# INSURANCE JOURNAL

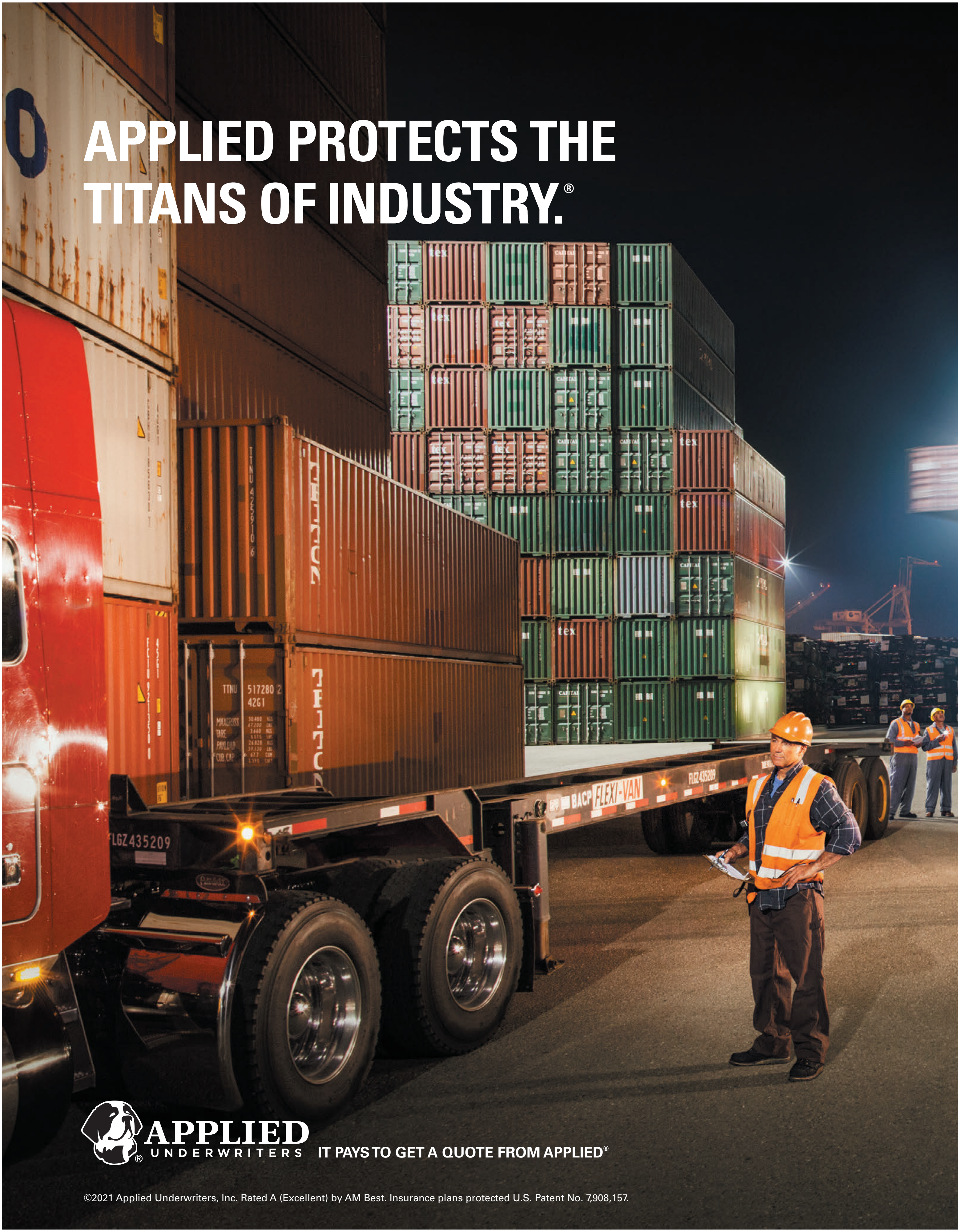
THE NATIONAL PROPERTY CASUALTY MAGAZINE

OCTOBER 4, 2021 | VOL. 99, NO. 19

**Hospitality on the Road to Recovery**

**The Industry's Equality Problem**

## AMERICA'S BEST AGENCIES TO WORK FOR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# Opening Note

Write the Editor: awells@insurancejournal.com

## Robots in an Aging Population

You might think robots and other forms of workplace automation gain traction due to their intrinsic value in reducing the cost of doing business. But a study co-authored by an MIT professor tells a different story: Robots are more widely adopted where populations become notably older, filling the gaps in an aging industrial work force.

"Demographic change – aging – is one of the most important factors leading to the adoption of robotics and other automation technologies," says Daron Acemoglu, an MIT economist and co-author of a new paper detailing the results of the study.

The study finds that when it comes to the adoption of robots, aging alone accounts for 35% of the variation among countries. Within the U.S., the research shows the same pattern: Metro areas where the population is getting older at a faster rate are the places where industry invests more in robots.

"We provide a lot of evidence to bolster the case that this is a causal relationship, and it is driven by precisely the industries that are most affected by aging and have opportunities for automating work," Acemoglu said.

This study involved multiple layers of demographic, technological and industry-level data, largely from the early 1990s through the mid-2010s. The researchers found a strong relationship between an aging work force – defined by the ratio of workers 56 and older to those ages 21 to 55 – and robot deployment in 60 countries. Aging alone accounted for not only 35% of the variation in robot use among countries, but also 20% of the variation in imports of robots.

Other data points involving particular countries also stand out, the researchers said. South Korea has been the country both aging most rapidly and implementing robotics most extensively. And Germany's relatively older population accounts for 80% of the difference in robot implementation between that country and the U.S.

The research likely sheds light on larger-scale trends as well. In recent decades, workers have fared better economically in Germany than in the U.S. The current research suggests there is a difference between adopting automation in response to labor shortages, as opposed to adopting automation as a cost-cutting, worker-replacing strategy. In Germany, robots have entered the workplace more to compensate for the absence of workers, while in the U.S., relatively more robot adoption has displaced a slightly younger workforce.

**'Aging is one of the most important factors leading to the adoption of robotics and other automation technologies.'**

"This is a potential explanation for why South Korea, Japan, and Germany – the leaders in robot investment and the most rapidly aging countries in the world – have not seen labor market outcomes [as bad] as those in the U.S.," Acemoglu notes.

The paper, "Demographics and Automation," has been published online by The Review of Economic Studies, and will be appearing in a forthcoming print edition of the journal. The authors are Acemoglu, an institute professor at MIT, and Pascual Restrepo PhD, an assistant professor of economics at Boston University. The study is the latest in a series of papers published about automation, robots and the workforce.

**Andrea Wells**
Editor-in-Chief



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**– Rob Leitner, VP Business Development**

Rob Leitner with members of Business Development

## U.S. Surplus Lines Industry Grew Premium 17.5% in 2020

The U.S. surplus lines market experienced direct premium growth of 17.5% in 2020, the largest year-over-year premium increase since 2003, according to an AM Best report.

The 2020 increase in direct premium written comes on the heels of 11.2% growth in 2018 and 2019, according to the Best's Market Segment Report, "Expanding Opportunities Boost Surplus Lines Growth and Spur Improved Operating Profits."

Driving the segment's overall growth was 20% growth by AM Best's composite of domestic professional surplus lines companies, or those writing more than 50% of their direct business on a surplus lines basis. The composite recorded a combined ratio of 99.7 in 2020, a slight 0.3-percentage-point deterioration from 2019.

Operating performance was favorable, although decidedly less favorable than in 2019. Despite excellent premium growth, the underwriting profitability of the surplus lines segment has been elusive in recent years due to losses driven by secondary perils such as wildfires and convective storms, AM Best noted.

