Insurance Business America

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ISSUE 8.08

SAVOY NAMED 2020 TOP INSURANCE WORKPLACE

What the industry's best-rated company is doing to create a prosperous work environment

READY TO FACE THE STORM
How to prepare workers' comp clients to weather natural disasters

NO MARGIN FOR ERROR
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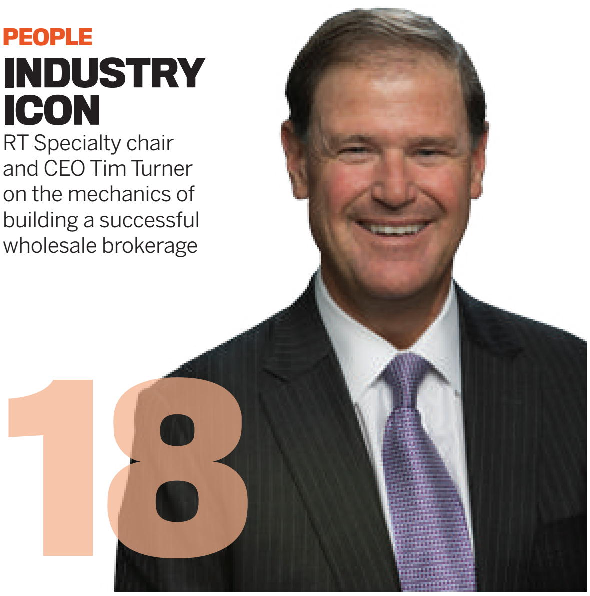

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EDITORIAL

Getting through tumultuous times

Is the new work landscape terrific or terrible? What camp you fall in really depends on your individual circumstances. Are you thriving in the remote work environment? Are you loving the insurance industry's rapid adoption of digital tools and virtual engagement? Or has COVID-19's forced work-from-home experiment been your worst nightmare, plagued by tech challenges, business disruption and a longing for traditional in-person contact?

These turbulent times have created many challenges for insurance companies. Over the past few years, employers have made concerted efforts to modernize the industry by adapting their corporate culture, their employment practices and even their physical work environments to better position their firms for future success. How many of you now have things like social break-out zones, hot desking and perhaps even a coveted ping-pong table in your offices? It's all part of a wider strategy to build better insurance workplaces that will help companies attract and retain top talent.

> Insurance hasn't always been the quickest industry to adapt to change, but the COVID-19 pandemic has shown that it has the ability to do so

But the COVID-19 pandemic has pressed pause on certain aspects of the insurance industry's workplace development. With many employees working remotely due to physical distancing advisories, companies have had to adapt their strategies and find new ways to create supportive and prosperous work environments, primarily through digital and virtual channels.

Will a Skype message or a Zoom call ever really match meaningful in-person communication? That remains to be seen, but all in all, the industry's efforts have been admirable. Insurance hasn't always been the quickest industry to adapt to change, but the COVID-19 pandemic has shown that it has the ability to do so. Insurance companies have managed to retain employees when many sectors have been forced to furlough. The industry has found creative ways to conduct business, and most companies have enabled digital tools to boost communication and engagement among employees.

Undoubtedly, this experience will change how insurance employers and employees regard their workplaces in the future. In this issue of *Insurance Business America*, we unveil our 2020 list of Top Insurance Workplaces, highlighting what gives the industry's best-rated employers an edge in an uncertain environment.

The team at Insurance Business America

STATISTICS

REPRESENTATIONS & WARRANTIES CLAIMS ON THE RISE

1 in 5

Proportion of R&W policies that resulted in a claim between 2013 and 2019

400%

Increase in total R&W claims between 2014 and 2018

$10.7 million

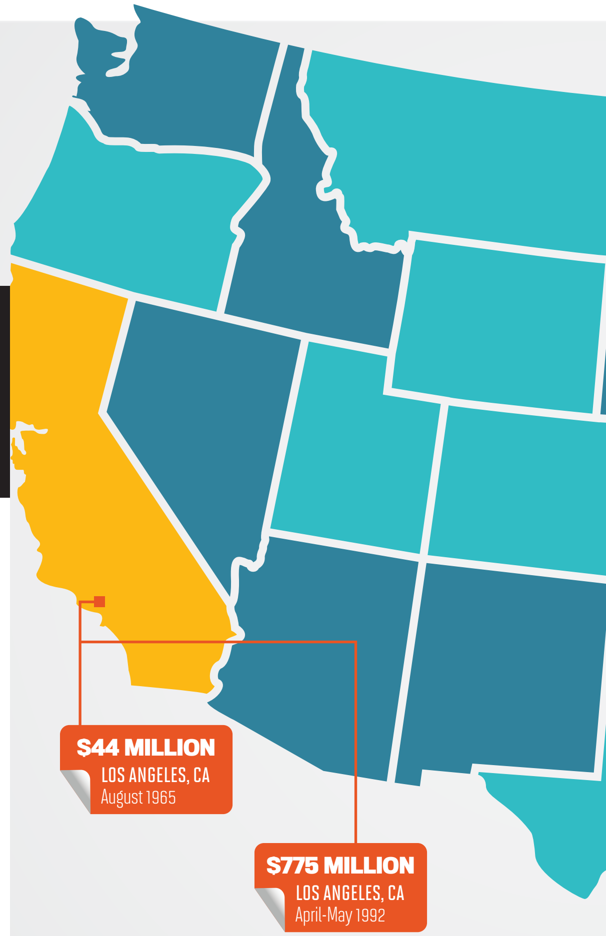
Average size of a R&W claim payment in 2019 (up from $5.4 million in 2017)

26%

Proportion of claim payments over $10 million in 2019 (up from 17% in 2017)

Source: Aon Representations and Warranties Insurance Claim Study

ESTIMATED LOSSES IN THE UNITED STATES' COSTLIEST RIOT AND CIVIL DISORDER EVENTS

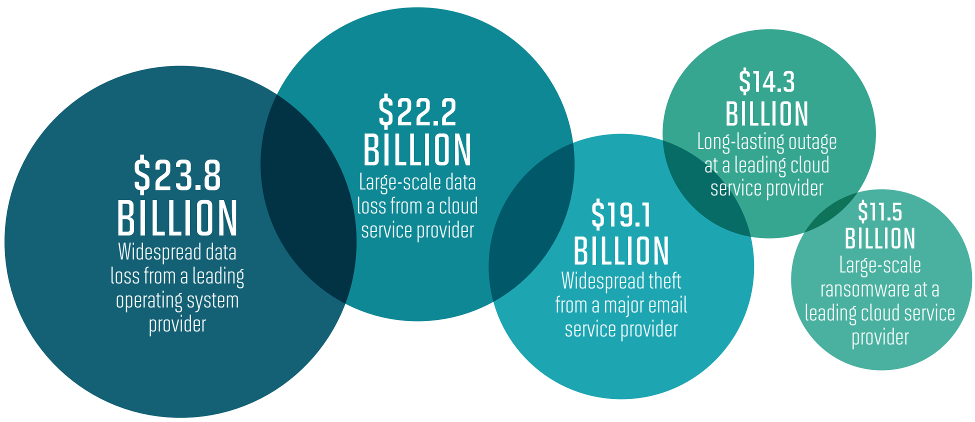


PROTEST LOSSES REACH CATASTROPHIC LEVEL

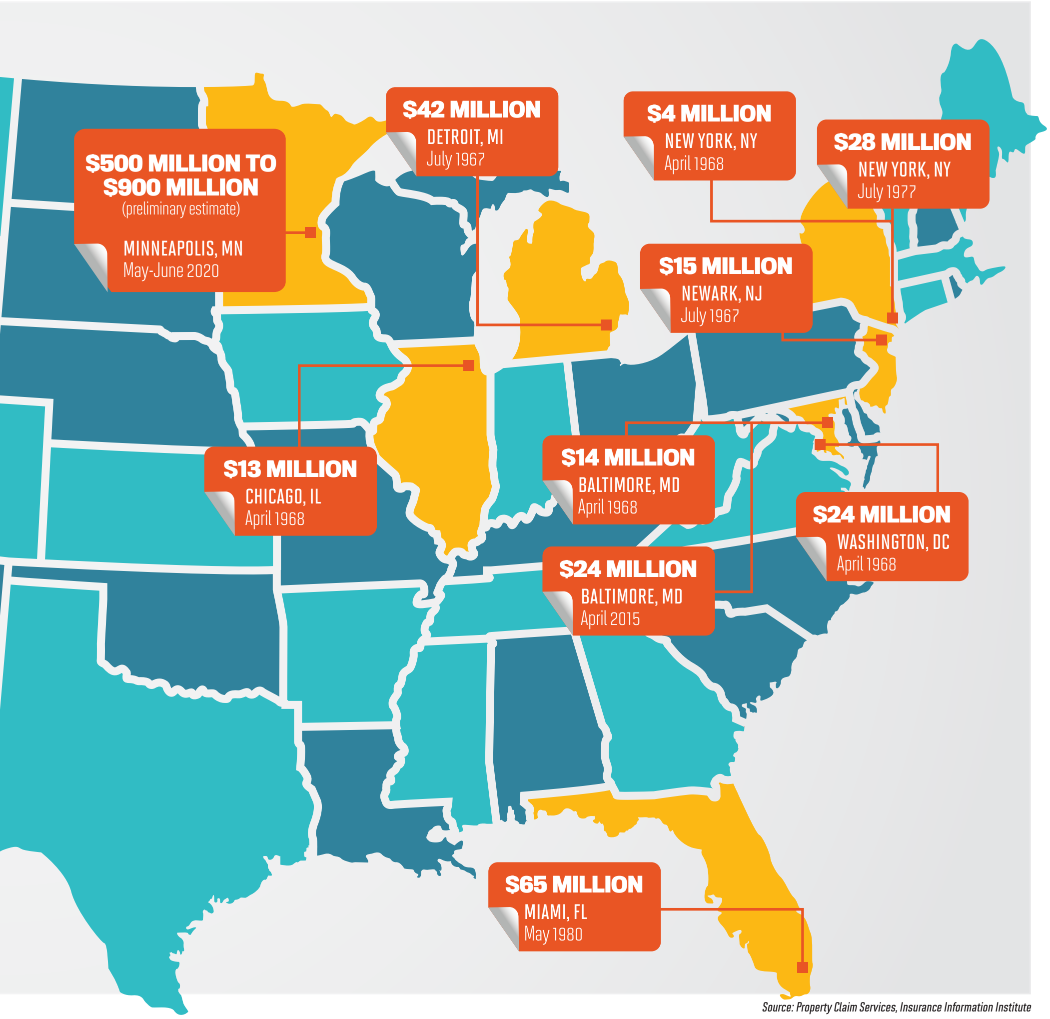
Ongoing protests over police brutality, sparked by the May 25 death of George Floyd in police custody in Minneapolis, have been classified as a catastrophe event by Property Claim Services (PCS), which estimates that insured losses in Minneapolis alone will top $25 million. While the 1992 Los Angeles riots currently hold the record as the costliest event of civil unrest in the US with more than $775 million in insured losses, PCS said the 2020 protests, which have spread to multiple states and come while the country is still grappling with the COVID-19 pandemic, could exceed that total. Current estimates put the potential losses at anywhere from $500 million to $900 million.

TOP POTENTIAL CYBER CATASTROPHES

A catastrophic cyber event could cost providers of stand-alone cyber insurance up to $23.8 billion, according to new modeling by Guy Carpenter and CyberCube. The two firms studied 23 different cyber catastrophe scenarios to identify the five most costly potential catastrophes; of these, Guy Carpenter said widespread email theft is the most likely.



Source: Looking Beyond the Clouds: A US Cyber Insurance Industry Catastrophe Loss Study, Guy Carpenter and CyberCube

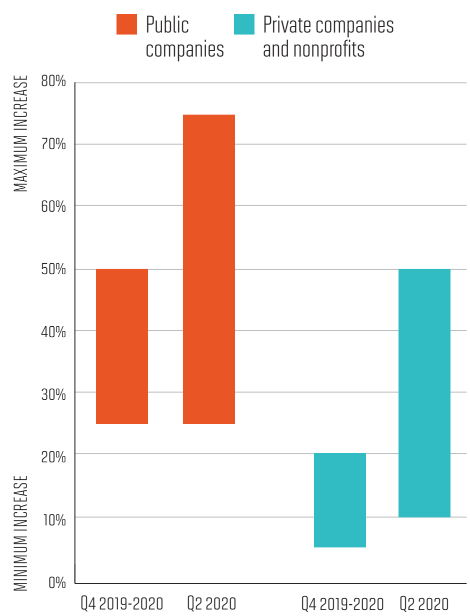


Source: Property Claim Services, Insurance Information Institute

D&O MARKET HARDENS FURTHER

Even prior to the COVID-19 pandemic, rising claims against public, private and nonprofit organizations and their boards were already challenging the D&O market, according to USI. The pandemic-fueled economic downturn is leading to further hardening of the D&O market; USI predicted that D&O rates for public companies could rise as much as 75% this year.

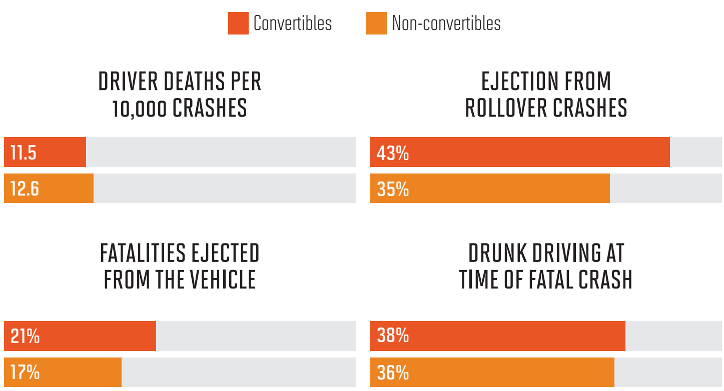
EXPECTED D&O PREMIUM INCREASES



Source: USI Commercial Property & Casualty Market Outlook, Q2 2020

ARE CONVERTIBLES RISKIER?

Despite their reputation, late-model convertibles aren't significantly riskier than traditional automobiles, according to data on crash and fatality rates from the Insurance Institute for Highway Safety (IIHS). However, the IIHS did find that convertible drivers are slightly more likely to be ejected from their vehicle in a fatal crash.

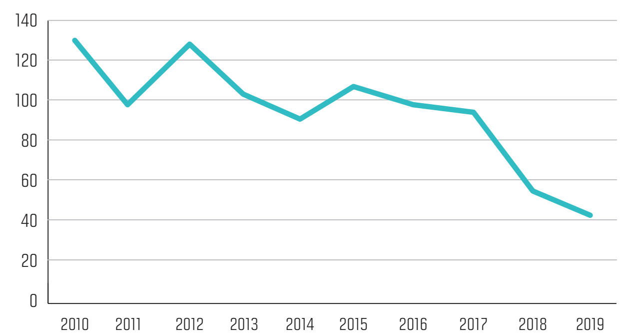


Source: Insurance Institute for Highway Safety

SHIPPING LOSSES AT A RECORD LOW

Large shipping losses hit a record low after posting a 20% year-over-year drop in 2019, according to Allianz Global Corporate & Specialty – although the firm warned that the COVID-19 pandemic could endanger long-term safety improvements in the shipping industry.

TOTAL SHIPPING LOSSES



Source: Safety & Shipping Review 2020, Allianz Global Corporate & Specialty

NEWS ANALYSIS

The pandemic insurance of the future

As COVID-19 continues to spread, the insurance industry is working with government leaders to come up with ways to protect businesses from pandemic-triggered financial loss

THE CORONAVIRUS outbreak is far from over in the United States, leading hot spots like California, Florida and Texas to press pause on reopening plans as the number of confirmed COVID-19 cases rises. In the meantime, state and federal governments, in concert with the insurance industry, have put forth legislation that would cover pandemic-related business losses, though there are debates about the best way forward.

One of the most notable proposals is being led by US Rep. Carolyn Maloney (D-NY), who introduced a bill called the Pandemic Risk Insurance Act (PRIA), which would establish a Pandemic Risk Reinsurance Program. The program would be funded by both public and private sources and would be used to cover business losses from pandemics or other public health emergencies.

"[Getting] the public and private sectors working very closely together in a response going forward [is] really what we have to do"

Hank Watkins, Lloyd's

Under PRIA, businesses could purchase pandemic insurance, and when a public health emergency occurs, the federal government and insurers would share financial responsibility for covering claims up to $750 billion. Several industry stakeholders, including the Council of Insurance Agents & Brokers, insurance brokerage Marsh & McLennan and risk management association RIMS, have voiced their support for PRIA.

"It's very necessary to provide a federal backstop to insurance carriers so that risk managers, companies and individuals can purchase insurance to guard against this sort of thing happening again," says Mark Humphreys, chair of RIMS' external affairs committee and vice president for litigation and risk management at Watt Companies.

With PRIA, insurance carriers would still provide the insurance policy, but the indemnity dollars would be backstopped by the federal government, similar to the Terrorism Risk Insurance Act (TRIA). "We think that's the perfect type of public-private partnership under the current circumstances," Humphreys says.

However, not everyone is on board. The National Association of Mutual Insurance Companies, the American Property Casualty Insurance Association and the Independent Insurance Agents & Brokers of America have argued that a program like PRIA, where the insurance industry plays a financial role, doesn't align with the fundamental notion that pandemics are uninsurable.

As a counterpoint, the three trade bodies recently unveiled a joint proposal for a federal pandemic insurance solution known as the Business Continuity Protection Program (BCPP). This program aims to help businesses meet the financial challenges of future pandemics by providing companies of all sizes and structures with revenue replacement assistance for payroll, employee benefits and operating expenses following a presidential declaration of a viral emergency.

Hank Watkins, regional director and president of Lloyd's Americas, is skeptical of PRIA, saying he's not sure "that the pricing would ever be appropriate for businesses to be able to afford." The BCPP, on the other hand, piques his interest. Businesses would purchase their desired level of revenue replacement assistance through state-regulated insurance entities that voluntarily participate in the program. FEMA would be charged with administering relief to businesses, and the BCPP would be able to purchase private reinsurance to protect federal taxpayers.

"It's based on the prior year's tax returns of businesses that buy the coverage, [and] it pays about 80% of your payroll and other expenses for up to three months," Watkins explains. "It's one of the best solutions that I've seen over the past couple of months."

