newsletter; Coffee Chats, small informal events where employees are invited to a Zoom meeting with colleagues and a senior executive to chat about work and life; Colleague Connection, a monthly event where employees can join and talk with someone from a different department or team one on one; and games and activities including Pictionary, poker and trivia.
- Create a seamless onboarding process for new hires.
- Utilize human resources management software for completely virtual and paperless onboarding.
- Provide a company introductory video.
- Send equipment directly to new hires with instructions from IT and a company branded item for their home office.
- Host an onboarding session the morning of their first day.
- Conduct 30-, 60-, and 90-day check-ins to answer any questions and solicit feedback.
- Celebrate successes and recognize others.
- Flexibility to try new systems, practices, and methodologies, and shift as needed.
- With creativity, replicate annual events and traditions that were previously held in person.

After two years, the TIC team continues to enjoy working from home. Company culture and leadership are driving forces behind productivity and engagement in this remote work environment. IJ

Pavlov is senior vice president and chief operating officer at Topa Insurance Company. Email: dpavlov@topa-ins.com.