The report notes that the surplus lines market traditionally performs well "during times of tumult and uncertainty." According to AM Best analysts, with sales and payrolls down because of pandemic quarantines, lockdowns and business closures, premium growth was due largely to several key factors:

- Opportunities attributable to market dislocation that created lower supply for the market demand.
- Insurers maintaining discipline despite tumultuous economic conditions and achieving a greater degree of rate adequacy per risk.
- In some cases, renewal carriers looked to get out of the business or risk class entirely, providing surplus lines insurers the opportunity to underwrite and price the risks in accordance with their standards.

According to the report, ongoing uncertainty about COVID-19 variants — their extent and length — could undo some of the progress made in the second half of 2020.

Also, earlier-than-usual significant catastrophe losses, uncertainty about casualty claims costs as courts re-open and clear their backlogs, and price adequacy concerns will be headwinds in 2021.

For 2022, AM Best said it expects market conditions to remain tight due to the ongoing impact of COVID-19, especially as infection rates in many states spike and the potential remains for more economic uncertainty.

"A decline in capacity owing to changes in company risk appetites, along with hardening rates for many commercial lines of coverage, creates an environment with an acute need for creative market and product-oriented solutions — the hallmarks of the surplus lines carriers," the AM Best analysts wrote. IJ

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# Figures

## $500

The amount Ford Motor Co. said it would send in a check to every household that evacuated from a southeastern Michigan city in late August after gasoline leaked from the automaker's assembly plant in Flat Rock into the community's sewer system, representatives said. The checks would total $600,000 for 1,200 displaced households, The Detroit News reported. Ford said it believes the 1,400 gallons of gasoline leaked during that time.

## $450,000

The settlement amount the developer and owners of eight senior living complexes in Alabama, Florida, Georgia, South Carolina and Tennessee agreed to pay after they violated the Fair Housing Act and the Americans with Disabilities Act by failing to build properties with required accessible features for people with disabilities. Dominion Management LLC and its affiliate companies will pay all costs related to the retrofits, including $400,000 into a settlement fund to compensate individuals harmed by the inaccessible housing and $50,000 in civil penalties to the government.

## 4.3

That was the magnitude of a small earthquake that shook the greater Los Angeles metropolitan area on September 17. The U.S. Geological Survey reported the quake was centered near Carson, about 21 miles southeast of downtown Los Angeles. There weren't any immediate reports of major damage or injuries.

## $1.3 Million

Federal workplace safety regulators proposed this amount in penalties for the construction company that employed two men who died when they were struck by a dump truck and pushed into a nine-foot-deep trench at a sewer project in Boston, Massachusetts, in February. OSHA cited Atlantic Coast Utilities LLC/Advanced Utilities Inc., owner Laurence Moloney, and two associated companies for what it called "a long history of ignoring the safety and health of its employees."

# Declarations

### Fighting Fires with Aluminum Foil

"It's pretty expensive, and you'd feel stupid if they stopped the fire before it got close. But I'm really glad we did it. It was pretty nerve-wracking when the flames came down the slope."

*— Martin Diky panicked as a huge wildfire started racing down a slope toward his wooden house near Lake Tahoe, and then he decided to wrap his mountain home with an aluminum protective covering. He was one of several residents in the line of fire who have made such an investment.*

### Growing Threats

"To prepare to meet these significant challenges, the survey will provide data to better understand these growing threats and protect consumers from climate-related loss."

*— Connecticut Insurance Commissioner Andrew N. Mais said in a Connecticut Insurance Department press release regarding its latest release of a national survey on climate risk in the insurance industry. The survey allows insurers to report on climate-related risks and opportunities that provide the department with additional information to evaluate insurance company risks and activities.*

### Alleged ADA Violation

"Denying a reasonable accommodation and terminating an employee because of her disability clearly violates the ADA at any time."

*— Marcus G. Keegan, a regional attorney for the EEOC's Atlantic District Office, said in a lawsuit that ISS Facility Services Inc. violated the Americans with Disabilities act by denying its employee's reasonable request to work remotely in June 2020 and then firing the employee for requesting it. A health and safety manager at ISS's Takeda facility in Covington, Georgia, had made the request. The case is the first lawsuit the EEOC has filed about a request for an ADA accommodation related to COVID-19.*

### A Likely Fine

"What I would do is find that they are not in compliance with a lawful order that I have issued and take action to suspend their license, which is unlikely, or fine them, which is more likely, for their failure to comply."

*— Louisiana Insurance Commissioner Jim Donelon said, referring to insurer State Farm's indication that it would not comply with the commissioner's emergency directive instructing insurers to cover the temporary living expenses of Louisiana policyholders who evacuated during Hurricane Ida. The Louisiana Illuminator reported that Donelon made the comment during a virtual town hall discussion hosted by the Advocate.*

### Facial Recognition and Privacy

"We want people to know they are being watched. ... That's why we have signs and a flashing light."

*— Thomas Sawyer, a retired St. Louis police detective, comments on the face recognition system at an Illinois MotoMart store. Sawyer and a group of former and active law enforcement officers co-founded Blue Line Technology LLC, which created the MotoMart system. It is designed to protect privacy with tamper-proof software that prohibits owners from importing or exporting biometric data involving any outside source, Sawyer said.*

### Agribusiness Cyber Attack

"We have proactively taken our systems offline to contain the threat, and we can confirm it has been successfully contained. ... We also quickly notified law enforcement and are working closely with data security experts to investigate and remediate the situation."

*— Iowa-based farm services provider NEW Cooperative Inc. said in a statement that its systems were offline to contain a "cybersecurity" incident just as the U.S. farm belt gears up for harvest. The cooperative operates grain storage elevators in the top U.S. corn producing state, buys crops from farmers, sells fertilizer and other chemicals needed to grow crops and owns technology platforms for farmers that provide agronomic advice on the way to maximize their harvests.*

# Middle Market Firms Miss Out on Agents as Risk Management Resource: Survey

*By L.S. Howard*

Many middle market companies are failing to use a key risk management resource: their insurance agents and brokers.

According to a survey sponsored by insurer Chubb, only 15% of middle market companies rely heavily on an insurance agent or broker to help them understand and manage risk.

The percentage is low despite the fact agents and brokers can help insurance buyers "better understand their exposures, mitigate risks, and secure the insurance coverages for their unique needs so they can focus on continued growth and success," says the Middle Market Indicator (MMI) report.

The survey also noted that the pandemic has changed the risk landscape for middle market companies, making them more risk averse.

The survey indicated that 79% of middle market companies surveyed in the second quarter revealed that risk management is "extremely" or "very" important to their businesses after more than a year of dealing with pandemic related and other disruptions, said the survey, adding that this view has risen 11% from 68% during Q4 2020.

Nearly double the firms had an enterprise risk management function in the second quarter of this year than in the fourth quarter of 2020.

However, very few companies said they were completely prepared to manage various types of disruption, such as pandemic-related risk, cyber breaches, hazardous weather, prolonged power outages, and physical damage from water or fire, the survey found.

The following challenges were highlighted by respondents as issues they will be extremely/very likely to experience over the next six months:

- Shortages of raw material and supplies, cited by 53% of the companies surveyed;
- General disruption of work due to working from home etc., cited by 42%;
- Delaying planned investments in the business, cited by 41%;
- Significant corporate restructuring, cited by 38%;
- Cash problems, 35%; and
- Layoffs, 33%.