He adds that the BCPP isn't likely to solve all of the problems associated with a pandemic, "but it is an attempt to get the public and private sectors working very closely together in a response going forward, and that's really what we have to do. It shouldn't be all on the government, and it shouldn't be all on the insurance industry. We can act as a conduit to the millions of policyholders around the world to enable them to buy coverage going forward, and you need that government backstop to make it a feasible alternative."

> "The insurance companies did not actuarily take into consideration that they would be covering losses arising in the context of a pandemic"
>
> Tom Morante, Kaufman Dolowich & Voluck

THE COVID-19 ECONOMIC FALLOUT IN THE US

3.4%

Projected average drop in the annual level of real GDP from 2020 to 2030, compared to projections from January 2020

6.1%

Projected average annual unemployment rate from 2020 to 2030, up from the 4.2% predicted in January

30%

Percentage of small and medium-sized businesses that are pessimistic about the prospects of economic recovery as of May 13

67%

Proportion of businesses with 20 to 500 employees that are concerned about the possibility of COVID-19-related lawsuits

Sources: Congressional Budget Office, McKinsey & Co., US Chamber of Commerce

These aren't the only proposals on the table. In the midst of hundreds of lawsuits based on denied business interruption claims, some states have considered legislation that could force insurers to cover pandemic-related claims. However, some bills have been shelved because of concerns that they could devastate states' insurance industries.

"States that push for retroactive business interruption coverage will be challenged on the basis of some constitutional provisions, including what we know as the contract clause in our Constitution," says Tom Morante, partner and chair of the insurance regulatory and transactional practice group at law firm Kaufman Dolowich & Voluck. "The contracts were not written, and the premiums collected by the insurance companies did not actuarily take into consideration that they would be covering losses arising in the context of a pandemic, and these are some key challenges that I think will play out in the courts in the coming months." IB

INTELLIGENCE

CORPORATE

ACQUIRER	TARGET	COMMENTS
AssuredPartners	WTPhelan & Co. Insurance Agency	The 122-year-old Massachusetts-based agency generates around $18 million in annualized revenue
Falvey Cargo	Brit Global Specialty USA	Brit has transferred the renewal rights for its cargo business to Falvey
JenCap Holdings	Quaker Special Risk	Quaker is a program administrator, commercial and personal lines wholesaler, and MGA with offices in New Jersey, Massachusetts, Florida and North Carolina
LP Insurance Services	Meridian Insurance Services	The deal expands LP Insurance Services' presence in the commercial, personal, employee benefits and risk services markets in Nevada and New Mexico
World Insurance Associates	Dan Woron Agency	Florida-based Dan Woron Agency specializes in homeowner's, auto, business and life insurance, as well as retirement and employee benefit products

AssuredPartners snaps up Massachusetts agency

AssuredPartners has bolstered its presence in the Northeast with its acquisition of WTPhelan & Co. Insurance Agency, its 20th acquisition so far in 2020. Founded in 1898 and headquartered in Cambridge, Massachusetts, WTPhelan currently reports $18 million in annualized revenue; its team of 58 will remain under the operational leadership of vice president Robert J. Ramsey.

"Our goal at WTPhelan is to find clients the best coverage at a competitive price to meet their insurance needs," Ramsey said. "Joining AssuredPartners will allow us to continue to serve our clients in a collaborative environment with our new partner."

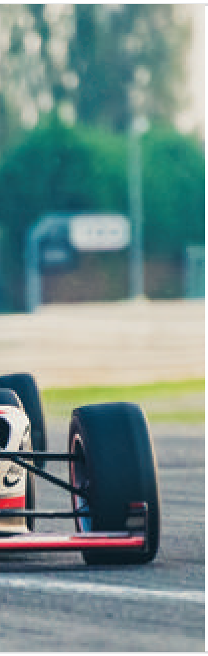
PRODUCTS

Canopius introduces suite of cyber property products

Canopius has rolled out a suite of cyber property products for medium-sized to large corporations. The new product range replaces cyber cover excluded from property policies following regulatory action and protects clients against the risks associated with the continued reliance on technology; expanding 5G coverage; and the increase in automation, connected buildings and use of the Internet of Things. The new product suite is based on an established rating model that combines historical data from the property market with cyber expertise to create a consistent pricing strategy.

Beazley unveils coverage for virtual events

Specialist insurer Beazley has announced the launch of a contingency policy designed to cover event organizers if a transmission failure disrupts or cancels a virtual event. Beazley's new virtual events transmission policy covers organizers whose success relies on technology platforms' ability to provide uninterrupted transmissions. If an event is canceled due to a transmission failure, the policy covers first-party losses, including organizational costs, expenses and gross revenue from advertising and ticket sales. The coverage is available globally and offers limits of up to $10 million.



Hagerty motorsports subsidiary revs up online waiver platform

MotorsportReg, a motorsports membership, licensing and event management system that's a subsidiary of specialty insurer Hagerty, has launched SpeedWaiver.com, a new platform that gives motorsport and automotive event organizers and participants the ability to digitally sign liability waivers. According to Brian Ghidinelli, Hagerty's managing director of motorsports, "SpeedWaiver eliminates one of the biggest hassles for event organizers and participants – standing in line at the liability waiver table. It's fast and simple, but best of all, in this age of social distancing, it's much, much safer."

CFC Underwriting launches new M&A solution

CFC Underwriting has boosted its lineup of transaction liability products with the launch of a new insurance product designed to help private equity firms speed up and simplify the process when pursuing a portfolio of add-on acquisitions. According to CFC, smaller transactions often go uninsured, but its new product can be structured to work even with small add-on acquisitions. The product allows for an agreement on a master policy wording at the time of the primary platform acquisition, with an add-on endorsement when each subsequent acquisition completes.

RPS enhances crisis management cover

In response to the evolving risk landscape, Risk Placement Services (RPS) has partnered with crisis consulting firm R3 Continuum to enhance its Crisis Protect product for small and medium-sized businesses. Crisis Protect offers first- and third-party indemnity, along with crisis response consultant costs of up to $1 million for pre- and post-incident risk management services. The new partnership gives RPS clients access to additional professional advice, regular bulletins and guidance from R3 Continuum, allowing them to better assess and respond to security threats and crises.

PEOPLE

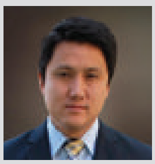
NAME	LEAVING	JOINING	NEW POSITION
Alan Belthoff	Global Special Risks	Breckenridge Insurance Services	Senior vice president and senior broker
Kari Dybdahl	N/A	American Risk Management Resources Network	President, brokerage division
Adam Gabler	CDS Insurance Services	Newfront Insurance	Strategic advisor
Ronald Habursky	N/A	Erie Insurance	Senior vice president and chief investment officer
Thomas Kang	Willis Towers Watson	Allianz Global Corporate & Specialty	Head of cyber, North America
Thierry Leger	N/A	Swiss Re	Group chief underwriting officer
Scott Mackie	AXA XL	Liberty Mutual Re	Director of assumed reinsurance – property
Dianna McCall	CRC Group	Breckenridge Insurance Services	Vice president and broker
Sanjay Mehta	McGriff Insurance Services	Liberty Company Insurance Brokers	Senior vice president
Clarke Smith	International Special Risks	Trident Marine Managers	Director of underwriting
Andrew Umphress	Validus Specialty	Brit Global Specialty USA	Vice president, terrorism
Christina Welch	N/A	FCCI Insurance Group	President and CEO

FCCI appoints new president and CEO

FCCI Insurance Group has named Christina Welch as its new president and CEO. Welch first joined the Florida-based P&C insurance provider in 1998 and has held various roles, most recently serving as executive vice president, general counsel, and chief audit and compliance officer. In her time with FCCI, Welch has spearheaded a number of significant initiatives, including the development of a robust enterprise risk management program.

"I am well aware that FCCI's marketplace success is dependent on the success of our independent agencies and policyholders," Welch said. "Our focus will continue to be – as it has been for more than 60 years – helping our agents and policyholders be successful."

AGCS names new cyber head for North America



Allianz Global Corporate & Specialty has appointed Thomas Kang as head of cyber for North America. A cyber insurance veteran, Kang has worked in the field across various insurers, including ACE Group and The Hartford. He most recently served as global cyber product leader at Willis Towers Watson, where one of his key initiatives was to simplify and streamline cyber insurance contracts make them more client-friendly.

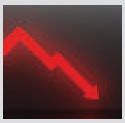
"Tom is a respected and recognized leader in the cyber insurance industry with a strong acumen in underwriting and a solid presence within the broker community," said Paul Schiavone, insurance solutions director for financial institutions at AGCS. "His strategic and managerial expertise will be critical as we expand our cyber presence in North America."

WORKERS' COMP UPDATE

NEWS BRIEFS

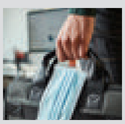
Charles Taylor takes on workers' comp and DBA claims

Charles Taylor Claims Services has introduced claims handling and medical management for specialized workers' compensation and Defense Base Act (DBA) claims. The new services extend to both domestic and overseas claims and include medical case management and evaluation, cost containment, claims settlement, labor market surveys, and investigations. The new services will be headed by Jane Hegeler, a specialist in workers' compensation and DBA services who has held senior positions in the health and travel assistance sectors for more than 15 years.



Workers' comp could see 20% drop in claims in 2020

Workers' compensation professionals are predicting a 20% decline in new injury claims this year due to COVID-19-related lockdowns and widespread unemployment, according to a recent study by Health Strategy Associates. The 35 workers' comp professionals surveyed said new claims fell by as much as 50% "practically overnight" in the wake of COVID-19, Health Strategy Associates reported. Respondents also predicted that the sector would see premium reductions driven by business closures and steep declines in payroll, as well as extended disability durations on non-COVID-19 claims.

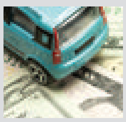


DSI Work Solutions teams up with MyAbilities

Occupational health company DSI Work Solutions has partnered with MyAbilities to integrate the MyAbilities@Work platform with DSI's service offerings in injury prevention and return-to-work management. The MyAbilities@Work platform features return-to-work, digital job analysis and office ergonomics components. Its real-time data will be coupled with DSI's Job Function Matching system, providing access to more than 50,000 unique digital job profiles. In addition to the newly integrated platform, the partnership will also allow DSI to offer its providers and customers access to MyAbilities' Rapid Office Strain Assessment.

Workers' comp pharmacy spending falls by 6%

Workers' comp pharmacy spending fell by 6.1% in 2019, according to new data from pharmacy benefit manager myMatrixx, which also recorded a 4.3% decrease in the number of prescriptions among its clients. MyMatrixx also found that prescription drug costs decreased by 2.4% at the injured patient level in 2019, despite utilization increasing by 1.9%. But while pharmacy spending was down, specialty therapy costs in workers' compensation continued to increase in 2019 – spending rose by 18%, while utilization was up 27%.



Motor vehicle accident workers' comp claims rise

While the general frequency of all workers' compensation claims decreased by 20.1% between 2011 and 2016, the frequency of motor vehicle accident (MVA) claims increased by 4.9% during the same period, according to the National Council on Compensation Insurance, which cited the rapid expansion of smartphone ownership during this period as a possible driving factor for the rise in MVAs. The report also found that MVA lost time claims cost over 80% more than the average lost time claim, due to the fact that MVA claims tend to involve more severe injuries.

Saving on workers' comp costs

Flexible billing options and new class codes can help businesses stay on top of workers' comp in spite of financial issues

The COVID-19 pandemic remains both a major health and financial issue, and many business owners are struggling to make ends meet – but the pandemic has also made workers' compensation coverage an essential component of any enterprise. Workers are at the mercy of the coronavirus – on top of the many health risks they already face on a day-to-day basis – and skilled labor can be difficult to come by in the face of COVID-19.

So what can business owners do to stay on top of their financial obligations while also protecting their employees in this difficult time? Enter pay-as-you-go billing.

Helen Kasper, vice president and head of payroll partners at The Hartford, explains that for most businesses, payroll will fluctuate throughout the year, which means traditional workers' compensation billing estimates might be too high or too low. But pay-as-you-go billing adjusts premium in real time according to payroll.

"Pay-as-you-go will help a business owner stabilize and improve their cash flow," Kasper says. "With pay-as-you-go, the business owner is less likely to pay more than they need to for their insurance during the year or have a big audit adjustment at the end of the policy term."

While the pandemic has complicated things for most business owners, it has also presented an opportunity to save on workers' compensation, Kasper adds. Employees that have been furloughed due to COVID-19 but continue to be paid during their temporary leave carry a different level of risk when it comes to workers' compensation, she explains. As a result, states have developed unique class codes for payroll associated with these workers.

> "Pay-as-you-go will help a business owner stabilize and improve their cash flow"

"Payroll in these new class codes will generally be excluded in the calculation of premium due, which means less premium business owners have to pay," Kasper says.

To take advantage of the new class codes, she says, traditionally billed workers' compensation policies can incorporate the new codes through a mid-term endorsement, wherein the policyholder provides an estimate of payroll associated with the furloughed employees, or at the time of audit through an adjustment of class codes and payroll.

However, pay-as-you-go billing provides an additional advantage in this area, Kasper points out, by allowing businesses to seamlessly incorporate the new class codes into a policy mid-term, immediately lowering premium payments.

Gary Hagmueller
CEO
CLARA ANALYTICS

Years in the industry
25

Fast fact
About halfway through his career, Hagmueller decided to try something new and built a business in the wine industry – but the allure of interesting data eventually took over, and his wine firm evolved into a tech-driven service and marketplace

Q&A

Identifying problems before they escalate

CLARA Analytics recently integrated its predictive analytics tool with Sapiens software. How does this tool help improve the workers' compensation process?
Our predictive analytics application reduces loss costs, shortens claim duration and enhances the expertise of adjusters by identifying at-risk claims quickly, rapidly connecting injured workers to the right providers, minimizing litigation costs and generating MSA reports in minutes.

Our recent partnership with Sapiens allows users to get the power of CLARA's scores, alerts and other features natively within the claims system they are already using, allowing everyone who works in the claims space to speed up their workflows, identify opportunities to address problems before they escalate and help get the injured claimants back to their normal lives faster.

What are the biggest issues facing the workers' compensation market today?
Workers' comp injuries and the various resulting expenses cost insurers over $70 billion and employers well over $100 billion each year. A committed crew of fewer than 40,000 adjusters in the industry is handling 3 million workers' comp claims in the US, often armed with surprisingly basic software.

Enter artificial intelligence, which can quickly examine data in workers' comp claims and generate increasingly accurate predictions that give adjusters superpowers. Adjusters now have the ability to monitor claim dashboards that show them the projected cost and medical severity of a claim and all the factors that drive those predictions. These outputs are based on the actual attributes of the claimant, the injury and the results of similar claims. The result is more effective care, faster recovery and cost savings for the insurer and employer.

Are you anticipating any workers' compensation claims issues from the COVID-19 pandemic?
We are absolutely anticipating an impact. There is a decrease in traditional workers' comp claims, primarily due to fewer workers and work hours. However, we are seeing COVID-19 claims rise in essential workers, including nurses, first responders and grocery workers; at first, some of those claims were being denied. Some states have extended protections to essential workers, so we expect many of those denied claims to be revisited.

There could also be an increase in work-at-home claims. Social distancing lowers the infection rate but places a strain on the millions who are using makeshift home offices. This could introduce repetitive strain injuries like carpal tunnel syndrome. Even defining a workplace injury incurred from home becomes complicated.

TECHNOLOGY UPDATE

Preparing for future pandemics

Could parametric insurance be the key to resolving business interruption issues brought up by COVID-19?

Business interruption insurance claims stemming from COVID-19 remain a sore point for business owners and insurers. As more insurers add pandemic exclusions to their policies, there are concerns that traditional insurance might not be an option to protect businesses from another global outbreak similar to COVID-19.

Parametric insurance – broadly defined as an insurance program that is triggered by a set index or parameter – might be the key to solving this dilemma. While traditional insurers can insist that specific wording in their insurance policies prevents them from paying pandemic-related business interruption claims, a parametric insurance program will pay customers as long as the defined and measurable parameters of the policy are met.

Insurtech company Machine Cover recently announced it is developing a parametric insurance product for pandemic risks. According to Machine Cover founder and CEO Inder-Jeet Gujral, the product has both a global trigger (declaration of a pandemic by the CDC) and a local trigger (a sharp fall in economic activity in the immediate vicinity of the buyer's location).

"We determine this [local trigger] through the analysis of satellite images of the areas in question, although various other proxies of economic activity are also possible," Gujral says, adding that Machine Cover plans to monitor the triggers and ensure that clients are promptly paid when those triggers are met.

> "From an insurance perspective, the only thing about the pandemic that matters is its economic consequences"

While it's simple enough to base a parametric insurance policy's trigger on the occurrence of a pandemic, it could also be a challenge in this era of 'fake news,' as conflicting reports and information about the COVID-19 outbreak have demonstrated. However, Gujral explains that Machine Cover is focused solely on the financial impact of outbreaks.

"We pay no attention whatsoever to the clinical details of the pandemic since our position is that from an insurance perspective, the only thing about the pandemic that matters is its economic consequences," he says. "Furthermore, even if we cared about the clinical details, no one – and certainly not us – has the faintest idea what future pandemics are going to look like."

NEWS BRIEFS

Sapiens teams up with customer experience firm

Insurance software provider Sapiens has partnered with customer experience management firm Quadient to give clients the ability to design, modify, manage and deliver documents without the need for technical expertise. Sapiens plans to integrate Quadient's Inspire product with its P&C, life and annuities, and workers' comp platforms to enable the rapid personalization of claims and policy correspondence, easier access to a repository of templates, and built-in document review capability.

Lloyd's Lab launches special COVID-19 program

Lloyd's Lab, Lloyd's of London's innovation accelerator, has launched a special program to help bring COVID-19-related innovations to market. The three startups taking part in the program include Metabiota, which models infectious disease outbreaks and estimates their socioeconomic effects; Dialogue, which specializes in credit and political risk; and Praedicat, which aims to develop a suite of cross-line clash COVID-19 scenarios to assist in identifying and tracking the emergence of pandemic-related liability risk.

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TECHNOLOGY UPDATE

Laird Rixford
CEO
INSURANCE TECHNOLOGIES CORPORATION (ITC)

Years in the industry
24

Fast fact
Sixty-four percent of Gen Xers and baby boomers now use online or mobile apps for daily financial transactions, up from 30% in 2018, according to Capgemini and Efma

Q&A

Online consumerism is here to stay

How has the COVID-19 pandemic affected sales of insurance products?