Other survey findings covered the following areas:

- **Economic confidence**. Sixty-six percent of respondents said their company performance has improved compared to one year ago, representing an increase of 78% over Q2 2020 and 65% over Q4 2020, indicating that some middle market firms are showing signs of economic recovery in Q2 2021.
- **Supply chains**. One-third of middle market companies believe COVID-19 will have a negative impact on their supply chains in the coming year, indicating that some firm remain concerned about potential long-term economic impacts from the pandemic.
- **Returning to offices**. One-half of firms were fully back to on-premises work during Q2 2021, while one-third were in a phased return. More than half of companies said they would encourage employees to get vaccinated, while one-quarter planned to mandate vaccinations.
- **Digitization/cyber**. Managing technology has become more challenging during the pandemic due to increased digital adoption and cyber threats. More than half of firms were more likely to invest in digital priorities due to the pandemic, particularly to improve efficiency and increase revenue and customer engagement.

"As risks evolve, it's critical for middle market companies to continually assess how their exposures may be changing in tandem," said Ben Rockwell, division president, Chubb Middle Market, in a statement accompanying the report.

"The pandemic has presented many challenges and heightened exposures for middle market companies, from grappling with new levels of supply chain disruption to remote work policies.

The MMI surveys 1,000 executives (CEOs, CFOs and other financial decision makers) from middle market companies — those with $10 million to $1 billion in annual revenue — for its semi-annual Middle Market Indicator report. The survey was conducted in June 2021 by Chubb and the National Center for the Middle Market.

The 2Q 2021 survey was conducted by RTi Research on behalf of the National Center for the Middle Market and funded in partnership with sponsor Chubb and supporters Visa and VistaVu.

The National Center for the Middle Market is a collaboration between The Ohio State University Fisher College of Business and Chubb. IJ


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## Private Flood Insurance Market Small But May Grow With New NFIP Rating: AM Best

The country's flood insurance market is slowly transitioning toward private insurers providing additional options to the federal government's program for those seeking coverage, according to a new AM Best report.

But private sector carriers are being selective, tending to avoid risks in flood-prone areas and concentrating more on commercial properties than homeowners, an AM Best report shows.

According to Best's Market Segment Report, "Appetite for Flood Risk Among Private Insurers Still Small," more than 70% of overall private flood premium has been generated from commercial property exposures.

Also the report finds that private insurers tend to avoid flood-prone areas, noting that Florida experiences tropical systems more frequently than any other state and represents about one third of the total National Flood Insurance Program (NFIP) insured value.

Yet, Florida represents only about a quarter of the total flood premium, partially illustrating the larger issue that the NFIP is subject to an inherent risk of adverse selection.

"If private insurers are able to price risks individually, they will cherry-pick the best risks with pricing better than the NFIP's subsidized rates, leading to further adverse selection," said Christopher Graham, senior industry analyst, AM Best.

**'If private insurers are able to price risks individually, they will cherry-pick the best risks with pricing better than the NFIP's subsidized rates, leading to further adverse selection.'**

The NFIP still bears the heaviest burden of the U.S. flood market, but private flood insurers generated almost $3.1 billion in total direct premium during 2016-2020.

The $735 million in direct premium in 2020 represented the largest amount during that period.

The slow shift toward more private sector involvement comes a time when the federally operated National Flood Insurance Program (NFIP) notched a $20.5 billion shortfall earlier in the year, a figure that includes losses dating back to Hurricane Katrina in 2005.

The NFIP is administered by the Federal Emergency Management Agency, which has developed Rating 2.0, a strategy to address pricing inefficiencies and curtail any adverse risk selection by moving all properties to a true risk-based rate. The new NFIP rate structure took effect on Oct. 1, 2021.

Under Risk Rating 2.0, the annual premium rate is expected to decline for a quarter of policyholders obtaining coverage through the NFIP. However, many will see their rates increase and reach their full risk rate in approximately five years. Eventually, the new rating measures should lead to more adequately priced NFIP risks and more competitive coverage offered by private insurers.

According to Best analysts, higher premium costs for federal flood insurance "should make the private insurance pricing more competitive" and drive more insureds to the private market.

"This should help better spread the flood risk among private carriers and the NFIP, as well as create a better overall flood insurance market for customers needing the coverage," said David Blades, associate director, AM Best.

As of press time, authorization for the NFIP was set to expire at the end of September unless Congress acted to renew it.

In recent years, Congress has been unable to pass reform legislation or a long-term extension for the NFIP but has instead passed about a dozen short-term extensions.

Last year, President Donald Trump signed a one-year extension passed by Congress right before the NFIP expired. IJ

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# News & Markets

## In Changing Housing Market, Home Insurers Struggle with Customer Loyalty: Study

Home insurers have struggled to develop products and services designed to maximize customer lifetime value for the growing population of baby boomers migrating from home ownership to renting, a new study by J.D. Power, 2021 U.S. Home Insurance, reveals.

About two-thirds of all rental housing growth between 2004 and 2019 was driven by adults age 55 and older, and that group now accounts for approximately 30% of the total rental market, according to a study by the Joint Center for Housing Studies of Harvard University.

This generational shift from home ownership to renting represents a significant customer retention risk unless insurers figure out a better way to maintain customer loyalty throughout this critical life phase.

"So far, most insurers are missing that mark," said Robert M. Lajdziak, senior consultant of insurance intelligence at J.D. Power. "Consider the stats: 44% of combined Boomers and Pre-Boomers who are renters today had homeowners insurance in the past, but only 52% of them now have their renters policy with the same carrier. Recognizing that annual retention for homeowners is 91.7%, there is a huge opportunity out there for insurers that get the life stage transition formula right."

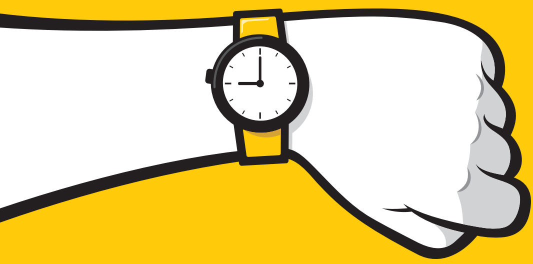
**Key Findings**

- *Insurers struggle with transition from homeowners to renters policies.* Just more than half (52%) of combined Boomers and Pre-Boomers who have transitioned from homeowners to renters policies stay loyal to the same insurer. That number falls to 44% among Generation X insureds and 36% among insureds in Generations Y and Z. Compared with the industry average, USAA, State Farm and Amica Mutual have particularly high rates of retention as their homeowners insurance customers transition to renters insurance customers.
- *Service experience, not price, is key to lifetime value.* Among renters who remain loyal to their previous homeowners insurance brand, the most common reasons for staying with the same carrier are good service experience, brand reputation, bundled products and convenience. Price is fifth on the list.
- *Bundling builds loyalty, but legacy systems often limit cross-product visibility.* Among renters who previously had a homeowners policy, those who bundle insurance products with their renters policy are two times more likely to stay loyal to the same carrier. Insureds interacting with agents are the most likely to have their household's bundled products acknowledged, suggesting the legacy systems used by many insurers are not designed to enable customers to be treated as a household but rather as a policy number.
- *Trust has significant influence on retention.* Homeowners who have a strong perception that their insurer is trustworthy are four times more likely to say they "definitely will" renew with their insurer than those who do not have a favorable perception of their insurer's trustworthiness.
- *Smart home technologies create opportunity.* More than half (59%) of homeowners with a smart home product installed in their home, such as a doorbell camera or automatic water shutoff valve, say that having a smart home feature has helped to prevent or lessen damage to property. This presents a clear opportunity for insurers to increase preventative service offerings, which is a major shift in the value proposition by focusing on preventing a loss rather than protection after a loss.

Amica Mutual ranks highest in the homeowners insurance segment, with a score of 854 (on a 1,000-point scale). Automobile Club of Southern California (840) ranks second, while Erie Insurance (835) and State Farm (835) rank third in a tie. Lemonade ranks highest in the renters insurance segment with a score of 870. State Farm (866) ranks second.

The U.S. Home Insurance Study examines overall customer satisfaction with two distinct personal insurance product lines: homeowners and renters. Satisfaction in the homeowners and renters insurance segments is measured by examining five factors: interaction; policy offerings; price; billing process and policy information; and claims. The study is based on responses from 11,828 homeowners and renters via online interviews conducted from May through July 2021.

J.D. Power is a global consumer insights, advisory services and data and analytics company with offices in North America, Europe and Asia Pacific. IJ



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Beyond the Headlines:

# Workplace Violence and Workers' Compensation Claims

By Kathleen M. Bonczyk

Whenever a legal dispute arises as to insurance coverage, the court will evaluate policy language to determine if a specific cause of loss constitutes a covered event under the terms of that policy.

When workers' compensation and workplace violence intersect, it must generally be shown that the loss occurred in the scope of employment and while the employee was working.

Some claims, however, involve gray areas raising questions as to whether coverage is invoked. This is particularly true in scenarios where the injured worker played a role in inciting, participating in or provoking the violence.

No cookie-cutter approach should be utilized in the investigation and adjustment of these losses, as they oftentimes involve complex fact patterns.

A thorough analysis should be conducted when workplace violence claims are reported so as to mitigate the risk of dreaded statutory or common law bad faith actions, amongst other concerns.

**Workplace Violence, Defined**

There is plenty of room for plaintiff's counsel to assert a rejected occupational violence-related workers' compensation claim was wrongfully denied by the insurer.

Workplace violence manifests in a broad range of activities beyond the deadly, highly publicized active shooter episodes some automatically think of while considering this topic. Unwanted physical contact is not necessary to make a showing that workplace violence has occurred.

For instance, the National Institute of Safety and Health (NIOSH), an agency of the Centers for Disease Control and Prevention, states: Workplace violence ranges from offensive or threatening language to homicide. NIOSH defines workplace violence as violent acts (including physical assaults and threats of assaults) directed toward persons at work or on duty.

According to the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA):

*Workplace violence is any act or threat of physical violence, harassment, intimidation, or other threatening disruptive behavior that occurs at the work site. It ranges from threats and verbal abuse to physical assaults and even homicide … however it manifests itself, workplace violence is a growing concern for employers and employees nationwide.*

## Workplace violence manifests in a broad range of activities.

**Workplace Violence Claims: Covered … or Not?**

Determinations surrounding whether workers' compensation provides indemnification for workplace violence are similar to inquiries involving any other type of insurance coverage.

As always, the analysis begins with the language of the operative insurance contract, bearing in mind that per well-settled principles of insurance law, disagreements over "ambiguities" in the policy will typically be rendered in favor of coverage.

Language in a stand-alone workers' compensation policy or an employment practices liability (EPL) policy affording workers' compensation indemnity might read something like:

**Part One: Workers' Compensation Insurance**

*This coverage applies to any occupational loss occurring during the policy period set forth in the Declarations Page for: (1) Bodily injury by accident occurring during the policy period. (2) Bodily injury by disease must be caused or aggravated by the conditions of your employment occurring during the policy period.*

*This insurance does not cover: (1) Bodily injury intentionally caused or aggravated by you. (2) Bodily injury intentionally caused or aggravated by your injured worker.*

*We will pay promptly when due the workers' compensation benefits required of you by workers compensation law.*

Turning to the "Definitions" section of the policy, the following is stated:

*"Workers' compensation law" means the workers' compensation law of each state or territory named in the Declarations page of this policy.*

Accordingly, inquiry into the laws of the jurisdiction where the loss occurred must also be considered before any final coverage decision is rendered.

**States Weigh In**

California has responded to the "growing concern" that is workplace violence by enacting a law authorizing employers to obtain injunctions to protect

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their employees from harm.

Pursuant to California Civil Procedure Code § 527.8(a):

*Any employer, whose employee has suffered unlawful violence or a credible threat of violence from any individual, that can reasonably be construed to be carried out or to have been carried out at the workplace, may seek a temporary restraining order and an order after hearing on behalf of the employee and, at the discretion of the court, any number of other employees at the workplace, and, if appropriate, other employees at other workplaces of the employer.*

Per California's Labor Code, Chapter One, § 3208.1, an occupational injury may take one of two forms:

*"(a) 'specific,' occurring as the result of one incident or exposure which causes disability or need for medical treatment; or (b) 'cumulative,' occurring as repetitive mentally or physically traumatic activities extending over a period of time, the combined effect of which causes any disability or need for medical treatment."*

Injuries suffered by a California-based employee arising from violence could meet either category, depending on the severity of the episode.

*By way of example, a "specific" injury might occur if the injured worker, a cashier, was assaulted during an armed robbery of a retail store. Conversely, a tenured law enforcement officer who has been shot at repeatedly over time could possibly be deemed to have sustained "cumulative" injuries.*

In contrast to California, Wisconsin Statute § 102.01(2)(c) defines "injury" pursuant to that state's "Worker's Compensation Act" as:

*... mental or physical harm to an employee caused by accident or disease, and also means damage to or destruction of artificial members, dental appliances, teeth, hearing aids and eyeglasses, but, in the case of hearing aids or eyeglasses, only if such damage or destruction resulted from accident which also caused personal injury entitling the employee to compensation therefor either for disability or treatment.*

Wisconsin allows for statutory bad faith workers' compensation damages per Wis. Stat. § 102.18(1)(bg) as follows:

*If the division determines that the employer or insurance carrier suspended, terminated, or failed to make payments or failed to report an injury as a result of malice or bad faith, the division may include a penalty in an award to an employee for each event or occurrence of malice or bad faith. That penalty is the exclusive remedy against an employer or insurance carrier for malice or bad faith ... The division may award an amount that the division considers just, not to exceed the less of 200 percent of total compensation due or $30,000 for each event or occurrence of malice or bad faith. The division may access the penalty against the employer, the insurance carrier, or both.*

Generally, the requirements to establish such bad faith will be: (1) There was no reasonable basis for denying the claim; and (2) The employer or insurance company knew or recklessly disregarded that there was no reasonable basis for denying the claim.

Consequently, in Wisconsin, a denied claim for post-traumatic stress disorder associated with a workplace violence episode could result in bad faith damages.

**Later Injuries**

What if the employee succumbs to injuries arising from violence sometime after the event giving rise to those injuries occurred?

Unfortunately, data from the Bureau of Labor Statistics (BLS) demonstrates that occupational deaths are on the rise. According to BLS, a total of 5,333 fatal work injuries were recorded in 2019, representing a 2% increase from the 5,250 reported in 2018.

In Florida, § 440.16(1) mandates that "If death results from the accident within one year thereafter or follows continuous disability and results from the accident within five years thereafter, the employer shall pay" compensation and funeral expenses not to exceed $7,500.

It should also be noted certain jurisdictions provide for alternative dispute resolution concerning workers' compensation as a way to keep these claims out of litigation.

The Commonwealth of Massachusetts, for instance, offers a proceeding called a "Conciliation," an informal meeting between the insurer and the employee or the employee's attorney. The employer typically does not attend Conciliation unless the claim involves "Willful Misconduct of Employer" per § 28. In such cases, the employer is required to attend.

If an agreement is not reached, the next step involves an informal proceeding before an Administrative Judge. As with Conciliation, the carrier and employee must attend. As with Conciliation, the employer is not obligated to do so unless willful misconduct is involved.

**Loss Mitigation**

OSHA estimates that at least two million workers are victims of workplace violence each year. This equates to the approximate population of the entire state of New Mexico.