While it's clear that the pandemic has affected sales of insurance and related products, the impact has not been as severe as other industries. Consumers still have assets that they need to insure. Many have moved to alternative shopping methods, which are really just methods being used by those consumers of other industries – online digital storefronts.

At ITC, we saw this through our personal lines comparative rating platform, TurboRater, where we collect millions of carrier rates every month; our website platform, Insurance Website Builder; our consumer rating platform, TurboRater for Websites; and the TurboRater Rate Engine API. We maintain a regular baseline of expected quoting volume for our rating platforms and an expectation of submission and traffic to our websites. While the agent rating activity has been below expectations – as much as 34% some weeks – online quote requests and goal completions jumped considerably compared to what we expected to see, as high as 25%.

Because the pandemic is an ongoing threat, should insurance companies place more focus on developing a digital storefront?

Absolutely. Building a strong digital presence should be at or near the top of the list for any insurance entity, agency or carrier. The agencies, carriers and insurtechs we've seen invest in online properties with consumer-driven quoting have not been significantly affected within their online activities. It has served them well through the pandemic and will continue to do so. Online consumerism is here to stay.

What are the most important elements in creating a digital storefront?

When creating a digital storefront, you must first understand what your customers' wants and needs are. Is it quotes, claims, policy service? Starting with a basic understanding of your customer's persona will guide you in which elements are needed on your website. The basics include online comparative quoting, online service options and educational materials.

Beyond a website, also consider automated marketing to follow up on the online leads and client portals for online service. This can help you support and service your clients at whatever time is convenient for them, even if it's after business hours.

How can insurers encourage their customers to make the switch to shopping digitally?

Don't make a mistake in assuming that consumers aren't already online. Eighty percent of all shoppers use a digital channel at some point in the process.

That said, buying insurance online can still be a scary proposition. By providing easy options and tools that guide a consumer through a complicated process, it removes the friction often associated with buying insurance. What works for a carrier will work the same for an agent or broker. In fact, the agent has a leg up on carriers – they can provide the added benefit of choice.

CoreLogic introduces new workflow solution

CoreLogic has launched its first fully integrated insurance solution, designed to seamlessly engage and protect policyholders and portfolios. Features include virtual workflow platforms for both underwriting and claims, data-driven insights to aid decision-making, and portfolio management and risk monitoring services. The new solution uses an open architecture and API framework to make it easy for clients to connect to a host of third-party insurtech solutions, unifying the property experience for policyholders.

Lemonade raises $319 million with IPO

AI-powered insurtech Lemonade has raised $319 million with its initial public offering, which debuted on the New York Stock Exchange in early July under the ticker symbol LMND. The IPO valued Lemonade at around $1.6 billion, down from the $2.1 billion it was valued at in 2019 after it raised $300 million in a funding round led by Japanese conglomerate SoftBank, which owns a 27.3% stake in the company. Lemonade's shares, originally priced at $29, rose to more than $65 per share during the first day of trading.

Usage-based insurance market expected to soar

The global market for usage-based insurance (UBI) is projected to reach $77.25 billion by 2026, up from $25.46 billion this year – a compound annual growth rate of 20.32%, according to market research firm Valuates Reports. The firm attributed the growth of UBI to the widespread adoption of smartphones and internet-connected vehicles, noting that automakers are increasingly working with smartphone and tablet manufacturers to deliver products and services to be available in vehicles.

OPINION

GOT AN OPINION THAT COUNTS?
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Protecting private equity

Insurance brokers play a key role in safeguarding private equity portfolios – especially in these challenging times, writes **Rammy Streit**

PRIVATE EQUITY partners who make control investments in middle- and lower-middle-market companies typically rely on their lawyers, accountants and bankers to be trusted advisors. However, they often overlook the important role an experienced insurance broker can play in their portfolio's success. As a former investment banker who now works exclusively with private equity funds, I have audited numerous portfolios and have found that most are overpriced, improperly structured (with overlapping coverage or gaps and conflicting or ambiguous language between carriers) and poorly managed.

When I've asked partners why they haven't taken a more strategic, hands-on approach, I have heard numerous reasons for this attitude: "Insurance is a commodity, so it doesn't matter who I use." "I have limited bandwidth on time and relationships." "I hate dealing with insurance."

But because insurance is typically one of the largest expenses across a portfolio, partners who fail to develop a relationship with an experienced private equity insurance broker are missing an opportunity to improve EBITDA and strengthen a portfolio's coverage profile. With insurance markets in turmoil due to catastrophic losses, increased claims activity and the uncertainty caused by COVID-19, private equity partners need trusted insurance advisors who can act as outsourced risk managers. To meet that standard, brokers need to keep several things in mind.

Relationships. Insurance brokerage firms are under increasing strain from both a human capital and revenue perspective. With each renewal requiring more work and time, the best brokers are unable to handle the same volume as before. This often results in less important (i.e. less revenue) clients being pushed to the B/C/D teams, who may not have the experience to competently mitigate a fund's or portfolio's risk.

Aggressive marketing. When M&A activity was strong and the insurance markets were soft, many private equity partners lost focus on insurance, allowing brokers to become complacent. With deal-making slowing and the foreseeable economic outlook uncertain, private equity professionals will be demanding more from their brokers.

Brokers will be expected to obtain quotes from every carrier in the market, not just three or four preferred trading partners. They should also engage specialty private equity wholesalers when appropriate, even though it is against their economic interest. Finally, brokers should begin the marketing process at least 120 days prior to expiration to ensure portfolio companies do not face last-minute, take-it-or-leave-it policy terms or outright denial surprises.

Innovative strategies. The bigger the company, the more market leverage it has – and private equity partners can use this truism to create economies of scale by aggregating their portfolios. Accordingly, a good broker should align all portfolio insurance to one renewal date and go to market as a fund-branded conglomerate. Brokers should also build fund relationships with three or four main carriers across the portfolio to improve carrier claims handling and service. Finally, for D&O, brokers should secure lower limits (cheaper pricing) for each portfolio company and then cover with a higher-limit umbrella to reduce tail pricing at exit.

Attentive, proactive service. Just as private equity partners love to do deals, brokers love to place a well-priced policy with broad coverage. But too often, service becomes an afterthought. To provide attentive service, brokers should engage in frequent communication with partners and management teams to advise of market developments that could have a significant impact on upcoming renewals. Regular communication will also help brokers understand the changing dynamics of a company (employee headcount, revenue, work-from-home arrangements, etc.) so that policy adjustments/credits can be negotiated with the carrier.

Non-insurance solutions. The best option to mitigate a risk might not always be a high-cost, robust insurance policy. There are innovative solutions in some areas, like employment practices liability, that can transfer risk more effectively than a standard EPLI policy. Brokers who value relationships should always be looking for the best solutions to mitigate portfolio risk, wherever they may be. IB

"With insurance markets in turmoil, private equity partners need trusted insurance advisors who can act as outsourced risk managers"

Rammy Streit is a vice president on the private equity services team at the Plexus Groupe/Plexus Financial Services. She is a former investment banker with Lehman Brothers and Bank of America Merrill Lynch.

Insurance
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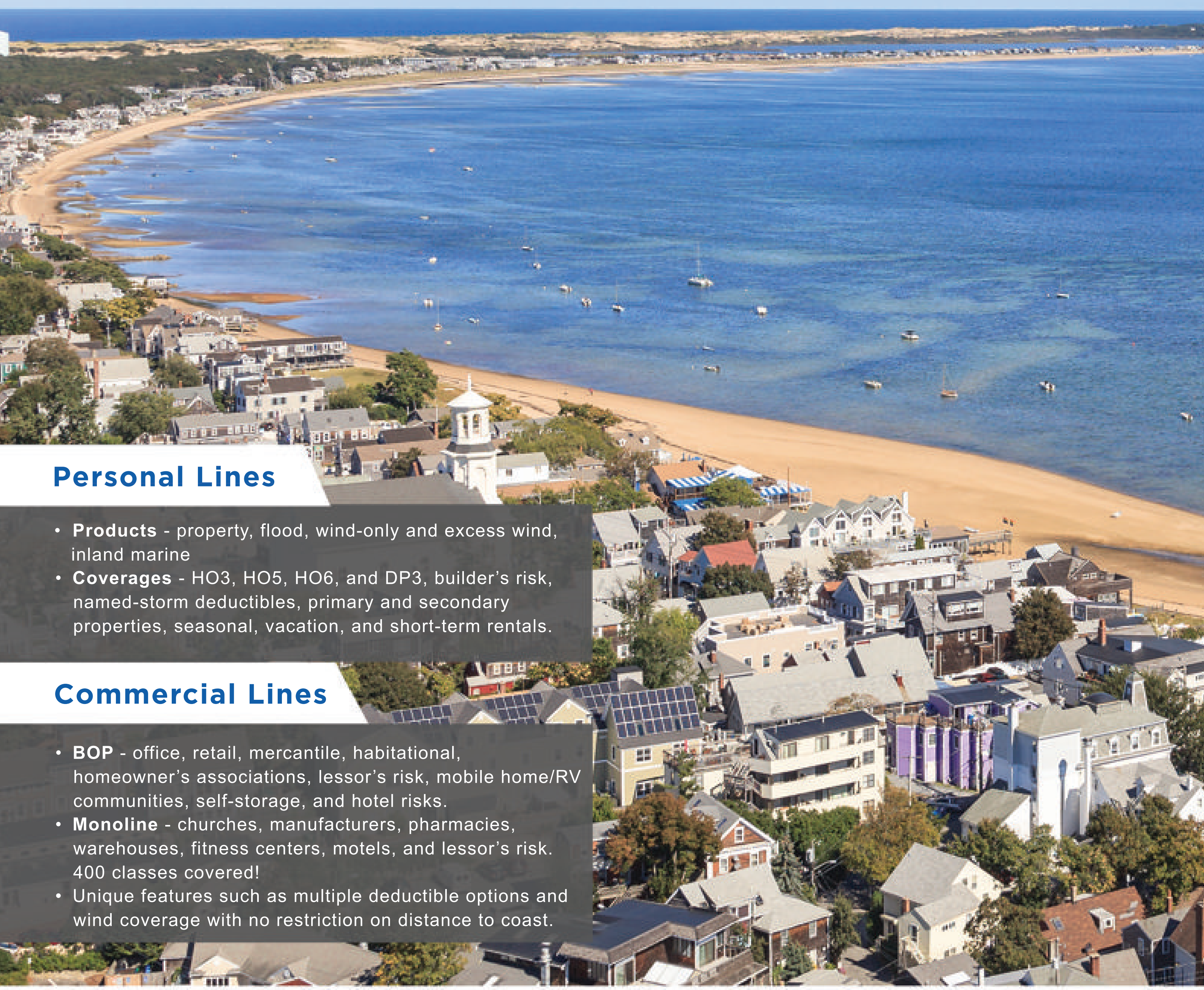
SPECIAL REPORT

NATURAL CATASTROPHES

Expert advice on preparing your clients for wildfires, hurricanes and floods



NATURAL CATASTROPHE REPORT 2020

Insurance Business America explores three of the main loss-driving natural perils in the United States – wildfire, hurricane and flood – with expert insight from CoreLogic, Orchid Insurance and Munich Re

A PERFECT STORM is brewing in the United States. The country is steamrolling toward peak wildfire and hurricane seasons, but the public's attention is glued elsewhere. The US remains gripped in battle with the COVID-19 pandemic, which has killed more than 150,000 Americans and strong-armed the country's economy into a slumber. But pandemic or no pandemic, Mother Nature never sleeps. Severe weather events have already struck and will continue to strike the US through 2020, and Americans must be ready.

As the Earth's warming trend continues – the last decade was the hottest on record – climate change is starting to have an effect on weather-related risks and losses. In 2019, Munich Re's NatCatSERVICE reported 820 natural catastrophe events worldwide. These events caused damages of approximately $150 billion; only $52 billion of that total was insured, exposing a global protection gap of $98 billion. The US took a 31% share of the losses in 2019, experiencing $24 billion in damages, $14 billion of which was insured. This share is down 4% from the long-term average of 35%, largely due to the lack of severe Atlantic hurricanes in 2019.

However, 2020 could be a different story. Forecasters in the National Weather Service's Climate Prediction Center announced in mid-May that there's a 60% chance of an above-normal Atlantic hurricane season this year. In June, reinsurance brokerage and advisory firm Beach & Associates echoed that forecast, predicting an "above average" hurricane season for 2020 on the basis of "several key persistent variables," including a high Atlantic sea surface temperature. The Atlantic Multidecadal Oscillation (AMO) index, a measure of how warm the Atlantic is relative to its average, hit its highest level since 1948 in February and March, and its second highest level in April. A high AMO is typically a strong indicator of an active hurricane season.

Hurricanes aren't the only peril the US has to deal with. As climate variations impact the frequency and intensity of weather events, the country is also contending with longer and more frequent heat waves, more erratic rain patterns, and a general uptick in secondary perils like wildfires, tornadoes and flooding. All of these weather events are exacerbated by economic and demographic development. As more homes are built in exposed areas like flood plains and the wildland-urban interface, the risks are only increasing.

The insurance industry plays a vital role in strengthening global resilience against severe weather perils – and its influence is not limited to insurance and reinsurance risk transfer. As a key stakeholder, the insurance industry can and should work with other critical public and private parties to develop and implement risk prevention, risk mitigation and risk transfer solutions. For example, insurers can work with policymakers to bring building codes up to higher standards or use their data to provide better risk mapping that will enable more strategic construction and development. All risk prevention and mitigation actions should help to reverse the increasing trend in catastrophe losses, which will in turn enable the insurance industry to provide more attractive and affordable risk transfer solutions.

For this report, *IBA* spoke to experts at CoreLogic, Orchid Insurance and Munich Re about three of the main loss-driving natural perils in the US: wildfire, hurricane and flood. They explored best-practice risk prevention and risk mitigation strategies, as well as potential insurance solutions, for each natural peril. They also shed light on claim trends and expectations, as well as new opportunities emerging through technology and innovation.

Bethan Moorcraft
Editor
Insurance Business America

WILDFIRE

What are some of the key contributors to wildfire exposure in the US?

The primary factor in determining wildfire risk is always going to be fuel. The natural vegetation that occurs across the landscape provides the fuel that supports wildfire ignition and intensity. While it's true that all vegetation can and will burn, the specific type, density and condition of the fuel are all critical characteristics that differentiate risk in one area from another. Highly volatile fuels that are dry are going to be a much greater threat than more fire-resistant or -tolerant fuels in humid or wet areas. These characteristics are crucial in determining overall wildfire risk.

What are some of the key mitigation techniques for wildfires?

The most commonly prescribed mitigation technique is defensible space. Creating defensible space means clearing or significantly reducing the fuels located immediately around the structures on a property. Removing or reducing the opportunity for a fire to burn in close proximity to a structure significantly reduces the opportunity for that fire to migrate onto or into the structure.

While defensible space is a great and often effective first step to reduce wildfire risk, other types of mitigation are nearly always necessary to minimize wildfire risk. Fires that move along the ground and burn up to the exterior of a structure are only half of the problem. The other source of structure ignitions is fires farther from the structure that produce wind-blown embers that land on the structure.

Mitigation against embers is most often related to hardening the actual structure to prevent embers from alighting on susceptible areas on the structure or, in some cases, actually finding a way into the structure. Capping the ends of tile roofs can prevent embers from finding a way under the tiles and igniting the roofing material. For homes that have vents into the attic, placing wire mesh over those vents can prevent larger embers from directly entering the attic space and igniting the home from the inside. Cleaning debris from roofs and gutters can eliminate any opportunity for embers to ignite small pockets of flammable materials on roofs.

Although it may be more expensive than these suggested mitigation techniques, the use of fire-resistant building materials is often one of the most important considerations for risk reduction. New construction in wildfire-prone areas should involve the use of roofing, siding and decking material that is fire-resistant. In existing homes, it may result in added cost, but replacing a wood shake roof or wood siding with fire-resistant material is an important step in reducing risk.

How can the insurance industry work with other stakeholders to build more resilient communities?

There are two great challenges we face as we seek community resilience from wildfires: first, homes burn down too often, and second, when they burn, a small fraction of homeowners discover they purchased inadequate coverage to restore their home. There are property-specific characteristics that can be modified to reduce the number of homes burned, and insurers can influence some actions that will reduce risk.

Risk-based pricing of insurance, which provides credits for responsible risk reduction through building and property features like fire-resistant roofs and brush cutbacks, is very effective in persuading owners and occupants to reduce the risk of loss. Wildfire losses are often full losses and require a complete reconstruction of the home. Greater consumer education on the regional costs of construction and the need to insure for the full amount are necessary to reduce the incidence of underinsurance.

How has the property insurance market responded to several years of devastating fires in the West?

The effects of the recent wildfire seasons have been most poignant in California. In the wake of the devastating 2018 Camp Fire, one insurance company went insolvent, and several other companies had significant distress. Wildfire risk is only a single component of insurance pricing, but the cost of insurance has increased. The California Department of

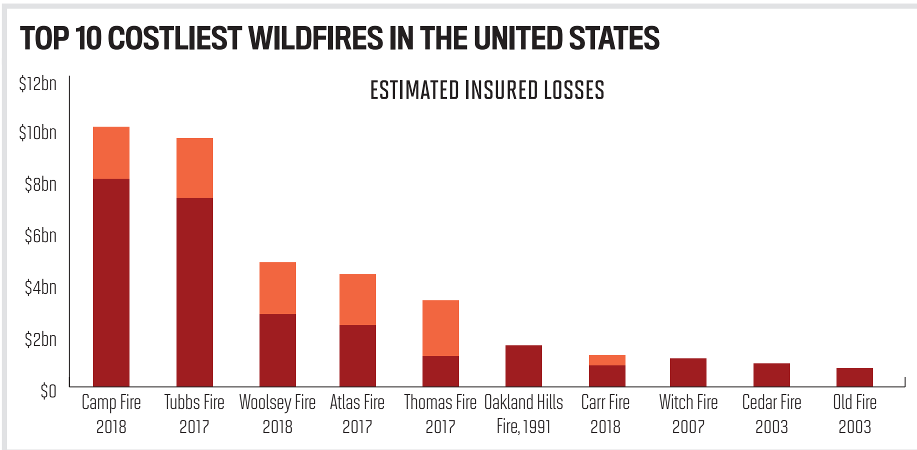
THE EXPERTS

Dr. Tom Jeffery
Principal, science and analytics
CoreLogic

Dr. Tom Jeffery is a senior hazard scientist for CoreLogic Spatial Solutions. He is the lead scientist on the development of various CoreLogic hazard risk data sets, including wildfire risk, coastal storm surge risk and Florida sinkhole risk. He works with many of the top 100 US insurance companies to help implement hazard risk models in automated underwriting and pricing systems.