Moreover, OSHA advises that "many" cases of workplace violence go unreported each year. Thus, the potential exists for substantially more losses than estimates predicated on OSHA's two million figure suggest.

The underreporting problem could be attributed to the fact that employers may not wish to see their "100 days without a recordable accident" winning streak broken by a workplace violence-related claim, or employees may not know where to report their safety concerns to, or they may hope that matters deescalate and try to deal with it themselves.

Whatever the underlying cause is, the time for the insurer to learn that a workplace violence claim is covered should never be when the matter is in litigation.

Investigation into the facts underlying the claim should be focused on such matters as whether there were prior interactions between the parties, and if so, what did the employer do (or not do) to address this past conduct. Any injunction involving a party associated with the loss should be a red flag for the carrier.

Additionally, a disagreement between the employer and the carrier may arise over how the facts at issue in the violence giving rise to the claim are evaluated.

For instance: The application of an employer's "zero tolerance policy" governing workplace violence might result in two workers involved in an on-the-job physical altercation being automatically subjected to the same level of discipline up to and including termination, irrespective of who initiated the brawl.

**Not Always Clear**

The lines are not always so clear where insurance coverage is concerned, particularly for injuries sustained by the worker who struck the second blow.

Here, the claims examiner's focus should be on whether "Joe" truly participated in the brawl of his own free will or was he protecting himself from further injury after being attacked by an out-of-control colleague? "Joe's" attorney could make the argument that if Joe were assaulted on the street, he would have the right to defend himself, so why should he be denied workers' compensation for taking the same action in the workplace?

Attention should also be directed toward uncovering any compliancy toward workplace violence on the employer's part.

The employer might look the other way regarding occupational violence, especially when verbal abuse or threats directed toward workers have not crossed the threshold into the arena of physical violence. Such situations might arise when the abuser is a client or customer who does a lot of business with the employer, and that insured wants this beneficial financial relationship to continue.

Attention should be focused on actions the employer has taken to proactively mitigate the risk of workplace violence through not just instituting, but also enforcing effective violence prevention policies.

The best workplace violence prevention standard is essentially worthless if the employer does not uniformly and equitably apply it across the board. Differing levels of treatment for "favored" employees vs. the rest of the workforce can lead some to become disgruntled, which is the starting point for workplace violence. IJ

Bonczyk, M.B.A., Esq. is licensed to practice law in Florida and New Jersey. A former human resources executive, Bonczyk's focus has been on employment and insurance law during her legal career. She is the founder of the Workplace Violence Prevention Institute (WVPI), whose mission is to conduct research and recommend proactive strategies designed to prevent violence from erupting in the workplace, in schools, and other locations. Website: www.workplaceviolencepreventioninstitute.org. Email: info@workplaceviolencepreventioninstitute.org.

# Business Moves

## National

**Moody's, RMS**

Moody's Corp. reported that it has completed its acquisition of RMS, the climate and natural disaster risk modeling and analytics firm.

In the transaction, originally announced on August 5, 2021, Moody's paid approximately $2.0 billion to acquire RMS from Britain's Daily Mail and General Trust.

Moody's said the acquisition will increase its insurance data and analytics business to nearly $500 million in revenue and accelerate the development of the company's global integrated risk capabilities to address the next generation of risk assessment.

New York-based Moody's offers data and analytics to help businesses and organizations manage risks. It has more than 11,500 employees in more than 40 countries.

California-based RMS offers more than 400 risk models covering 120 countries. Its models and analytics help insurers manage global risk from natural and man-made catastrophes including hurricanes, earthquakes, floods, climate change, cyber, and pandemics.

## East

**Alera Group, Related Risk**

Alera Group, an independent, national insurance and wealth management firm, acquired Related Risk, a third-party administrator that helps insurance companies and employers generate new premiums and profits by accelerating product speed-to-market while ensuring compliance with emerging and evolving statutory disability and paid family leave benefits.

Serving New York, New Jersey and clients nationwide, Related Risk helps enterprises and organizations deploy new products and programs, enter new markets and expand existing offerings.

The Related Risk team will continue serving clients in its existing roles.

**Berkshire Insurance Group, Brown & Brown of Massachusetts**

Berkshire Hills Bancorp Inc. and Brown & Brown Inc. announced the execution of a definitive agreement for the sale of the assets and operations of Berkshire Insurance Group Inc. (BIG), a subsidiary of Berkshire Hills, to Brown & Brown of Massachusetts LLC, a subsidiary of Brown & Brown. The transaction is subject to customary conditions and is expected to be completed in the third quarter.

BIG has been providing insurance coverage to customers across the Northeast since its inception in 2000, growing into one of the largest insurance agencies in Western Massachusetts. It provides personal and commercial property/casualty insurance solutions.

Brown & Brown has offered positions to existing BIG employees resulting in no job eliminations. Following the acquisition, BIG will become a new stand-alone operation within Brown & Brown's retail segment under the leadership of John Flaherty.

BIG's offices in Greenfield, Longmeadow, Pittsfield, Stockbridge and Westfield, Massachusetts, will continue to operate from their current locations, and its other locations will physically combine with existing Brown & Brown offices.

## Midwest

**Hub International, McNellis Insurance**

Chicago-based insurance brokerage and financial services firm, Hub International Limited, acquired the assets of McNellis & Co. Inc., located in Evergreen Park, Illinois.

McNellis Insurance is an independent insurance agency providing personal, business, life, health and disability insurance to clients in the Chicagoland area for more than 40 years. The agency also offers annuities and other financial products.

Chuck McNellis, president, and the rest of the McNellis Insurance team will join Hub Midwest West and will continue to operate out of the Evergreen Park office.

**USI, Reynolds & Reynolds**

Global insurance broker USI Insurance Services announced the acquisition of Des Moines, Iowa-based Reynolds & Reynolds Inc.

Founded in 1976, Reynolds & Reynolds is an independent risk management and employee benefits agency doing business in Iowa and nationally.

Headquartered in Valhalla, New York, USI is a national middle market broker approaching $2.0 billion in revenue.

**WNC Insurance Services, Tokio Marine Highland**

Chicago-based property/casualty underwriting agency, WNC Insurance Services, has rebranded as Tokio Marine Highland Insurance Services Inc.

The agency was acquired in 2018 by Tokio Marine Kiln, a carrier in the Lloyd's of London insurance market, rated A+ by Standard & Poor's.

Tokio Marine Highland is a property/casualty underwriting agency offering specialty risk management products and services, including private flood, construction, fine art, specialty property, real estate investment and lender-placed insurance.

The move will enable Tokio Marine Highland to enter new product classes, introduce its brand to new audiences and create a seamless customer experience.

Founded in 1962, Tokio Marine Highland Insurance Services Inc. is a wholly owned company of Tokio Marine Kiln.

**DOXA Insurance Holdings, Caitlin Morgan Insurance Services**

Fort Wayne, Indiana-based DOXA Insurance Holdings LLC acquired Caitlin Morgan Insurance Services, a managing general underwriter and wholesale brokerage in Indianapolis that helps independent agents place business and develop package programs for select industry niches.

Caitlin Morgan will continue operations under the leadership of President Christopher S. Murray, and Dustin Partlow will lead the captive management division.

Doxa Insurance Holdings is a Midwest-domiciled holding company that acquires specialty niche-focused insurance distribution companies.

## South Central

**Arthur J. Gallagher & Co., Files Agribusiness**

Arthur J. Gallagher & Co. acquired Bastrop, La.-based Files Agribusiness LLC, retail insurance agency specializing in federal crop insurance, agribusiness property/casualty and agricultural aviation coverages.