Tom Larsen
Principal, industry solutions
CoreLogic

Tom Larsen is a content strategy principal for CoreLogic Insurance and Spatial Solutions, responsible for subject-matter expertise and thought leadership on driving revenue growth and profitability goals via the identification of new solution areas and continuous white space capture. He has more than three decades of experience in natural catastrophe modeling for government and the insurance and reinsurance industries.



Source: Insurance Information Institute

Insurance reported $9 billion in written premium in 2019 versus $7.6 billion in 2016 – an increase of 18% in three years, much higher than the CPI. Many insurers are beginning to adopt more stringent underwriting standards with more pricing tiers and associated credits and penalties, improving the risk mitigation signal that insurance pricing provides to homeowners. Community resilience is improved as policyholders choose to mitigate the risk and pay lower insurance prices.

● How have advances in wildfire modeling, risk prevention and claims technology impacted the risk landscape?

Wildfire modeling for the purposes of long-term risk analysis has not changed dramatically. The models rely on stable variables such as fuel, terrain and fire history.

In terms of modeling fire progression in real time, new technology has enabled better insight into weather conditions and forecasting. This is particularly useful for fire responders, as they need to know how a fire is behaving right now and how it is likely to behave in the next few hours or days in order to develop an effective plan to subdue it.

The responsibility for risk prevention seems to be moving more and more toward individual homeowners and communities to reduce the risk on their properties. Residential properties in the western US are often located near areas that are high-risk for wildfire activity. The wildland-urban interface and intermix areas are where those threats are most often immediate.

Since there is no possibility of eliminating wildfire activity and responders cannot possibly extinguish all wildfires before they encroach upon homes, homeowner mitigation goes a long way toward reducing the threat. The beneficial effects of mitigation are compounded when entire communities are involved and not just scattered individual properties.

● In 2020, wildfire season is coming in the middle of a pandemic. What unique challenges does this present?

The global COVID-19 pandemic increases the difficulty in dealing with wildfires from several perspectives. Most immediately, the people who risk their lives to combat ongoing fires on the front lines need to be healthy and available. An outbreak of the virus in a firehouse or among the groups of ground crews that travel from fire to fire would reduce the ability of these selfless individuals to do their job.

After that, large-scale evacuations from areas threatened by an approaching fire certainly pose difficulties. If hundreds or thousands of people are required to evacuate, traditional large-scale shelters like schools or public buildings tend to put people in close quarters, putting them at risk of contracting or transmitting the virus to a large congregation of people. Of course, that doesn't even consider the problem of ensuring that people actually do evacuate; some may be hesitant to do this in light of the virus.

The aftermath of a fire presents problems as well. In the wake of disaster, claims adjusters are normally required to be in the area and communicating with residents who have had their homes destroyed or damaged. This activity is increasingly challenged by social distancing conditions. Virtual adjusting solutions can help bridge some of these gaps, ensuring homeowners can get the help they need, but any in-person assessments would require extra precautions.

Lastly, the rebuilding or repair of properties affected by the fire is challenged. The supply of laborers may be limited due to the unwillingness of construction workers to travel or temporarily relocate to the affected area, and the availability of materials may be reduced due to source companies that may have a reduced output due to the virus.

HURRICANE

THE EXPERT

Ross Bowie
Head of personal lines
Orchid Insurance

Ross Bowie oversees personal lines at Orchid Insurance, a managing general underwriter focused on catastrophe-exposed properties. Bowie joined Orchid in June 2020 from Bankers Insurance Group, where he served as senior vice president, overseeing $180 million in personal and commercial lines premium, along with the development of new products in Texas, Louisiana, Florida and South Carolina.

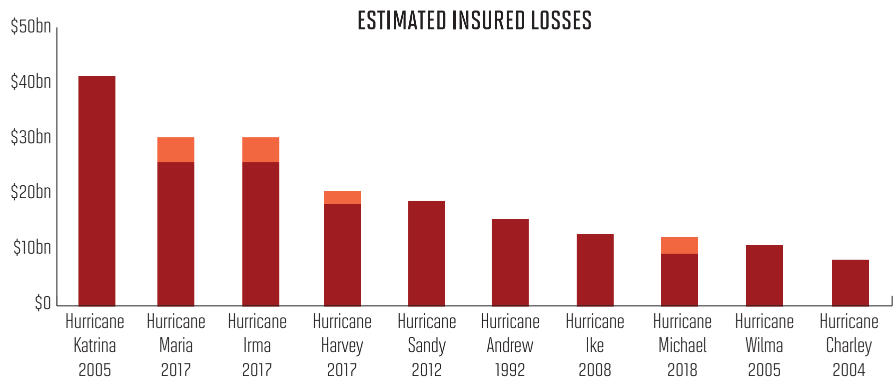
The North Atlantic hurricane season is hitting right in the middle of a pandemic. What challenges does this present?

The pandemic presents an interesting challenge around additional living expenses and also the time for repair. One of the questions we've been trying to understand is where are the evacuees going to go? I could imagine that hundreds of thousands fleeing a coastal city could present a situation where COVID-19 has the opportunity to spread at a rapid pace. Could you imagine getting sick while having to evacuate your home? It's a tough situation for all.

The other aspect we're trying to understand is how homes will be repaired and claims adjudicated. Most of the resources insurance companies and utility companies use are from out of town. Will they have a place to stay? And how will we control the spread of COVID-19? These are all questions we need to find answers to.

What are some crucial risk mitigation techniques for hurricanes and the accompanying storm surge?

TOP 10 COSTLIEST HURRICANES IN THE UNITED STATES



Source: Insurance Information Institute

For hurricanes, it's all about being prepared and having a plan. People who live in coastal areas need to prepare now – checking their roof for any existing damage or leaks and preparing window coverings. The last place any of us want to be is waiting in a long line at Lowe's trying to get plywood – do as much as you can to prepare outside of hurricane season.

What are some core challenges in metro areas that have a high risk of storm surge?

The biggest challenge is the legacy sewer systems that most cities are riddled with. It's tough to gain traction for investment in upgrades without a major event. No one sees what's under the road – but that infrastructure can be most important in a significant event.

How has the property insurance market responded to back-to-back years of devastating hurricanes?

We've been through a period of suppressed pricing. Now that reinsurance costs are increasing, carriers are reviewing their pricing at a more granular level and sharpening their pencils on where they're willing to grow their portfolio. If they can't get pricing in a certain area or risk type, carriers are changing terms – requiring higher deduct-

FLOOD

ibles – or exiting the market altogether. This dynamic is driving premiums up significantly, north of 20%, which is pushing more shoppers into the market than ever before.

From the broker perspective, they're now allocating more time to existing customers to keep their business, which could cause some challenges to manage an influx of new customers.

In high-risk coastal areas, how does a policyholder's location influence their deductible on flood and windstorm insurance? What endorsements and relief are available?

Location drives the terms and conditions you'll be able to get. I would also push policyholders to spend more time shopping than they have in the past. Not all brokers have access to the same markets – while one may not be able to find you a $500 deductible, another might. Also think through the coverage you truly need. As we navigate a hard market, additional coverages like ID theft may take a back seat, as customers can find that coverage elsewhere.

What advances have been made in technology like weather forensics, predictive modeling and claims technology? How can insurers and brokers make the most of these tools?

Test, test and test some more. We have seen so many insurtechs enter our space over the last couple years with grand promises – so far, I haven't seen many of them pan out. We've always kept an open mind, but we made sure we felt comfortable with our own validation.

We do like the advancements around text messaging for first notice of loss and the advancements of real-time storm tracking in the catastrophe models. Companies are able to understand where their claims are going to aggregate before the storm even hits so they can deploy resources early and get claims settled quickly. We're all trying to get folks back to normal life after a storm as soon as possible.

THE EXPERTS

Dr. Raghuveer Vinukollu
Natural catastrophe solutions lead
Munich Re US

Dr. Raghuveer Vinukollu is a member of the strategic products team at Munich Re US and leads the Nat Cat Solutions group, which focuses on the development of innovative products to cover various natural catastrophe exposures, either through traditional reinsurance structures or private-label approaches.

Sanjay Mehrotra
Senior vice president and strategic products natural catastrophe solutions manager
Munich Re US

Sanjay Mehrotra leads the flood strategy at Munich Re US. In 2015, Mehrotra and the strategic products team developed and launched an inland flood endorsement for US homeowners in low- to moderate-risk areas.

Serena Garrahan
Vice president and inland flood product manager
Munich Re US

As VP and inland flood product manager at Munich Re US, Serena Garrahan works closely with partner carriers to implement the inland flood endorsement, providing support for filing, marketing and training.

For a long time, the US flood insurance market was dominated by FEMA and the NFIP. How has the market evolved in the past few years?

In 2018, net premiums written for private flood insurance totaled $541 million, up 11.5% from $471 million in 2017, according to S&P Global Market Intelligence. According to the National Association of Insurance Commissioners, there were 120 private companies writing flood insurance in 2018, compared to about 90 in 2017 and 50 in 2016. The increase in private carriers improves competition and helps spread the economic risk that comes from flooding. Private carriers can offer higher coverage than FEMA's National Flood Insurance Program policies, currently capped at $250,000 for residential buildings and $500,000 for nonresidential buildings. Some of the larger writers of private flood include FM Global, Assurant and Zurich Insurance.

There has also been growth in the non-admitted flood market through MGAs like Poulton & Associates and Neptune Flood. MGAs use both admitted and non-admitted carriers to cover the flood peril, with reinsurers sometimes taking up to 100% of the underlying flood risk. Non-admitted carriers, or surplus lines carriers, though approved by the state, have no requirements on their rates and forms and are not backed by state guaranty funds, but they may have higher minimum solvency requirements than admitted carriers. Rate and form freedom allow them to specialize in potentially volatile markets – nonstandard, unique, complex or catastrophic risks.

While broader coverage options are now available to homeowners and small business owners through the private flood market, the NFIP still has the most significant share of the current flood market.

The flood insurance gap in the US remains sizable, even though flooding is the number-one natural peril. What's preventing further uptake?

There is a large flood insurance gap in the

United States, where many people who are exposed to flood risk are not covered by flood insurance. According to Milliman, only 5% of single-family homeowners in the US have flood insurance. The NFIP is the primary source of residential flood insurance. More than 22,000 communities participate in the NFIP, with nearly 5.1 million policies providing more than $1.3 trillion in coverage.

Recent floods like Hurricane Harvey highlight the issue of high uninsured losses. As of August 2016, just 15% of the 1.6 million homes in Harris County, Texas, had flood insurance, according to data from the Insurance Information Institute, and only 28% of the homes are located in high-risk areas for flooding. Many Houston homeowners outside the 100-year flood plain have been flooded several times in just the last few years, and most city homeowners don't have flood insurance now. More than 50% of Houston's homes in high and moderate flood risk areas are not in designated flood zones, according to CoreLogic.

The NFIP identifies areas at high risk of flooding as Special Flood Hazard Areas [SFHAs]. Property owners are required to purchase flood insurance only if their properties are in SFHAs, their communities participate in the NFIP and they have federally backed mortgages. Because the SFHA boundary is central to NFIP mapping, it may create a false belief that flood risk changes abruptly at the boundary and that properties outside the SFHA are safe and do not need flood insurance. However, about 20% of NFIP claims are for properties outside SFHAs, and all 50 states have experienced floods in the last five years.

A new report from the First Street Foundation provides a comprehensive analysis of the state of flood risk in the continental US. At the national level, the First Street Foundation flood model identifies about 1.7 times the number of properties as having substantial risk compared to the FEMA 1-in-100 SFHA designation. This equates to a total of 14.6 million properties across the country at substantial risk, of which 5.9 million properties and property owners are currently unaware of or underestimating the risk they face because they are not identified as being

within the SFHA zone. This report further highlights the flood protection gap because the number of high-risk homes is actually much higher than what FEMA designates.

While studies such as the one by the First Street Foundation are a move in the right direction, there is currently no industry standard for an accurate – or even adequate – view of flood risk. The current binary view of flood risk from FEMA – 58% of which is outdated, according to the September 2017 Department of Homeland Security Office of Inspector General report – serves as a major roadblock for a higher take-up rate. FEMA only requires that homes within the SFHA areas purchase flood insurance.

Unfortunately, in some cases, this leads to miscommunication that homes outside the SFHA do not have flood risk or are a low flood risk. Examples include hurricanes Harvey, Florence and Michael, where people were caught off guard in terms of their real flood risk. In addition, note that flood risk is constantly changing in a warming climate scenario. Unfortunately, homeowners and business owners are not aware of their current view of risk, let alone what might occur in a future climate.

How can the insurance industry work with other stakeholders to build more flood-resilient communities?

For the peril of flood, not only does the protection gap exist at the homeowner level, the gap is also significant at the public entity level with regards to insuring public buildings and infrastructure. One of the key factors for the resilience of a community is dependent on the take-up rate of insurance by property owners. With the single-digit

number for insurance take-up for flood, there exists not only a need but also a potential opportunity for the insurance industry to play a vital role in the recovery of a community after an event.

While the private-market options clearly outweigh the NFIP ones in terms of the benefits – policy coverage options, etc. – the industry and local stakeholders should work together to communicate to communities the growing flood risk, to mitigate and adapt to the warming climate, and to work collectively on risk transfer options that fit the specific needs of the community. Risk transfer needs for Florida are much different than the solutions required for communities in a state like Vermont. Furthermore, insurance solutions not only exist for individual property owners, but also collectively for a community – e.g. community insurance.

It's not just important to focus on building resilient communities to help protect them from natural catastrophes; it's now becoming a crucial requirement for cities and states. Standard & Poor's has emphasized the importance of disaster insurance arrangements on sovereign financial resilience. In their September 2015 Rating Report, they indicated the potential negative impact of insufficient or no insurance coverage at all on sovereign ratings. In November 2017, Moody's reported the incorporation of climate change into its credit ratings for state and local bonds. This means that communities, cities and states may get downgraded unless they show sufficient adaptation and loss mitigation strategies.

Public-private partnerships can play a crucial role in building a backstop against catastrophic losses that neither entity could provide on its own. Insurers and legislative bodies can work together to not only make communities resilient, but also help in maintaining the credit ratings for state and local bonds. While insurers can bring their financial strength, rich data and risk expertise to bear, public entities can help to increase the take-up rate of coverage by encouraging communities to adopt risk mitigation regulations and educating consumers.

The 2019 Mississippi floods and the 2017–2019 hurricanes highlight the importance of creating communities resilient to natural disasters – specifically floods – both from a risk transfer and a risk mitigation standpoint. Within disaster risk management, investment in risk-reducing measures is considered wholly separate from investment in risk transfer measures. But the two can actually be combined to create more efficient solutions.

Recently, Munich Re has been actively pursuing a potential proof of concept for testing a potential solution, Resilience Risk Transfer [RRT], that would look at the risk reduction impact of a specific risk mitigation measure on a property exposed to extreme flooding. The focus of the risk mitigation measures is on natural infrastructure: wetlands, mangroves, etc. The RRT solution has the potential to restore the natural infrastructure that provides one of the most important protections from flood disasters while also providing insurance coverage, thus narrowing the protection gap.

Finally, the resilience of communities to flood also relies on mitigating physical damage to property by building stronger structures. Strong building codes have clearly demonstrated their benefits to cities and towns across the world in better withstanding natural catastrophes. Building property a few feet above the base flood elevation/predicted flood levels and/or using flood-resistant

PRIVATE FLOOD INSURANCE: THINGS TO CONSIDER

When switching from the NFIP to private flood insurance, the experts at Munich Re US recommend taking some time to consider the following aspects.

Coverage might not be as broad as that offered by the NFIP-supported policy and therefore might not be accepted by a lending institution. Most private flood insurance policies do state that their coverage is at least as broad as the NFIP.

An NFIP policy offers a guarantee of renewal; private flood insurance does not offer this, even if the premium is paid. This is especially true for E&S flood policies.

Rates could increase drastically, especially with an E&S or surplus lines insurer.

The insurer might be weakly capitalized or new to writing flood coverage.

There is the potential to lose a subsidized rate and/or grandfathering, especially for pre-FIRM risks.

As these policies are new, policy language is not standardized and has not been tested in court.

materials for construction can prevent thousands of dollars in damage to a single property. While implementing building codes needs to be addressed by legislative bodies, insurers can offer incentives to property owners for building stronger.

What advances have been made recently in flood modeling, risk prevention and claims technology?

Flood is a high-gradient peril and probably one of the least understood perils within the industry. Part of the complication is that a country as vast as the United States is exposed to different forms of flooding: storm surge from hurricanes, tropical depressions, spring flooding, flooding from atmospheric rivers, etc. However, flood models have significantly developed over the past few years. It may be fair to say that the flood models are at the same stage as the hurricane models were in the early 2000s. This is a significant development and can be attributed to the increased computational power that exists.

Flood modeling is also beginning to take into account the changing climate. There are companies that are not only looking at a historical view, but also looking into what flooding might look like in a warming climate scenario. Examples include what the storm surge inundation would look like in an increased sea level rise scenario, the impact of Hurricane Harvey-like scenarios in other regions of the country, etc.

In flood modeling, the topography, location accuracy and building characteristics are as important, if not more, as the science identifying the floods over a region. Technology has come a long way in capturing some of these important parameters for flood underwriting. Geocoding and location accuracy have improved substantially with machine learning [ML] and artificial intelligence [AI]. If the model geocodes the address to the wrong location, then there is a significant chance that the loss cost and the premium calculations are wrong.

Similarly, local elevation and building characteristics are extremely important. LiDAR technology, which is based on laser measurements, is now available to obtain high-resolution digital elevation data. AI and ML have also enabled the capture of the lowest and/or first flood elevation, which has further improved the flood underwriting process, thus helping insurers to find the competitive edge for flood insurance pricing.

Experiencing a flood can be a frustrating process for a property owner. With the increasing frequency and severity of flood events, insurers have to be prepared for a large influx of claims and, in some instances, claims from multiple events – hurricanes Harvey and Irma made landfall within two weeks of one another. High-resolution imagery – i.e. remote sensing – combined with AI and ML has provided a major breakthrough in the claims management process by speeding up the recovery process, especially for a homeowner who has experienced flooding on their property.

In 2020, the Atlantic hurricane season is coming right in the middle of a pandemic. What unique challenges does this present?

The global pandemic has, in many ways, caught communities, states and countries off guard and once again forced us to question and find ways to be prepared and mitigate for future catastrophes.

As has been already noticed, some cities and towns recovering from the 2019 Mississippi flooding are facing huge economic challenges from the coronavirus pandemic. Earlier in the year, some regions that experienced spring flooding also faced a shortage of PPE, which further impacted the emergency and recovery efforts. Most of these communities did not have sufficient insurance coverage for the flood, let alone being insured for the pandemic. Based on the NFIP policy statistics, in some of the Midwestern states, the insurance take-up rate for flood is as low as 1% to 2%.

The take-up rate for flood is not significantly higher in the coastal regions and states. Events like hurricanes Florence and Harvey and Superstorm Sandy exposed that as many as 80% of homeowners were not insured for flood. This huge protection gap can be a major challenge as we enter the main season for the Atlantic hurricanes. Recent years have clearly experienced both frequency and severity of events, with more hurricanes impacting communities with extreme flooding. There is also strong evidence that climate change has already had a significant influence on these extreme events. IB

POTENTIAL ADVANTAGES OF A PRIVATE FLOOD INSURANCE POLICY

- Broader definition of flood versus the NFIP
- Higher limits of coverage than those offered by the NFIP, both primary and excess
- Replacement cost loss settlement versus actual cash value on all building and personal property losses
- Coverage for personal property in basements
- Full-limit ordinance and law coverage
- Broader coverage for other structures besides a detached garage
- Additional living expense on a policy covering homes
- Business income and extra expense coverage on commercial policies
- More deductible options
- Fewer 'property not covered' and exclusions than the NFIP
- No elevation certificate requirement
- No HIFAA surcharge of $25 or $250
- Potentially lower rates

Source: Munich Re US


Re|store
Communities.
Businesses.
People.
Floods can strike suddenly, leaving destruction behind. But communities don't need to weather the storm alone. We offer solutions that help individuals and businesses get firmly back on solid ground. Let us show you how.
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A DECADE OF GROWTH

As RT Specialty celebrates 10 years in business, chair and CEO **Tim Turner** recalls how he helped put the wholesale brokerage on the map

THIRTY-THREE YEARS ago, Tim Turner made a career change that put him on the path to becoming chair and CEO of RT Specialty, one of the leading wholesale distributors of specialty insurance in the United States. The year was 1987, and Turner had already spent seven years working in law enforcement. After graduating from the Detroit Police Academy, he served on the Wayne County SWAT team before becoming an undercover narcotics officer for the Michigan State Police.

Yet when an opportunity arose to work for a small boutique wholesaler in Chicago, Turner decided he wanted to try something completely different. His first role in the insurance industry was as a broker assistant and later a casualty broker at A.J. Renner & Associates, a firm that specialized in the pharmaceutical industry. It proved to be an ideal jumping-off point for the rest of his insurance career.

"Alison Renner was a well-known, big-time broker in the pharmaceutical business, but she was probably better known for coaching, training and leading casualty brokers," Turner says, "so it was a very fortuitous start to my career where I had some of the best coaching one could get."

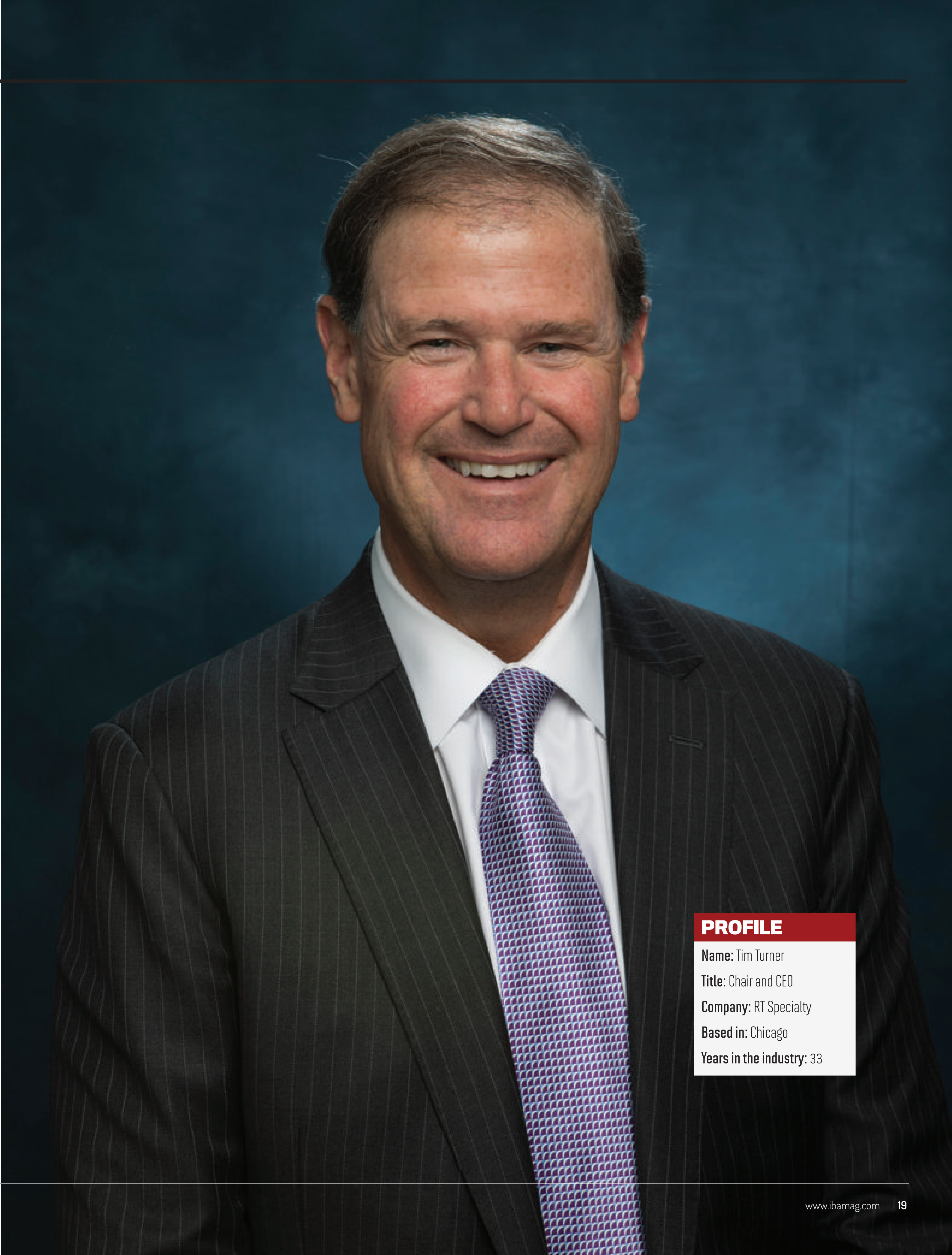
His next career move came three years later, when Turner joined the Crump Group as a casualty broker and then took on the role of president for its Chicago office, building it out to close to $100 million in premium. However, when Sedgwick, which owned Crump, was sold in 1998, it was time to move on. Turner, along with several of his colleagues from Crump, landed at CRC Insurance Services.

> "Our retail broking community needs our help – they need our expertise; they need creative solutions and depth and breadth across the country to handle the volume that's coming into the channel"

"We ran CRC in Chicago for 11 years and built that office up to over half a billion in premium and developed not just the casualty division, but the property, professional auto and workers' compensation units as well," Turner says. He continued his leadership streak and was named national president, giving him the opportunity to oversee CRC's operations across the country.

Another shift in the marketplace prompted Turner's final career step. CRC was sold to BB&T (today Truist) just before the wholesaling game was turned on its head in the mid-2000s, when large global brokers started selling off their captive wholesalers. It became too difficult for a wholesaler to be owned by a retail broker, as there were too many conflicts in the distribution model. A group of CRC leaders, including Turner, tried to buy CRC back from BB&T but were unsuccessful. Luckily, Turner was about to cross paths with an insurance legend, who would present him with another opportunity.

"At that point, I was lucky enough to meet the great Pat Ryan here in Chicago, and he, unbeknownst to me, had plans to open a large national specialty platform that included wholesaling, MGUs, MGAs and binding authority specialists," Turner says. "I left CRC in 2010 and never looked back. It's



PROFILE

Name: Tim Turner

Title: Chair and CEO

Company: RT Specialty

Based in: Chicago

Years in the industry: 33

INDUSTRY ICON

been a great run to work alongside arguably the greatest insurance executive and builder of insurance services businesses in the world."

Building a team

Getting in on the ground floor of Ryan Specialty Group's wholesale broking division proved to be an invaluable experience. Turner had a front-row seat and was a key voice at the table as the organization grew over the next decade.

In particular, he learned the acquisition side of the business as RSG completed around 40 deals on a national and global scale. RSG identified driven individuals and businesses to partner with that shared a similar vision of establishing a multifaceted broking and underwriting platform that could perform at a national level and compete in the wholesale space.

"Pat Ryan and I shared a lot of common principles in the business, and one of them was focusing on attracting the very best talent [of] specialty brokers and underwriters in the US," Turner says.

Securing a top-notch leadership lineup was another important part of RSG's growth. Today, the company boasts more than 45 offices, all helmed by strong leaders, which has allowed RSG to staff its brands with top underwriters and brokers.

The work to build this strong foundation has paid off: "We've been able to grow by more than a billion dollars in premium every year for 10 straight years," Turner says.

Rising to the challenge

In addition to ensuring consistent growth, RT Specialty is focused on developing new solutions and innovative approaches, especially in response to emerging challenges like the volatile litigation environment in the US and the difficulty of placing D&O and cyber risks in the current marketplace. The binding world is also experiencing change as retail clients demand high-speed electronic solutions, which has led RT Specialty to invest heavily in the binding authority specialty business. The pandemic has introduced even more hurdles into the insurance marketplace, and RT Specialty's teams are now also working on addressing the challenge of pandemic cover.

"We're focused on elevating our performance and execution for our retail brokers – they're our livelihood and our focus"

This rapidly changing insurance environment presents "an opportunity for the wholesale community, brokers and underwriters alike, to rise to the challenge," Turner says. "Our retail broking community needs our help – they need our expertise; they need creative solutions and depth and breadth across the country to handle the volume that's coming into the channel."

It will take a combination of talent and resources to meet the growing needs of retail brokers in the specialty space – but RT Specialty was built with precisely these needs in mind. With 15 practice group verticals and hundreds of brokers across the country, the company is ready to respond to changes in the flow and demand of business.

"We're focused on elevating our performance and execution for our retail brokers – they're our livelihood and our focus," Turner says. "We're 110% committed to being the best wholesale broker, MGU and binding authority specialist in the US." IB

RYAN SPECIALTY GROUP BY THE NUMBERS

2010
Year Ryan Specialty Group was founded by Patrick G. Ryan

2,500
Number of RSG employees

40
Companies RSG has acquired over the past decade

23
Companies under the RSG name, including RT Specialty

2020
Top
INSURANCE WORKPLACES
PRESENTED BY
Insurance BUSINESS AMERICA

TOP INSURANCE WORKPLACES 2020

IBA surveyed thousands of insurance professionals across the country to discover the industry's best places to work

TO BE A truly great workplace, a company must provide several things to its employees. Some are basic: competitive salary and benefits, the technology and resources required to do their job, a safe work environment. Others are less easily quantifiable: an inclusive and welcoming culture, flexibility to adapt to employees' unique needs, an atmosphere that promotes honesty and encourages growth.

Because nobody knows the ins and outs of a company better than its employees, *IBA* reached out to thousands of insurance professionals across the country to find out how their employers are performing with regard to compensation and benefits, diversity, employee development, and culture.

Based on their ratings, 67 companies achieved the distinction of being named a Top Insurance Workplace for 2020. Employees also spoke out about which of their employers' strategies and initiatives have been particularly effective, including health and family leave benefits, diverse hiring practices, supportive cultures and how they've handled operations during the COVID-19 pandemic. On the following pages, *IBA* highlights what the insurance industry's best-rated employers are doing to stand out and unveils this year's list of Top Insurance Workplaces.

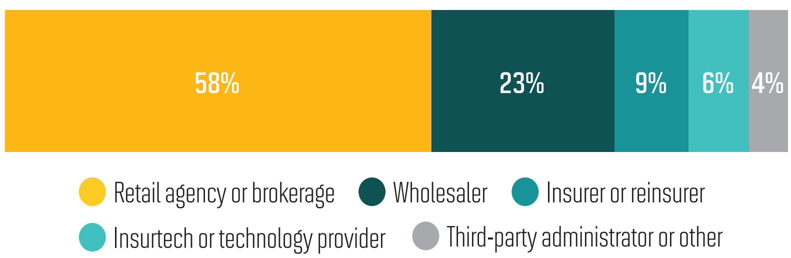
METHODOLOGY

The process to become a Top Insurance Workplace encompassed two phases. In the first phase, *IBA* invited organizations to participate by filling out an employer form, which asked companies to explain their various offerings and practices.

In the second phase, employees from nominated companies were asked to fill out an anonymous form evaluating their workplace on a number of metrics, including benefits, compensation, culture and employee development.

To be considered, each organization had to reach a minimum number of employee responses based on overall size. Organizations that achieved an 80% or greater average satisfaction rating from employees were named a Top Insurance Workplace.

TOP INSURANCE WORKPLACES BY TYPE



COMPENSATION, BENEFITS AND INCENTIVES

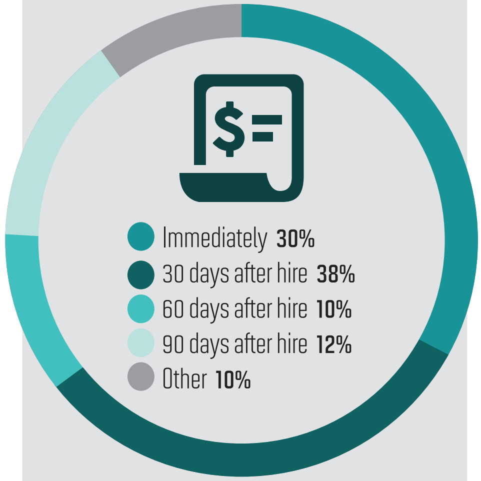
Competitive compensation and tailored rewards ranked as top priorities for employees in this year's survey. "[My company] is a forward-thinking organization and works hard to identify the right compensation package that is tailored appropriately for each team member based on their skill set and experience," said one satisfied employee. "Nothing is an off-the-shelf type of process."

In addition to base salary, employees took into consideration health and retirement benefits, paid time off, bonus programs and specialized incentives when evaluating their compensation. Seventy percent of Top Insurance Workplaces offer more than 15 days of PTO a year; 8% even offer unlimited paid time off. And all of this year's 67 Top Insurance Workplaces provide their employees with a retirement plan, including 401(k) options with an employer match of up to 6%.

Bonus and other incentive programs ranged widely, from the predictable (referral incentives, annual end-of-year bonuses, profit sharing) to the more unique. Some companies give discretionary bonuses to employees who "go above and beyond" by taking on special projects, while others offer monetary rewards to employees who earn licenses related to their position.

But while the employees surveyed certainly expressed appreciation for bonuses and rewards, it's their base salary they ultimately care most about. "The bonus is great, but increasing someone's base pay is important to their overall compensation, especially if you have someone who is a higher performer. This provides a greater tie to the company," one respondent explained, adding, "It would also be good to see what the path is to move up in the company."

When do employees become eligible for benefits?



Does your organization offer an employee retirement plan?

Fewer than 99 employees	100 to 499 employees	500+ employees
100% YES	100% YES	100% YES

Does your organization offer an employee equity program?

YES		NO
28% YES	Fewer than 99 employees	72% NO
22% YES	100 to 499 employees	78% NO
45% YES	500+ employees	55% NO

WHAT EMPLOYEES HAD TO SAY

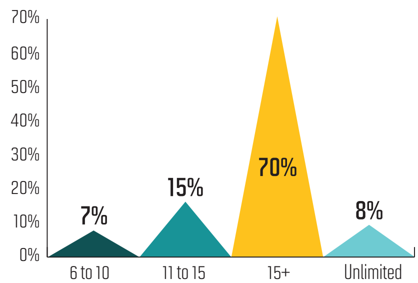
"They provide a unique and creative compensation process that has allowed my family a great deal of success."

"Their bonus compensation is good. Their commitment to our communities and charities is amazing. They care a lot about their employees and our education. This is a great place to work."

"They have never reduced compensation or contribution to the 401(k), even in tough economic times."

"I would feel more valued and appreciated through a better performance rating system, better compensation program and greater objectivity in administering reward programs."

How many paid days off do employees receive annually?



Does your organization offer sabbaticals?

	Fewer than 99 employees	100 to 499 employees	500+ employees
Yes (unpaid)	15%	8%	8%
Yes (paid)	9%	4%	0%
No	76%	88%	92%

WHAT TOP WORKPLACES ARE DOING DIFFERENTLY

"We offer bonuses to associates who obtain professional designations in the field of their job role, such as CPCU, CISR or CLU, plus IT, HR and licensing certifications. We have a long list of continuing education achievements that are rewarded with cash bonuses."

"All employees are eligible for the company's bonus program. Payouts are based 50% on how the company performed and 50% on personal accomplishments relative to predetermined metrics developed at the beginning of the year."

"We have a long-term incentive plan and a deferred compensation plan. All of our employees are eligible to participate in an annual bonus program. We also have a recognition platform that allows all employees to recognize the contributions of other employees."

DIVERSITY AND INCLUSION

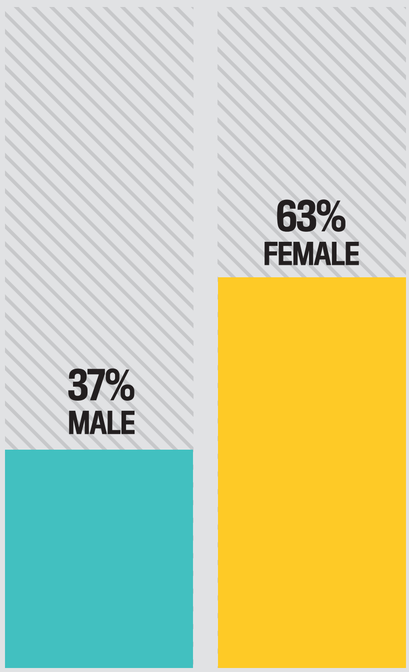
Creating a more diverse, inclusive and equitable workplace is an all-important undertaking and an ever-evolving process. While the majority of companies in the insurance industry have a long way to go to achieve this goal, several have made progress. An average of 21% of respondents across this year's Top Insurance Workplaces identify as a racial or ethnic minority, LGBTQ+ or as a person with a disability, up from an average of 18% last year.