Founded in 2010, Files Agribusiness provides insurance coverages primarily in Louisiana, Arkansas and Mississippi. John Files and his associates will continue to operate from their current location under the direction of Bumpy Triche, head of Gallagher's Mid-South region retail property/casualty brokerage operations.

Arthur J. Gallagher & Co. a global insurance brokerage, risk management and consulting services firm, is headquartered in Rolling Meadows, Illinois.

**GlobalPro**

GlobalPro, a multidisciplinary insurance services firm that helps clients manage the risks to a financial recovery following a loss caused by wind, water, fire, theft or another calamity, opened an office in Dallas.

The company is headquartered in Miami, Florida, and has offices in New York and Washington, DC.

GlobalPro's North Texas region will be led by Rob Bowlby. For the past 29 years, Bowlby has worked in the commercial banking industry helping clients strengthen their balance sheets and expand their businesses.

GlobalPro provides pre-loss planning and documentation, crisis management, the adjustment of insurance claims, and coordinating the reconstruction process.

## Southeast

**ClaimsPro, CJ Hester**

ClaimsPro, an independent adjusting and claims management leader in North America and an SCM Company, announced that it has acquired CJ Hester, a multi-state independent insurance adjusting company based in Mobile, Alabama.

CJ Hester provides claims services and special investigations throughout the Southeastern U.S., including Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee. Through this acquisition, ClaimsPro will increase its service capacity by offering clients access to a broader geographic reach across these states, complemented by the company's existing coverage throughout the country.

The acquisition will be a transition for current CJ Hester clients in name and branding only.

Based in Edmonton, Alberta, ClaimsPro has been serving the domestic and international markets for over 45 years in the United States.

**NSI Insurance Group, White Cloud, Express**

NSI Insurance Group, an independent insurance agency specializing in risk management, employee benefits, and insurance services for businesses and individuals, recently made its third and fourth acquisitions in the past 15 months, with the purchase of White Cloud Insurance and Express Insurance, both in Miami. NSI Insurance Group now has four offices throughout South Florida.

NSI Insurance Group, founded in 1958, ranks among the largest privately owned firms in Florida and operates within five business segments including personal and commercial insurance, employee benefits, and specialty programs.

The company has achieved robust growth through expanstion and acquisition. Last year, NSI Insurance Group acquired Fort Lauderdale, Florida-based Pallant Insurance, one of the largest LGTBQ-owned and managed agencies in the state. The Pallant brand continues under the same leadership as a subsidiary of NSI Insurance Group. Last summer, the company acquired Ensurgroup, based in South Miami, while the Express Insurance and White Cloud acquisitions closed in the past few months.

## West

**Alera, The Brokerage Commercial Insurance Services**

Alera Group acquired The Brokerage Commercial Insurance Services Inc. in in Newport Beach, Calif.

The Brokerage Commercial Insurance Services employees will continue serving clients in their existing roles.

The Brokerage Commercial Insurance Services is a commercial insurance brokerage firm specializing in general liability, property, commercial automobile and workers' compensation insurance.

Alera Group is an independent, national insur ance and wealth management firm offering employee benefits, property/casualty, retirement services and wealth management solutions.

**Alera Group, Fendley Benefits**

Alera Group acquired Fendley Benefits in Flagstaff, Ariz.

Fendley Benefits joins Alera Group through Benefit Commerce Group, an Alera Group company based in Scottsdale.

The Fendley Benefits team will continue serving clients in their existing roles.

Friendly Benefits is an employee benefits firm that focuses on cost management, compliance, HR support, technology and employee advocacy.

Alera Group is an independent, national insurance and wealth management firm. IJ

# People

## National

Specialist insurer **Beazley** has promoted **Florian Beerli** to lead its newly formed specialty risks and U.S. programs team.

*Florian Beerli*

In addition to his new responsibilities, Beerli will remain as global lead for product recall.

Prior to joining the insurer in April 2020, Beerli was senior vice president of product recall for Chubb, formerly ACE Group, where he worked for seven years, according to his LinkedIn profile.

Previously, he was vice president of crisis management at Crum & Forster. He also had a crisis management role at Catlin, where his LinkedIn profile said he worked from February 2007 to May 2009. Prior to that, he held various roles at AIG for nearly six years.

## East

**The American Property Insurance Company (API)**, a commercial insurance carrier providing property and liability insurance products to small and mid-sized businesses, named **Douglas C. Gorman** to the new position of chief operating officer, effective immediately.

In this role, Gorman will oversee business operations as well as growth and profit strategies. He will continue to report to the company's CEO.

Prior to co-founding API in 2014, Gorman had business experience both in the insurance industry as well as with Wall Street financial firms.

API is a licensed and admitted property/casualty carrier domiciled in the state of New Jersey. Tracing its roots back to 1956, the company is authorized to underwrite property/casualty insurance business in 23 states with current underwriting operations conducted in 17 states.

**Concord Specialty Risk** hired **Ayanna Lewis-Gruss** as vice president and underwriting counsel in its litigation insurance practice.

Lewis-Gruss will be based in New York, New York. She has more than 18 years of experience in all aspects of litigation and arbitration, including managing and mentoring other attorneys.

Prior to joining Concord, Lewis-Gruss was with Orrick, Herrington & Sutcliffe LLP. She also served as an intern for Senator Edward M. Kennedy.

Concord Specialty Risk specializes in transactional risk insurance and loss mitigation evaluation services that address the risk of loss arising from mergers and acquisitions, uncertain tax positions, litigation and more.

## Southeast

**Go Transportation & Translation (Go T&T)**, a national transportation and translation company serving the workers' compensation industry, hired **Colby Cotta** as vice president of operations.

In this role, Cotta guides Go T&T's day-to-day account management, compliance, information technology and product development operations. He brings nearly 20 years of experience to the company's management team, most recently serving as senior operations manager at Access on Time.

Previously, Cotta worked for Optimal Translation and Transportation as transportation operations manager. At that time, Greg Engelman, who is now the CEO and an owner of Go T&T, owned Optimal.

Go T&T delivers non-emergent transportation, on-site and over-the-phone interpreting and document translation services in the workers' compensation industry, serving insurance carriers, third-party administrators and employers. Based in Winter Park, Florida, it provides services nationally.

**Distinguished Programs**, a national insurance program manager, has hired **Brett Johnson** to its sales team as regional sales executive for its Southeast territories. He will be based in Atlanta, Georgia, and operate remotely.

*Brett Johnson*

Johnson brings 10 years of experience in property, liability and workers' compensation insurance to this new role. In this role, Johnson will work with agents and brokers in the Southeast territory comprised of Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi and Tennessee to choose proper insurance programs for clients across the full range of specialized products and services offered through Distinguished.

Prior to joining Distinguished Programs, Johnson served as regional sales manager for SIS Insure, based in Atlanta, Georgia, where he was responsible for revenue and profitability for the Southeast region.

In a previous role as territory marketing manager for Trident Public Risk Solutions, Johnson was responsible for sales and marketing efforts across five states in the Southeast.

## South Central

**Incline P&C Group** in Austin, Texas, made several new hires and a promotion within the company.

**Sheel J. Patel** joins the company as chief financial officer, and **Sameer Khan** joins as chief risk officer. **Cesar Gregorio** was added as controller, and **Allen Halbrook** has been named chief legal officer.

Patel has more than 20 years of experience in financial management and business leadership strategy. She was previously chief financial officer for Covariance Capital Management, and Simmons & Company, an energy-focused investment bank. She was also CFO of Houston Endowment, a $1.8 billion private foundation and spent more than 10 years at PricewaterhouseCoopers.

Khan has more than 20 years of experience in attest and advisory services, including delivery of complex business transformation projects for Fortune 100 companies.