Yet as in years past, this year's survey results show that the insurance industry is still lagging behind in terms of gender and minority representation at the executive level. Just 41% of executive-level positions are held by women across the board, and just under 9% are held by minorities on average.

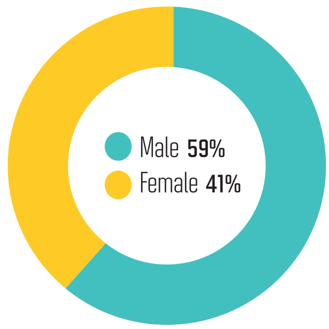
This year's Top Insurance Workplaces are using many strategies to try to turn those numbers around by promoting diversity and inclusion and recruiting and retaining a diverse staff. These include actively participating in local networks and associations dedicated to increasing industry diversity, fostering a flexible work environment to help those with young children or aging parents, investing in company-paid disability programs, and inviting individuals with different viewpoints and backgrounds to partake in meetings that determine company-wide decisions.

Employers also recognize the need to diversify the age range of their employees. To do this, they've partnered with area colleges, opened positions to individuals of all ages, paired older and younger employees in mentor/mentee relationships, actively recruited on job boards aimed at older individuals and veterans, and done away with a set retirement age.

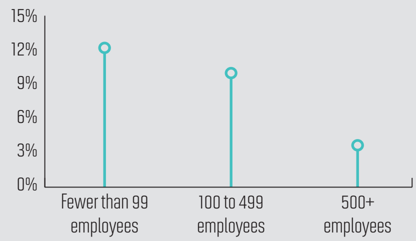
What percentage of employees are male versus female?



What's the gender breakdown at the executive level?



What's the proportion of minorities at the executive level?



What percentage of employees identify as a racial or ethnic minority, LGBTQ+ or a person with disability?

Risk Placement Services

HEADQUARTERS: ROLLING MEADOWS, IL
YEAR FOUNDED: 1997

When enthusiasm and expertise combine, you end up being a Top Insurance Workplace. And that's why Risk Placement Services (RPS) earned its spot on the list again this year!

2020 TOP INSURANCE WORKPLACE

A culture of creativity, expertise, collaboration and ethics lead the qualities of top honorees.

In every community where it does business, the more than 3,000 employees of Risk Placement Services (RPS) nurture a corporate culture based on creativity, expertise, collaboration and professional ethics. It's a culture that comes from the company's beginnings as a four-person scratch operation. Within two decades, RPS has grown to rank as one of the leading specialty insurance distributors and the largest MGA in the country.

"Our promise to our clients is simple: We do whatever it takes to help them come through for their clients. It's something we deliver on every day," said President Joel Cavaness. "Every employee is focused on this promise, no matter their role."

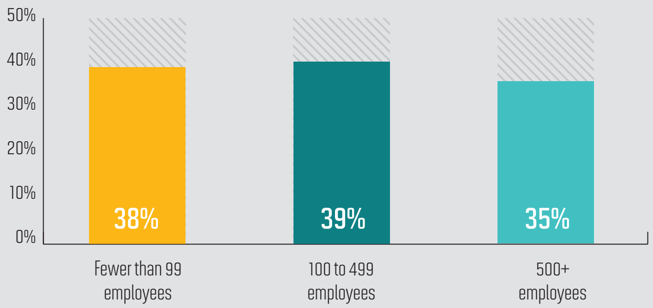
And the company walks the talk. With robust programs for employee development, employee giving and volunteerism, diversity and inclusion, and an on-going focus on encouraging employee innovation, RPS demonstrates why it deserves the Top Insurance Workplace recognition.

"We pride ourselves on our strong culture and ensure everyone is engaged in the company's continued success," says Emily Hathcoat, VP of marketing. "We are a company of experts who enjoy what we do and enjoy working together—we want that energy and passion for our business to come through in every interaction."

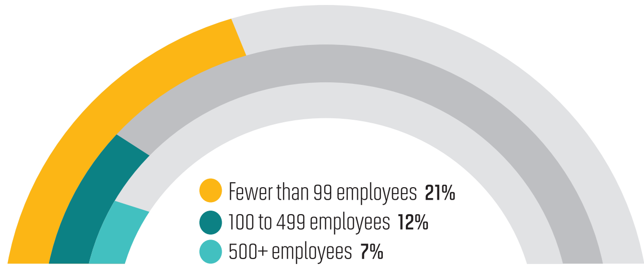
RPS RISK PLACEMENT SERVICES

TOP INSURANCE WORKPLACES

What percentage of employees are millennials?



What's the proportion of millennials at the executive level?



WHAT TOP WORKPLACES ARE DOING DIFFERENTLY

"All of our recruiting is conducted in a way that is blind to age, race, gender, disabilities, veteran status and sexual orientation. All new employees are eligible to be mentored by senior staff."

"We seek to embody the next generation of insurance professionals, and we wear our identity with pride in every aspect, from casual attire that promotes a relaxed atmosphere to a culture-first approach that creates fertile ground for innovation and tech-enabled improvements on outdated standards."

"We have a Developing Agents Council that meets quarterly [and] is composed of millennial producers. This allows them their own leadership role, networking, brainstorming, marketing, etc., within their group."

"We are a company that uses culture and diversity not as a quota, but as a strategic advantage. With more than 20 nationalities represented, 21 languages spoken, 45% female and an average age of 36, we are notably different than our competitors in an aging industry like insurance. With diversity in background comes diversity of thought."

WHAT EMPLOYEES HAD TO SAY

"Our organization creates a culture of diversity and encourages growth."

"They have a great professional development program for new employees."

"The commitment to diversity and inclusion is amazing. They not only talk the talk, they walk the walk. Very proud of the commitment my company has made."

EMPLOYEE DEVELOPMENT

Employees look for more than a competitive salary and a welcoming work environment when considering where they want to devote their time and professional talents. One factor that's crucial when it comes to motivating employees to stay at a company and compete at the highest level is a commitment to their development.

Many of this year's Top Insurance Workplaces provide time off and cover the costs for their employees to pursue certifications and other training that will advance their careers. Other ways employers seek to foster their employees' development include providing in-house training, offering bonuses for achieving additional certifications, paying for professional association dues, and partnering with instructors in the industry and organizations like the National Alliance for Insurance Education.

In addition to industry-related education, several Top Insurance Workplaces also give their employees access to classes focused on broader topics. One organization offers company-wide training on leadership, personal development and growth; during the pandemic, the company put together a five-part series with an executive coach to teach employees and their adult family members skills to help them manage the huge changes. Many Top Insurance Workplaces also maintain mentorship programs, which play an important role in employee growth and development.

Does your organization offer education programs and opportunities outside of what's required industry-wide?

	Yes	No
Fewer than 99 employees	81%	19%
100 to 499 employees	92%	8%
500+ employees	100%	0%

TOP INSURANCE WORKPLACE

RIGHTSURE

Headquarters: Tucson, AZ
Year founded: 2008
Number of employees: 52

RIGHTSURE was born from the ashes of a billion-dollar financial firm that was a casualty of the Great Recession. A handful of former employees suddenly found themselves with a need for a job and, with necessity being the mother of invention, established RIGHTSURE.

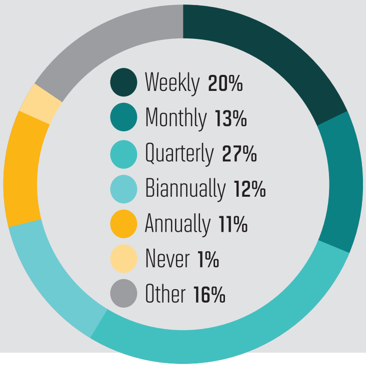
Since its founding, RIGHTSURE has acquired dozens of agencies, been involved in joint ventures with public and privately held firms, secured millions of dollars in financing, and executed reinsurance measures with billion-dollar conglomerates. Describing itself as a hybrid between an insurance agency, insurtech and aggregator, RIGHTSURE is increasingly powered by AI initiatives as it seeks to build a platform that puts consumers in control of the insurance process.

RIGHTSURE also strives to empower its employees. "We decreed last summer the Summer of Knowledge and invested heavily in our staff's education, training, service skills and technology proficiency," says Juliette Burke, vice president of finance and compliance. "We are doubling down on that investment this year, and all of our staff are trained using an individualized knowledge transfer program. We are leveraging world-class institutions, industry programs and online learning to deliver training, coaching and mentoring."

Something else the company does to stand out from competition: quantifying data. "The devil is in the details, as they say, and we pay attention to details and quantify and measure everything along the way," says RIGHTSURE president Jeff Arnold, "from times on websites, times on calls, click rates and renewal rates to retention by carrier."

TOP INSURANCE WORKPLACES

How often does your organization conduct company-wide meetings?



WHAT EMPLOYEES HAD TO SAY

"The development of talent through management training and the encouragement of continuing education [are] core tenets of the organization's philosophy."

"The offers of continuing education, designations, and networking and growth opportunities are surreal in this competitive environment. I haven't heard of another company doing so much."

"The company provides employees a safe and welcoming environment where hard work, productivity, education, personal wellness and advancement are at the forefront to assist employees with personal and professional growth opportunities."

"There are continuous opportunities for education and career advancement, as well as amazing incentives and recognition for a job well done."

WHAT TOP WORKPLACES ARE DOING DIFFERENTLY

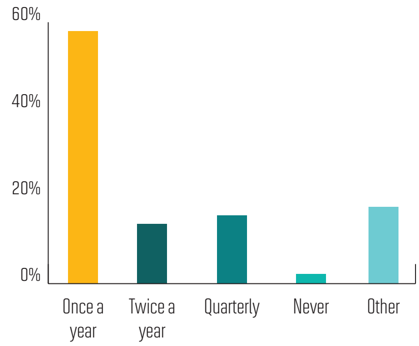
"We spend nearly $750,000 annually on learning activities. We have a college tuition assistance program and pay licensing fees and CE credit expenses for claims adjusters, customer service reps and attorneys, among other things."

"We provide a host of supplementary classes to help our employees, including formal management and leadership training, professional writing skills, and technology courses. Moreover, we reimburse external education up to $5,000 per year."

"All employees have access to over 25,000 skills training courses and resources, as well as a variety of instructor-led training courses. We also have mandatory diversity, anti-discrimination and anti-harassment training programs for all of our employees. We provide online interactive or in-person mandatory training on governance topics."

"Each department has a training and education budget used to provide current and relevant updates to content knowledge."

How often does your organization conduct performance reviews?



CULTURE

Although COVID-19 has largely shuttered in-person workplaces this year, company culture remains an important factor in an employee's decision to stay with a company or look elsewhere. An average retention rate of 86% across this year's Top Insurance Workplaces suggests that companies of all sizes are succeeding in building a fulfilling work environment for their employees.

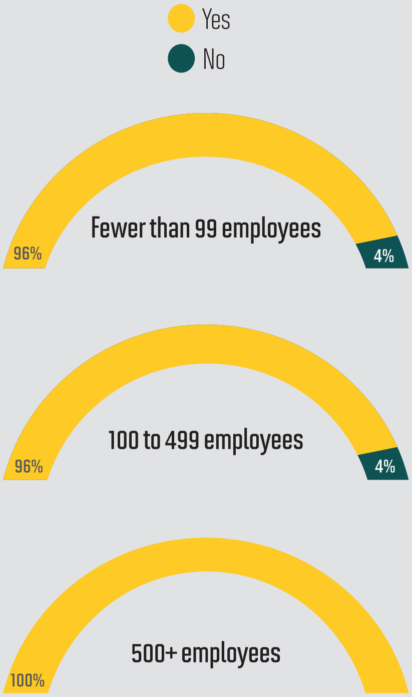
From casual team-building events and outings to organization-wide contests and corporate retreats, there are endless ways companies strive to engage with their employees and encourage them to engage with one another. Beyond the social efforts, most Top Insurance Workplaces also understand that a good company culture needs to be rounded out with community outreach, sustainable business practices and family-friendly programs.

In terms of charitable efforts, many Top Insurance Workplaces give employees additional paid time off for volunteering and have community service committees to coordinate efforts like food and coat drives, volunteering, sponsoring families in need, and supporting the charities employees are most passionate about.

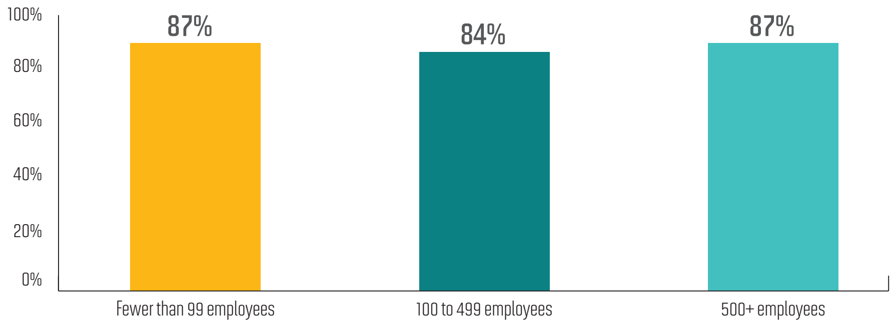
They also prioritize family-oriented policies such as flexible working hours and (pre-COVID-19) work-from-home options, paid maternity and paternity leave, and company-sponsored health reimbursement arrangements attached to employee medical plans. This year's Top Insurance Workplaces are also making efforts to invest in their employees' physical and mental health, offering benefits like on-site gym facilities or paid gym memberships, on-site massages, virtual meditation classes, free FitBits, health screenings, wellness lunch-and-learns, and yoga and nutrition classes.

TOP INSURANCE WORKPLACES

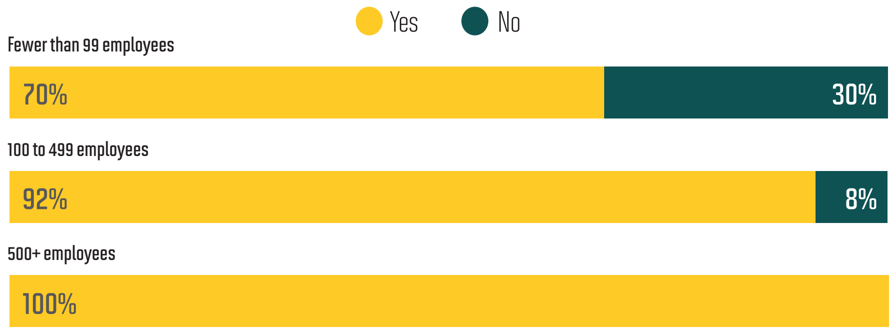
Does your organization offer any flexible work options?



What is your employee retention rate?



Does your organization offer wellness programs or incentives?



WHAT TOP WORKPLACES ARE DOING DIFFERENTLY

"We are very active in our community. We support everything from local schools to religious organizations. If any employees are actively involved in a charity that is meaningful to them, we will support it as well."

"We work with each employee when the need arises to help them with their work-life balance, whether it's due to a medical situation or they need to take their child to day care. If needed, we allow employees to bring their children to work if no other care can be arranged. Our employees also are able to put aside money for child care costs through a flexible spending account."

"We partner with WellSteps, a nationally recognized program for customized wellness programs, and 100% of our employees' health insurance is paid for by the company. All of our offices offer free fresh fruit and other smart food choices, and two of our four offices have fitness centers on-site."

Work-life balance is more than just a concept for our organization. It is the driver behind how we function as a team."

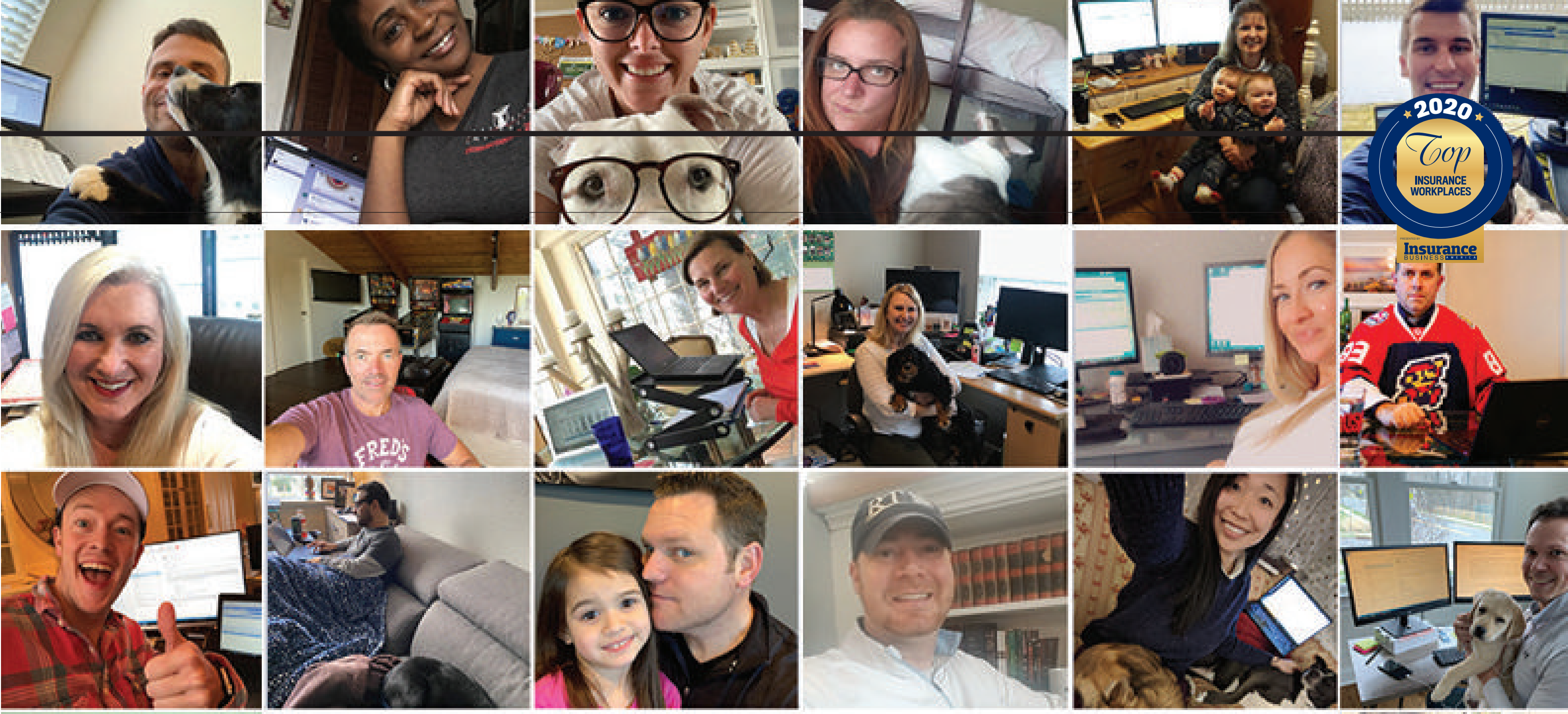
WHAT EMPLOYEES HAD TO SAY

"During COVID-19, they have made sure that the families of employees who have been affected are being taken care of. They have paid for employee lunches twice a week since March and have had weekly phone calls discussing COVID-19."