Gregorio has more than 10 years of accounting experience with eight years public accounting experience. Gregorio previously was financial reporting manager and Citizens Inc. and assurance senior at BDO USA LLP.

Halbrook previously served as general counsel.

## Midwest

**J.M. Wilson** promoted **Mary Ricks** and Jennifer Councell to executive fleet underwriters in its Portage, Michigan, office, where they are responsible for underwriting new and renewal transportation fleet submissions (11 plus units), as well as building relationships with independent insurance agents and company underwriters.

Ricks and Councell have been with the J.M. Wilson team for 18 years and 14 years respectively and have held various positions in the transportation department. Most recently, they held the positions of senior fleet underwriters.

J.M. Wilson promoted **Ryan Tokarz** to transportation renewal underwriter in its Arlington Heights, Illinois, office. Tokarz joined the company in December 2020 as an assistant underwriter with previous experience as an underwriting operations associate for four years, as well as a sales manager for eight years.

The company promoted **Andrea Farr** to senior property/casualty underwriter in its Kansas City, Missouri, office. Farr is responsible for underwriting a wide variety of P/C risks, as well as building relationships with independent insurance agents and company underwriters in Alabama, Arkansas, Arizona, Colorado, Kansas, Mississippi, Missouri, Nebraska and Oklahoma.

She joined J.M. Wilson in 2015 with prior experience as an underwriting supervisor for seven years. She holds the INS (Associate in General Insurance), AU (Associate in Commercial Insurance) and SM (Supervisory Management) professional designations.

**Jenna Hans** was promoted to executive property/casualty underwriter in J.M. Wilson's Arlington Heights, Illinois, office. Hans is responsible for underwriting a wide variety of new and renewal property and casualty risks, as well as building relationships with independent insurance agents and company underwriters in Illinois and Iowa.

She has been with J.M. Wilson for eight years where she began as an assistant underwriter. Most recently, Hans held the position of senior property/casualty underwriter.

J.M. Wilson promoted **Seth Mahaffey** to senior transportation underwriter in its Westerville, Ohio, office. Mahaffey is responsible for underwriting a wide variety of new and renewal transportation risks, as well as strengthening relationships with independent insurance agents and company underwriters in Ohio, Pennsylvania, Virginia and West Virginia.

He joined JM Wilson in 2017 as an assistant underwriter before being promoted to an underwriter that same year.

**Bruce Bahn** joined **Risk Placement Services (RPS)** in Rolling Meadows, Illinois, as vice president of business and product development.

In this new position, Bahn is responsible for leading the firm's new product and program development strategy and execution in collaboration with key carrier and reinsurance partners.

Prior to joining RPS, he was vice president of product for BCS Financial.

Bahn brings more than 20 years of product management and development experience with leading multiline and specialty insurance companies to his new role.

**Avalon Risk Management** in Elk Grove Village, Illinois, named **Michael S. Brown** president and CEO.

Brown succeeds Lisa M. Gelsomino who, after 23 years as a founding partner and 13 years as Avalon's president and CEO, is stepping down to spend more time with her family.

Gelsomino will continue to serve Avalon as a senior advisor focusing on her continued role in the Commercial Customs Operations Advisory Committee (COAC) through various working groups. She will also continue to participate in the Trade Support Network (TSN) and various government affairs on behalf of Avalon and the trade.

Brown joined Avalon in 1998, opening the company's Boston office. He has served as senior vice president, sales, and most recently as executive vice president where he oversaw sales and marketing activities nationwide, as well as Avalon's Eastern and Midwest divisions, national account and marketing departments.

Avalon Risk Management provides insurance and surety solutions to the logistics industry.

Local service is provided through 10 offices throughout the U.S. and Canada.

## West

**Lockton Cos.** added two executives focused on both construction and corporate bond products in Arizona.

Joining Lockton's Scottsdale office is **Jim Bracy**, senior vice president and client advocate, and **Andrea Windish**, assistant vice president.

*Jim Bracy*

*Andrea Windish*

Bracy joins Lockton after seven years with Willis Towers Watson.

Windish joins Lockton after nine years with Lovitt & Touché.

The Scottsdale location now has 58 people working out of the office. Lockton, is headquartered in Kansas City, Missouri.

**Island Insurance Cos.** named **Diane Inouye** vice president of its commercial insurance division.

Inouye is currently president of IC International, a wholesale provider of excess and surplus lines insurance, which recently joined the Island Insurance family of companies.

*Diane Inouye*

Inouye will continue her role as President of IC International in addition to her duties as vice president of the commercial insurance division.

Inouye has over 35 years of experience in the insurance industry.

She joined IC International in 2014 as executive vice president and was promoted to president in 2017.

Island Insurance Company is a locally-owned property/casualty insurer, offering a range of insurance solutions including personal auto, homeowners, condo, renters and umbrella insurance, and commercial insurance. IJ

# Workers' Compensation Premiums Flat for First Six Months of 2021

By Douglas A Powell

A comparison of workers' compensation direct premium written indicated an overall decrease of approximately 0.3% for the first six months of 2021 compared to the first six months of 2020. Fifteen of the Top 25 carriers by dollar volume of workers' comp business reported a period-to-period decrease in direct premium written. Overall, the Top 25 workers' compensation writers reported a period-to-period decrease in direct premium written of nearly 2%. Conversely, the workers' comp writers that ranked 26 to 50 outperformed the Top 25 and the aggregate, reporting a period-to-period increase to direct premium written of nearly 4.5%. The aggregate dollar decline of workers' compensation premium volume from June 30, 2020 to June 30, 2021 was $74.6 million.

Future change in workers' compensation premium volume is highly dependent on the changes in employment levels. In part, the continued impact of COVID-19 by state will affect workers' comp premium. State by state unemployment results have been and remain dependent on the degree to which states can completely re-open.

Similarly, changes in behaviors will continue to shape the workers' compensation insurance sector. These changes in behaviors can include safer work environments as a result of advancing technology as well as the increased use of telehealth. Also, changes in regulation and legislation remain a constant factor in future premiums reported.

Aggregately, the workers' compensation sector remains financially stable. Factors beyond changing premium volume will contribute to this financial stability. IJ

Powell is a senior financial analyst at Demotech Inc. Website: www.demotech.com.