"I have never worked for a company that was so employee-focused. The culture of doing the most they can for employees has resulted in my company hiring the best in the industry and keeping them."

"We have a strong emphasis on employee culture and individual well-being. Management is always looking to keep a positive work environment, and the organization goes above and beyond to reward and encourage each member of our company."

"They understand the importance of work-life balance. The culture is client-focused, team-focused, employee-focused, and encourages creativity and collaboration. Our structure allows for flexibility to excel at our jobs and produce the best work we can for our clients."



TOP INSURANCE WORKPLACE

RYAN SPECIALTY GROUP

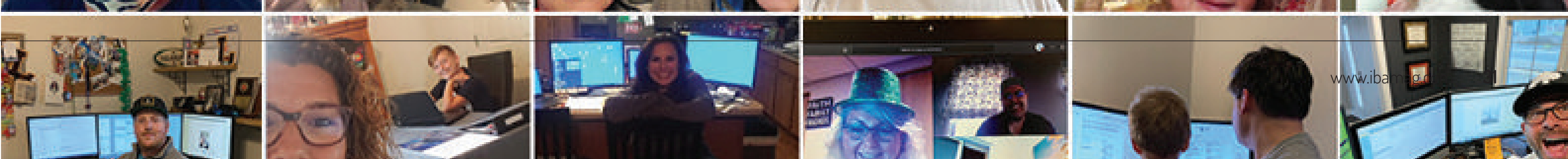
Headquarters: Chicago, IL
Year founded: 2010
Number of employees: 2,484

Ryan Specialty Group (RSG) is an international specialty insurance organization that provides innovative solutions for brokers, agents and insurance carriers. Included in the RSG family is the wholesale brokerage operation RT Specialty, as well as a collection of managing general underwriting companies within RSG Underwriting Managers.

RSG was founded in 2010 by Patrick G. Ryan, who saw the need for a specialty organization dedicated to creating insurance solutions for risks that demand innovation, leadership, outstanding industry expertise and quality service on behalf of brokers, agents and carriers.

"Every day we embrace our mission to be the premier specialty insurance organization in the world by providing unparalleled, comprehensive solutions to our customers, their clients and the markets we represent," says Tim Turner, chair and CEO of RT Specialty. "In living our mission, we are driven to promote teamwork, operate with utmost good faith in all transactions, innovate and lead to deliver world-class concepts and products, serve as mentors, and always put our clients first."

RSG also prides itself on fostering a supportive culture for its employees. "Not only are we a team of some of the best in the industry, we are supportive of each other," says RSG founder, chair and CEO Patrick Ryan. "Our culture is one of empowerment, allowing our employees to be decisive and succeed on the basis of our initiative and hard work. We embrace an environment that allows each of us to self-optimize. We also believe that we achieve more working together collaboratively than individually; teamwork is key."



TOP INSURANCE WORKPLACES 2020

The following companies achieved an average satisfaction rating of 80% or greater from their employees

500+ EMPLOYEES

ASSURANCE, A MARSH & MCLENNAN AGENCY COMPANY

Headquarters: Schaumburg, IL
Year founded: 1961
Score: 93.7%

SELECTIVE INSURANCE

Headquarters: Branchville, NJ
Year founded: 1926
Score: 87.5%

USI INSURANCE SERVICES

Headquarters: Valhalla, NY
Year founded: 1994
Score: 86.6%

UTICA NATIONAL INSURANCE GROUP

Headquarters: New Hartford, NY
Year founded: 1914
Score: 86.6%

WORLDWIDE FACILITIES

Headquarters: Los Angeles, CA
Year founded: 1970
Score: 85.8%

ACENTRIA

Headquarters: Destin, FL
Year founded: 2010
Score: 85.2%

RISK PLACEMENT SERVICES

Headquarters: Rolling Meadows, IL
Year founded: 1997
Score: 84.2%

RYAN SPECIALTY GROUP

Headquarters: Chicago, IL
Year founded: 2010
Score: 84.0%

BURNS & WILCOX

Headquarters: Farmington Hills, MI
Year founded: 1969
Score: 82.8%

100 TO 499 EMPLOYEES

ROGERSGRAY

Headquarters: Kingston, MA
Year founded: 1906
Score: 92.5%

SHEPHERD INSURANCE

Headquarters: Carmel, IN
Year founded: 1977
Score: 92.4%

BROWN & RIDING

Headquarters: Los Angeles, CA
Year founded: 1980
Score: 91.3%

BOLTON & CO.

Headquarters: Pasadena, CA
Year founded: 1931
Score: 90.8%

THE ZEBRA

Headquarters: Austin, TX
Year founded: 2012
Score: 90.6%

NATIONAL INSURANCE CRIME BUREAU (NICB)

Headquarters: Des Plaines, IL
Year founded: 1912
Score: 90.5%

SEIBERTKECK INSURANCE PARTNERS

Headquarters: Fairlawn, OH
Year founded: 1910
Score: 90.3%

GLATFELTER INSURANCE GROUP

Headquarters: York, PA
Year founded: 1951
Score: 89.4%

RELIANCE PARTNERS

Headquarters: Chattanooga, TN
Year founded: 2009
Score: 88.9%

PATRA CORPORATION

Headquarters: El Dorado Hills, CA
Year founded: 2005
Score: 88.6%

BEECHER CARLSON

Headquarters: Atlanta, GA
Year founded: 1981
Score: 87.7%

TOP INSURANCE WORKPLACES

RICH & CARTMILL

Headquarters: Tulsa, OK
Year founded: 1922
Score: 87.4%

THE LIBERTY COMPANY INSURANCE BROKERS

Headquarters: Woodland Hills, CA
Year founded: 1987
Score: 87.4%

PEOPLE'S TRUST INSURANCE COMPANY

Headquarters: Deerfield Beach, FL
Year founded: 2010
Score: 87.2%

SAVOY ASSOCIATES

Headquarters: Florham Park, NJ
Year founded: 1984
Score: 87.2%

POMS & ASSOCIATES

Headquarters: Woodland Hills, CA
Year founded: 1991
Score: 87.1%

VERMONT MUTUAL INSURANCE GROUP

Headquarters: Montpelier, VT
Year founded: 1828
Score: 86.4%

GENESEE GENERAL AGENCY

Headquarters: Alpharetta, GA
Year founded: 1982
Score: 86.2%

ATLAS GENERAL INSURANCE

Headquarters: San Diego, CA
Year founded: 2009
Score: 86.0%

USG INSURANCE SERVICES

Headquarters: Tampa, FL
Year founded: 2001
Score: 83.9%

HOMESERVICES

Headquarters: New Brighton, MN
Year founded: 2003
Score: 82.2%

FEWER THAN 99 EMPLOYEES

NAVION INSURANCE ASSOCIATES

Headquarters: Yorba Linda, CA
Year founded: 2009
Score: 94.9%

MAHOWALD

Headquarters: St. Cloud, MN
Year founded: 1930
Score: 94.7%

SYNAPSE SERVICES

Headquarters: Syracuse, NY
Year founded: 2003
Score: 93.8%

WORTHY INSURANCE GROUP

Headquarters: Skokie, IL
Year founded: 2005
Score: 93.3%

GEHRING GROUP

Headquarters: Palm Beach Gardens, FL
Year founded: 1992
Score: 93.2%

AMIC

Headquarters: Montgomery, AL
Year founded: 1989
Score: 92.9%

ACRISURE/VAST

Headquarters: Marquette, MI
Year founded: 1885
Score: 92.8%

MACKOUL RISK SOLUTIONS

Headquarters: Island Park, NY
Year founded: 1985
Score: 92.7%

DELAND, GIBSON INSURANCE

Headquarters: Wellesley, MA
Year founded: 1900
Score: 92.0%

Chris Brown, chair

Jeff Rodriguez, president and CEO

TOP INSURANCE WORKPLACE

BROWN & RIDING

Headquarters: Los Angeles, CA
Year founded: 1980
Number of employees: 287

The only top 10 wholesale E&S brokerage in the United States that is 100% internally owned, Brown & Riding (B&R) has 42 shareholders, all of whom work within the firm. B&R is also the first wholesale insurance broker in the US to achieve ISO 9001 certification, a nationally recognized certification requiring a comprehensive quality management system that is externally audited each year to ensure B&R follows procedures and maintains efficiency and accuracy.

Since its inception, the company has developed 17 specialty practice areas, including construction, environmental, transportation, healthcare, nonprofits, technology and workers' comp. B&R is organized by expertise, not by territory, ensuring retailers get the best collective efforts, knowledge and relationships of the entire firm, along with access to more than 350 markets.

"We have collectively built an organization offering unobstructed opportunities to anyone seeking growth in their career at B&R," says president and CEO Jeff Rodriguez. "We have a proven track record of developing people and promoting from within, which has resulted in a highly professional, motivated and very diverse organization at all levels, including our shareholder group, executive leadership team and board of directors.

"The well-being and morale of all of our people is a top priority, and we believe our focus on building a great culture has resulted in a high level of job satisfaction, manifesting in the form of higher job performance, which has directly benefited our clients and led to Brown & Riding consistently earning top customer satisfaction rankings from multiple sources."

C3 RISK & INSURANCE SERVICES

Headquarters: San Diego, CA
Year founded: 2017
Score: 91.3%

WAFD INSURANCE GROUP

Headquarters: La Conner, WA
Year founded: 1901
Score: 90.9%

ALLIED TRUST INSURANCE COMPANY

Headquarters: Tampa, FL
Year founded: 2015
Score: 90.8%

MEEKER SHARKEY & HURLEY

Headquarters: Cranford, NJ
Year founded: 2007
Score: 90.5%

DARR-SCHACKOW INSURANCE

Headquarters: Gainesville, FL
Year founded: 1992
Score: 90.1%

EUCLID TRANSACTIONAL

Headquarters: New York, NY
Year founded: 2016
Score: 89.5%

OLLIS/AKERS/ARNEY

Headquarters: Springfield, MO
Year founded: 1885
Score: 88.3%

SOCIUS INSURANCE SERVICES

Headquarters: San Francisco, CA
Year founded: 1997
Score: 88.2%

FC CAPITAL PARTNERS

Headquarters: Troy, MI
Year founded: 2012
Score: 88.1%

RPR INSURANCE

Headquarters: Brentwood, TN
Year founded: 2008
Score: 87.8%

AXIS INSURANCE SERVICES

Headquarters: Franklin Lakes, NJ
Year founded: 1999
Score: 87.6%

STATEWIDE UNDERWRITING SERVICES

Headquarters: Schenectady, NY
Year founded: 1900
Score: 87.4%

PROVIDENT INSURANCE PROGRAMS

Headquarters: Pittsburgh, PA
Year founded: 1902
Score: 87.2%

FRANK H. FURMAN

Headquarters: Pompano Beach, FL
Year founded: 1962
Score: 87.0%

FIRST WEST

Headquarters: Bozeman, MT
Year founded: 1973
Score: 86.8%

TANGRAM INSURANCE SERVICES

Headquarters: Petaluma, CA
Year founded: 1999
Score: 86.8%

NEW EMPIRE GROUP

Headquarters: Long Beach, NY
Year founded: 2000
Score: 85.9%

RIGHTSURE

Headquarters: Tucson, AZ
Year founded: 2007
Score: 85.9%

NSI INSURANCE GROUP

Headquarters: Miami Lakes, FL
Year founded: 1955
Score: 85.5%

ISU HANSON & RYAN

Headquarters: Totowa, NJ
Year founded: 1876
Score: 85.4%

TOP INSURANCE WORKPLACES

JAG INSURANCE GROUP

Headquarters: Coral Gables, FL
Year founded: 2013
Score: 85.3%

STARKE AGENCY

Headquarters: Montgomery, AL
Year founded: 1929
Score: 85.3%

RISMAN INSURANCE AGENCIES

Headquarters: Medford, MA
Year founded: 1925
Score: 85.2%

VITI COMPANIES

Headquarters: Highwood, IL
Year founded: 1938
Score: 85.1%

ALLIED PROFESSIONALS INSURANCE COMPANY

Headquarters: Orange, CA
Year founded: 2003
Score: 84.3%

VENTURE PACIFIC INSURANCE SERVICES

Headquarters: Ladera Ranch, CA
Year founded: 1997
Score: 83.7%

EMPIRE INSURANCE GROUP

Headquarters: North Branch, MN
Year founded: 2009
Score: 81.6%

TIG ADVISORS

Headquarters: Columbia, MO
Year founded: 1898
Score: 80.0%

Dark days for D&O

Increasing litigation, social inflation and high-dollar settlements are all combining to make a hard D&O market even harder

THE MARKET for directors & officers liability insurance is in distress. An increase in both the volume and severity of litigation has caused a steady hardening of the market over the past few years, and current events like the COVID-19 pandemic and Black Lives Matter protests have only exacerbated the challenges. As a result, rates have surged, and many insurers have scaled back on coverage and limits, leaving many major companies scrambling to find adequate and affordable D&O insurance from a market with limited options.

> "It is a storm of many serious allegations and high-dollar settlements combined that is creating the need for carriers to increase premiums"
>
> Heather Schaaf, Burns & Wilcox

The rate of lawsuits filed against companies has soared by around 150% over the last decade – according to Chubb, 10% of S&P 500 companies were targeted with securities class action lawsuits in 2018. In addition, there has already been a significant number of pandemic-related securities class action lawsuits filed against companies.

In one example, Inovio Pharmaceuticals is facing a class action in Pennsylvania for allegedly falsely claiming that it had developed a vaccine for COVID-19. This statement caused Inovio's stock price to jump by more than 10%. When it was discovered this was not the case, the company's stock experienced a 71% decline, resulting in losses to shareholders.

The combination of the global health crisis, mounting social justice protests and the uptick in class action suits has pressed companies and their boards of directors to review their internal policies to ensure their operations are inclusive.

"Instead of one of these being the main driver, it is a storm of many serious allegations and high-dollar settlements combined that is creating the need for carriers to increase premiums," says Heather Schaaf, underwriting director at Burns & Wilcox. "We also have to take social inflation into account. There is a greater propensity for companies to be held accountable for their actions."

Where can the market go from here?

In May, Tesla founder and CEO Elon Musk made the unprecedented decision to cancel the company's D&O insurance, replacing it with a promise to personally provide out-of-pocket coverage for a year. Observers brought up several issues with this decision, including the high potential for conflicts of interest between Musk and Tesla's board of directors.

"I can easily envisage several scenarios where this could create some difficulties," says Marc Ladd, a partner in the insurance recovery group at law firm McKool Smith. "I'm not aware personally of the diversification of Elon Musk's wealth, but if most of his wealth is tied up in the company, that could be problematic. If there were another economic recession and then securities lawsuits – which tend to follow – the other executives and board members might be left wondering whether or not they'll actually be able to obtain coverage because Musk's wealth would be tied up in the company, which is struggling in the recession. That's why companies typically place that responsibility in the hands of a third-party insurer."

Musk's decision to self-insure is rare, and other companies aren't likely to follow the billionaire's lead. "Tesla is in a unique situation where Musk is wealthy enough to make that financial commitment," says Kevin LaCroix, executive vice president at RT ProExec, a division of RT Specialty, "but also because of the fact that Tesla has already had significant claims asserted against them because of statements and actions by Musk himself."

SECTOR FOCUS: D&O

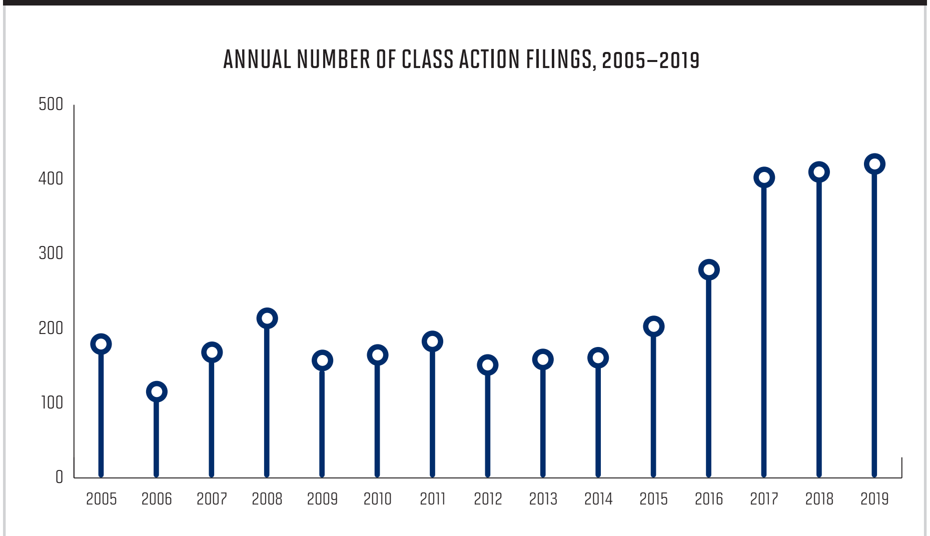
> “Economic disruption and uncertainty will cause insurers to remain conservative and cautious”
>
> **Kevin LaCroix, RT ProExec**

However, companies are likely to look for other options or ways to structure their coverage differently as they receive renewal bills with premium increases beyond what they may have budgeted. After many years of a soft market, insurers may be under-reserved, which means further increases will be needed to weather these conditions. Mark Peeters, CEO of StartPoint Executive Risks, says there has also been very little new capacity entering the D&O market, which has resulted in less choice and competition.

In addition, “we are currently seeing an active plaintiff’s bar, as well as a rise in litigation funding, which drives the movement of claims from all classes,” Peeters says. “There needs to be a decline in securities class action lawsuits in order to allow insurers to recoup losses they are without a doubt paying now.”

Because the full impact of the coronavirus has yet to hit the D&O market, hard conditions are expected to continue, likely all the way through to 2021. Going forward,

A SHARP INCREASE IN CLASS ACTION FILINGS



Source: Harvard Law School Forum on Corporate Governance

litigation could be more about the economic fallout of the pandemic as opposed to its more direct consequences. Considering the high-profile bankruptcies that have already been announced as a result of COVID-19, LaCroix believes claims against former directors or officers surrounding alleged mismanagement or misrepresented financial conditions could arise.

"The wild card is that no one knows how long it's going to take before the pandemic allows a return to normal business conditions," he says, "and economic disruption and uncertainty will cause insurers to remain conservative and cautious."

A difficult conversation

Given the unpredictable nature of litigation and the growing volume and severity of settlements, D&O coverage is more important than ever. Despite the high rate environment, brokers need to be upfront with clients and stress the importance of D&O.

"No one wants to hear that prices are going up, especially if they have not had claims themselves but they're having to suffer the consequences of companies that are having claims," Peeters says. "Brokers need to be able to explain to underwriters what makes their clients worthy of less severe premium increases, and that starts with understanding the client inside out."

Underwriters are expected to heavily vet new and renewal business, which will require collecting a large amount of information from the insured to confidently evaluate risk and hopefully offer more favorable terms. Brokers will need to manage their clients' expectations, especially when it comes to the process itself, which is likely to be more time-consuming. Insureds also need to be prepared to answer a lot of questions about the pandemic and its effect on their business.

"Insureds can expect a deep financial dive and sharing of internal business plans, especially given the current economy, as some businesses were temporarily closed and had little to no income," Schaaf says. "Those that stayed open also had to rapidly navigate many changes while likely experiencing reduced income."

Underwriters are understandably asking hard questions about a company's position, and companies need to be prepared to devote the time to provide the information, LaCroix says, adding that companies that position themselves better might be able to avoid some of the worst effects of the price increases and restrictions on terms and conditions.

"Thorough communication early is important," he says. "From the beginning, make sure the underwriter has what they need and understand what they are going to be doing about capacity. Then from there, you can plan accordingly." IB

Agent of change

Jerald L. Tillman, founder of the National African American Insurance Association, tells *IBA* about the organization's beginnings and why its work continues to be critical today

IBA: What led you to start the National African American Insurance Association (NAAIA)?

Jerald L. Tillman: After entering the insurance business [in 1974 at Aetna], my mentor made it clear to me that if you're going to be a professional in the business, you need to be all in, so you need to be a member of your professional association. He gave all the reasons why your professional association is there to support you and give you the tools necessary to be successful in the field.

At a very young age, I was elected to the local association, and then I was elected to the state association. By 1976–77, I was going to national insurance conferences, but little did I know that I would be the only African American at these conferences. [They were] 99.9% Caucasian, which was OK because I still learned a lot, but then something in my mind said, "This is a fantastic industry. Why am I the only one in the room?"

I knew what I'd seen the last two years did not reflect the population in America. I didn't know why – I was still young and naive – but I said, "I want to diversify the industry." That was the spark for the National African American Insurance Association.

Initially, the long-term goal was to create a national association of African Americans in the insurance business and diversify the industry by way of business development or independent agency ownership and corporate professional leadership. I had a lot of friends who were accountants and CPAs, and there was a Black accountants association. I had friends who were attorneys, and there was a Black lawyers association, so many of the professionals I knew were members of their larger professional association, but also their association that was specifically designed to get more African Americans involved in their profession.

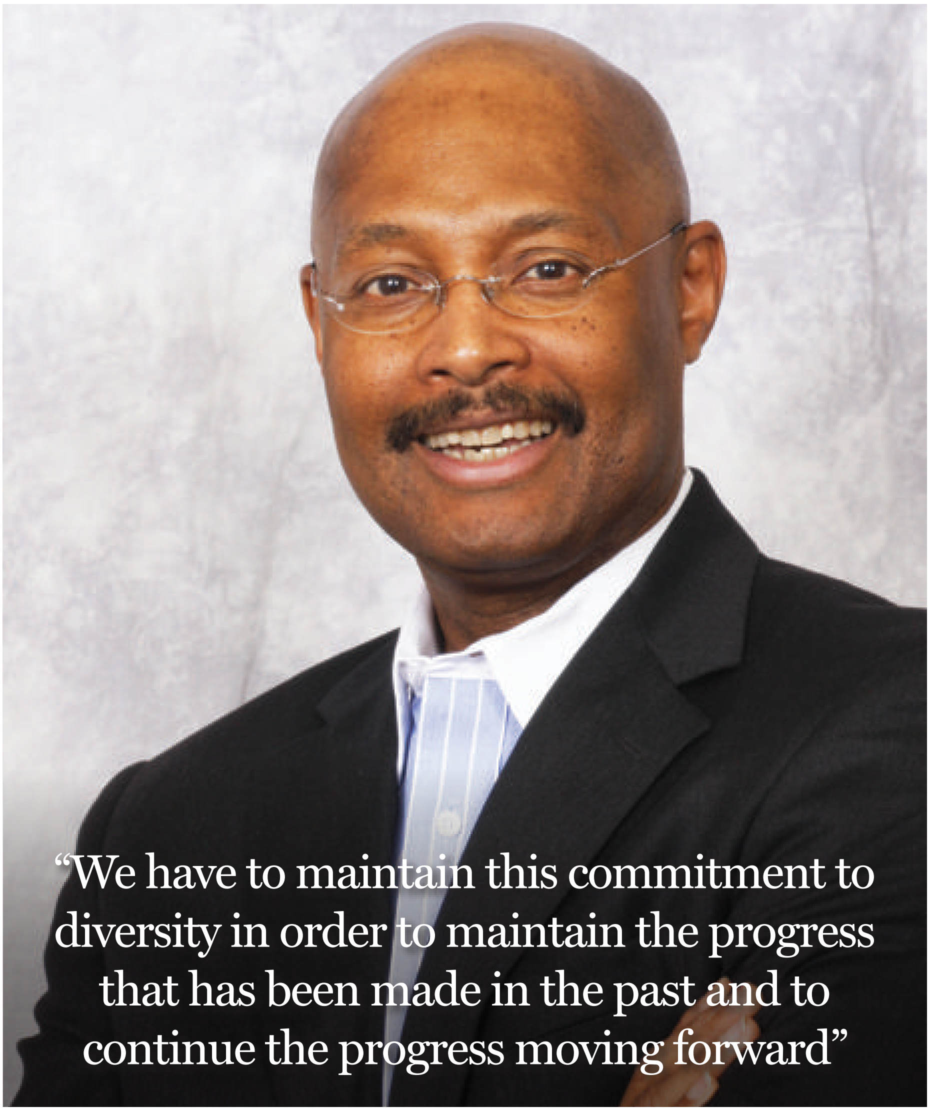
IBA: How did the organization evolve from there?

JT: I started by building an organization in Dayton, Ohio. I was an independent agent at the time with a captive company and did a great job, so they gave me an opportunity to be a sales manager in Cincinnati. In Cincinnati, there were a few African Americans who were in the business, but there was no association. I said, "There's a group in Dayton; let's organize here in Cincinnati, and I'll go back and talk to the people in Dayton – maybe we can form two chapters."

From the creation of that local association to the national association was 20 years. I honestly think a miracle happened that put us in the national spotlight, which hastened the development of the national organization. In the early '80s, an issue in America at the time was redlining. At our first national conference, we addressed this concept. That conference got national attention, and a national insurance newspaper covered our conference and basically put it in the headline that a Black insurance group suggested that redlining is real in America – redlining [meaning] you draw a circle around the urban areas, and essentially they can't buy insurance in the area. Insurance is crucial to new development – you can't buy a house or buy a car without insurance. Redlining was an issue that prevented many people of color from purchasing homes.

ABOUT NAAIA

Jerald Tillman founded the National African American Insurance Association (NAAIA) 23 years ago in Cincinnati, Ohio, with the purpose of creating a network among people of color and others employed in or affiliated with the insurance industry. Focused on empowering African American insurance professionals and celebrating their achievements, NAAIA's member and supporter base encompasses a wide range of industry professionals, from new entrants and emerging leaders to experienced staff and executives, retired insurance industry professionals, and those employed in an industry-related field. NAAIA also aims to bring talented individuals into the insurance industry.



NAAIA BY THE NUMBERS

1997
Year founded

500
Number of members

15
Current number of NAAIA chapters

2
Number of chapters in development

25
States where NAAIA members do business

At the end of the article, it said, "If you're interested in more information about the organization, call Jerald Tillman" and gave my phone number, which caught me off guard because I didn't know what type of reaction there would be. But after that, my phone was ringing off the hook. People from all over the country were calling [to ask me to] come help them build a chapter in their city.

I stress the fact that our focus is on African American talent development, entrepreneurship and agency development, but anybody can join our organization. Our ideal is to increase the numbers of African Americans in the insurance industry, and that's a wealth of talent that can increase corporate profits, that's a wealth of talent in terms of agency ownership and business development, and that's what we're charged to do as an organization.

IBA: Since founding NAAIA, how have you seen diverse representation evolve in insurance?

JT: The insurance industry is very slow to change. We have diversity and inclusion professionals who are NAAIA members and represent many of the largest insurance corporations in the United States, so we are on the front lines, and there's been progress. However, we have to maintain this commitment to diversity in order to maintain the progress that has been made in the past and to continue the progress moving forward. It's still very challenging, and we're prepared for that challenge. IB

Three ways to future-proof your success

To build a sustainable small business, you must have three pieces of the mental health puzzle in place first, writes **Anastasia Massouras**

SMALL BUSINESSES everywhere are struggling. They've been hit especially hard by the COVID-19 pandemic – employment among small businesses was down 17.8% in May, compared to 15.2% for the broader employment market, according to the Small Business Administration. But even before the pandemic, spiraling overheads and payroll costs, working up to 80 hours per week, and struggling with cash flow were all too common. These challenges are compounded when you aren't big enough to afford dedicated HR support and don't have systems or processes in place to deal with everything you're required by law to do.

Yet we rarely hear stories about small business owners' lack of support or mental health problems, which research shows that more than one-third of people are reluctant to reveal. Workplaces of all sizes are impacted by poor mental health, and evidence suggests psychological distress is most acute for sole traders.

What to do? There are three key mental health elements you need to address to make sure you have a sustainable business, no matter what size you are.

1 Be aware of what's going on

If you aren't aware of yourself, how can you effectively lead yourself? If you're not effectively leading yourself, then how can you effectively lead others?

This begins by gaining awareness of the thoughts, beliefs and values that drive your decisions, behaviors and actions. What are your motivators, passions and goals in life? How do you respond to triggers, stressors and difficult situations?

It's important to achieve clarity about why we do what we do in our business and in our lives. If we have a clear vision of purpose and meaning, we are more likely to maintain a growth mindset, negotiate challenges and make good choices.

Identifying areas for growth and then connecting with the right professionals to fill those gaps will accelerate your success, as well as continuously maintain your health and happiness.

2 Cultivate a growth mindset

The way you think has a ripple effect in every aspect of your life. Limiting thoughts and limiting beliefs about yourself and your capabilities will restrict your progress and success. Hence, cultivating a growth mindset could be the single most important thing you ever do to help you achieve success.

As Carol Dweck explains in *Mindset: The New Psychology of Success*, the passion for stretching yourself and sticking to it, even (or especially) when it's not going well, is the hallmark of the growth mindset. This means seeing and embracing failures as opportunities for growth, as lessons to be learned and applied. This is what will help you navigate the high and low tides that always come with running your own show.

3 Maintain your stamina

Running your own small business is a 24/7 activity, which is why you need to be mentally healthy, fit and strong. There will always be pressure – it will never go away. There will always be setbacks, failures and obstacles. What counts is how you deal with that pressure, with those setbacks and obstacles. It's essential to move away from simply reacting to events and toward responding to events. Making conscious choices each day about what to eat, when to exercise, and how to switch off from work and on for home is the recipe for success and stamina in business.

Your awareness, mindset and stamina are like three cogs in a machine. They must be connected and coordinated to work smoothly and effectively together. Maintaining and sustaining this takes real work, and the only person who can do it is you. Your mental health, well-being and happiness are key to your success and your future. IB

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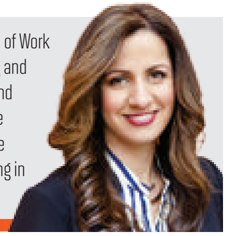

How to build a more diverse team

Michelle Gibbings explains how to push past unconscious bias to create a diverse team that can truly tackle complex problems

AS ORGANIZATIONS grapple with more complex decisions and an ever-increasing pace of change, building a workforce equipped with the skills and experience to thrive in such an environment is critical.

Finding this depth and breadth of talent means building a workforce that covers the full spectrum of diversity, including age, ethnicity, gender, thinking styles, disabilities and sexual orientation. To accomplish this, leaders need to challenge their decision-making patterns.

Seek out difference

It's natural to want to work with people you like and find easy to work with, and when you're building a team or forming work groups, you often seek out such people. This is either done consciously or subconsciously. In the case of recruitment, for example, search criteria often specifically reference the desire to find a cultural fit.

Cultural fit can mean different things to different people. Typically, if you ask people how they define whether someone is a cultural fit, they'll give criteria such as:

- lives the organization's values
- is able to work well with the team
- will fit in with the rest of the group
- understands the organization's objectives and buys into its vision

However, when you strip away the layers and get to the base-level drivers, what the person is looking for is someone they feel comfortable with – that is, someone they connect with because they can see aspects of themselves in that person.

> The more alike people are, the more likely they are to think along the same lines; therefore, there is less room for debate, discernment and disagreement

Avoid likability bias

It's often suggested that one of the key success criteria for a job interview is to come across as likable – the premise being that the hiring manager has already positively assessed the candidate's résumé for the required technical skills. Now all the hiring manager is seeking to test is whether they want to work with the person or not.

This likability isn't just about being friendly and a nice person. It's about whether the hiring manager finds similarities with the person they're interviewing. Research shows that we like people who are similar to us in terms of interests, backgrounds and experiences, and this has consequential impacts on hiring decisions.

Researchers from Kellogg University found that getting hired for a job isn't so much about the "soft or hard dimensions of the role," but rather how similar the person being interviewed is to the person conducting the interview.

It's very easy for leaders to want to hire people who are like them. Similarity makes a person feel comfortable. However, when you hire people like you, you're simply filling your team or work group with people who have similar backgrounds, experiences and thought processes.

Improve decision-making

Homogeneity can negatively impact how decisions are made. The more alike people are, the more likely they are to think along the same lines; therefore, there is less room for debate, discernment and disagreement.

Separate research from Kellogg University found that diverse teams make better decisions. And that diversity isn't just about gender or ethnicity – it also includes age, experience and background. The diverse groups outperformed the more homogeneous groups, not because of an influx of new ideas, but because the diversity triggered more careful processing of the information that was discussed.

Complex problem-solving and critical thinking are the top two competencies that the World Economic Forum has identified as crucial to surviving in the Fourth Industrial Revolution. This involves challenge, exploration, suspending judgment and being equipped with the cognitive capacity to look at problems in a different way – all of which is aided by having a diverse workforce.

Successful, sustainable organizations recognize the need to equip their workforce with the capability and capacity to dig deeper into the mental models that drive their thought processes and be ready to acquire knowledge from multiple sources and environments. Consequently, leaders need to be prepared to challenge their assumptions and expectations when building their teams.

- Acknowledge the potential for bias, because we all have it to varying degrees.
- Actively seek diversity of experience, background, ethnicity, age and gender (and all forms of diversity) when forming teams and work groups.
- Recognize that the person at work who really annoys you is often the person you need to spend more time with. Why? Because the source of tension comes from their seeing the world differently than you, and this challenge to your frame of reference is good for your thought processes.
- Invite other people into the decision-making process who can shift and provide alternate perspectives.

Build on strengths

As part of this approach, leaders need to understand and then leverage the strengths of their team. Research conducted over the last 30 years shows that taking a strengths-based approach leads to greater work satisfaction, engagement and productivity. This is evidenced in Tom Rath and Barry Conchie's book, *Strengths Based Leadership*, where they detail how working with strengths helps leaders be more effective.

Leaders play a crucial role in bringing strengths to life at work – for both themselves and their team members. It starts with the leader understanding their own strengths and how they are best used at work.

The next step is to help team members appreciate the strengths they bring to their role, and recognize and value the strengths their colleagues bring to their roles. This is best done through a series of team development activities, which will help team members understand and leverage their individual and collective strengths.

Michelle Gibbings is the founder of Change Meridian and works with leaders and teams to help them get fit for the future of work. She is also the author of *Step Up: How to Build Your Influence at Work* and *Career Leap: How to Reinvent and Liberate your Career.* For more information, visit michellegibbings.com.

OTHER LIFE

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NURTURING THE NEXT GENERATION

A lifelong hockey enthusiast, broker **Brian Harrold** is passing on his love of the game to his children

BRIAN HARROLD has loved sports for as long as he can remember. The father of three and wholesale team leader at Norman-Spencer Agency dabbled in coaching baseball, soccer and flag football as his kids started getting into sports, but it was hockey that ultimately won out. Harrold is now the coach of the Dayton Stealth, where his eldest son, Luke, plays.

Encouraging and guiding his children's interest in sports is a top priority for Harrold. His youngest son, Logan, also plays hockey, while his daughter, Olivia, is into gymnastics. All three kids are also involved in soccer, lacrosse and swimming.

"Youth sports are very important, in my opinion, because they help kids gain self-confidence, learn teamwork and leadership skills, and develop additional qualities like self-control, accountability and a strong work ethic," Harrold says. "The most gratifying feeling is seeing the development of each individual child throughout the year and the self-confidence that comes along with getting better at something."

9, 7, 5
Ages of Harrold's three children

100+
Number of hockey games Harrold has coached

70%
The Dayton Stealth's win rate over the past two seasons

Harrold currently coaches the Dayton Stealth youth hockey team


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