## Top 25 Workers' Compensation Writers

*Based Upon Dollar Amount of Direct Written Premium*

| Rank | Company Name | Second Quarter 2021 (YTD) | Second Quarter 2020 (YTD) | % Change |
|---|---|---|---|---|
| 1 | Zurich American Insurance Company | $841,921,221 | $870,905,657 | -3.33% |
| 2 | Travelers Property Casualty Company of America | $595,825,941 | $634,040,300 | -6.03% |
| 3 | State Compensation Insurance Fund | $581,689,369 | $529,812,706 | 9.79% |
| 4 | Technology Insurance Company Inc. | $522,255,126 | $381,328,638 | 36.96% |
| 5 | Texas Mutual Insurance Company | $453,238,248 | $497,363,714 | -8.87% |
| 6 | Insurance Company of the West | $413,559,620 | $558,762,985 | -25.99% |
| 7 | Old Republic Insurance Company | $381,889,944 | $366,998,224 | 4.06% |
| 8 | American Zurich Insurance Company | $376,831,407 | $445,152,460 | -15.35% |
| 9 | Accident Fund Insurance Company of America | $333,321,347 | $333,469,884 | -0.04% |
| 10 | LM Insurance Corporation | $323,979,813 | $288,101,354 | 12.45% |
| 11 | ACE American Insurance Company | $320,114,435 | $362,797,176 | -11.76% |
| 12 | Arch Insurance Company | $307,056,967 | $274,227,009 | 11.97% |
| 13 | Twin City Fire Insurance Company | $272,638,632 | $268,098,858 | 1.69% |
| 14 | Pinnacol Assurance | $267,111,176 | $247,405,507 | 7.96% |
| 15 | NorGUARD Insurance Company | $252,929,696 | $261,940,510 | -3.44% |
| 16 | Zenith Insurance Company | $251,739,020 | $219,050,211 | 14.92% |
| 17 | Wesco Insurance Company | $248,633,520 | $229,432,007 | 8.37% |
| 18 | The Charter Oak Fire Insurance Company | $235,581,254 | $253,127,875 | -6.93% |
| 19 | Starr Indemnity & Liability Company | $224,655,808 | $264,904,167 | -15.19% |
| 20 | National Union Fire Insurance Company of Pittsburgh, Pa. | $222,225,749 | $223,453,720 | -0.55% |
| 21 | Indemnity Insurance Company of North America | $220,457,195 | $234,080,415 | -5.82% |
| 22 | Hartford Casualty Insurance Company | $218,553,532 | $218,183,421 | 0.17% |
| 23 | Federal Insurance Company | $212,649,429 | $241,211,195 | -11.84% |
| 24 | The Phoenix Insurance Company | $202,666,507 | $237,789,827 | -14.77% |
| 25 | Hartford Underwriters Insurance Company | $201,620,246 | $213,404,187 | -5.52% |
| **Top 25 Total** | | **$8,483,145,202** | **$8,655,042,007** | **-1.99%** |
| **Next 25 Total** | | **$4,199,122,348** | **$4,020,259,000** | **4.45%** |
| **All Others (622 Companies for 2021)** | | **$13,374,349,015** | **$13,455,953,984** | **-0.61%** |
| **Total (672 Companies for 2021)** | | **$26,056,616,565** | **$26,131,254,991** | **-0.29%** |

*Data Source: The National Association of Insurance Commissioners (NAIC), Kansas City, Mo., by permission. Information derived from an S&P Global Market Intelligence product. The NAIC and S&P Global Market Intelligence do not endorse any analysis or conclusion based upon the use of this data. This exhibit is based upon the initial reporting of second quarter 2021 data, estimated to be more than 95% of the companies that report quarterly. These figures exclude premiums for several large state funds (e.g. California, New York, Pennsylvania) that have not always reported second quarter data.*

Our Business is to Know Your Business.

# HOSPITALITY INDUSTRY

## Bar, Tavern & Restaurant Coverage

- Property
- General Liability (Primary & Excess)
- Liquor Liability
- Business Interruption
- Valet
- Assault & Battery
- Crime


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# News & Markets

## Feds Analyzing Fractured Gas Pipeline in Arizona Explosion

**The National Transportation Safety Board released its preliminary report on an August gas line explosion in Coolidge, Ariz., that destroyed a home and killed a man and his 14-year-old daughter.**

NTSB investigators said a natural gas pipeline ruptured around 5:30 a.m. on Aug. 15 about 120 yards away from a family's rural farmhouse on the outskirts of Coolidge, a small Pinal County city located south of Phoenix.

Authorities said the explosion was heard for miles and the resulting fire burned for more than 2 1/2 hours.

A 46-foot section of the pipeline was ejected during the explosion, according to investigators.

But right before the explosion, the NTSB said the gas pressure of the pipeline was below the maximum allowed operating pressure.

According to the NTSB report, the pipeline was originally installed in 1985 and had previously been transporting crude oil.

Authorities said the pipeline was converted to natural gas service about 20 years ago and acquired by Kinder Morgan Inc. in 2012.

The NTSB said the fractured and unaffected portions of the pipeline still were undergoing analysis and testing and the agency's investigation of the explosion was ongoing.



## California Enacts Nation's First Law Regulating Warehouse Labor Quotas

*By Kanishka Singh and Akriti Sharma*

**California Governor Gavin Newsom last month signed a bill that limits warehouse employers like Amazon.com Inc. from setting productivity quotas, the first legislation of its kind in the United States.**

The new provisions require all companies using warehouse labor to disclose productivity quotas to employees and government agencies and bar use of algorithms that prevent employees from taking rests and bathroom breaks, thereby endangering their health and safety, the governor's office said.

The California State Senate this month approved the bill in a 26-11 vote.

"We cannot allow corporations to put profit over people," Newsom said in a statement, signing the measure into law. "The legislation ensures workers cannot be fired or retaliated against for failing to meet an unsafe quota."

While Newsom's office did not single out any company in the statement, the New York Times reported that the bill was written partly in response to high rates of injuries at Amazon warehouses.

The rate at which Amazon workers suffer serious injuries was nearly double that of the rest of the warehousing industry last year, the newspaper reported, citing studies.

Amazon did not immediately respond to a request for comment.

"The hardworking warehouse employees who have helped sustain us during these unprecedented times should not have to risk injury or face punishment as a result of exploitative quotas that violate basic health and safety," Newsom said.

The California Retailers Association expressed disappointment that Newsom signed the bill, saying it "will exacerbate our current supply chain issues, increase the cost of living for all Californians and eliminate good-paying jobs."

*(Reporting by Singh and Akriti in Bengaluru; Editing by Clarence Fernandez, Robert Birsel)*


We Give You
an Edge

# Bill Would Change Maritime Liability Rules After California Boat Fire

By Stefanie Dazio

**Federal lawmakers introduced legislation in late September that would change 19th century maritime liability rules in response to the 2019 boat fire off the coast of Southern California that killed 34 people.**

The bill would update the Limitation of Liability Act of 1851, under which boat owners can limit their liability to the value of the remains of the vessel. In the case of the Conception, the scuba diving boat where an inferno trapped 33 passengers and one crew member in the bunkroom below deck, the boat was a total loss.

The legislation would be retroactively applied to the families of Conception victims if it passes, officials said. The tragedy was one of the deadliest maritime disasters in recent U.S. history.

The bill, sponsored by California Democrats Rep. Salud Carbajal and Sen. Dianne Feinstein, would mean that owners of small passenger vessels could be held legally responsible for maritime accidents. The owners would be mandated to compensate victims and their families regardless of the value of the boat after the incident.

The 1851 law is a time-tested legal maneuver that has been successfully employed by owners of the Titanic and countless other crafts, some as small as Jet Skis. It has its origins in 18th century England and was meant to promote the shipping business.

Carbajal, who represents the area where the Conception disaster occurred, said the 2019 fire prompted lawmakers to see how they could help the victims' families.

"While nothing makes up for the loss, at the very least they'd get just and fair compensation that's owed to them," he told The Associated Press. "The aftermath of this tragedy brought this to light."

Feinstein, in a statement, said the law "doesn't account for modern tourism such as commercial dive boats."

The Passenger Vessel Association, a trade group, did not respond to a request for comment.

Under the current act, the company Truth Aquatics and owners Glen and Dana Fritzler have to show they were not at fault in the Conception disaster. Even if the captain or crew are officially blamed, the Fritzlers and their insurance company could avoid paying a dime under the law.

The Fritzlers' suit to limit their liability remains ongoing in federal court. Attorneys for the couple did not immediately respond to a request for comment.

Jeffrey Goodman, an attorney for the families, told AP the "long overdue" legislation may not really affect the Conception case because the Fritzlers do not have many assets to compensate the families.

However, Goodman said the bill is important in a broader sense to hold boat owners and operators accountable.

"Removing the financial protections provided (to) them will promote maritime safety moving forward," he said.

The National Transportation Safety Board's investigation of the disaster did not find the cause of the fire, but it blamed the vessel's owners for a lack of oversight and said failing to post a night watch allowed flames to spread quickly.

The Conception's captain, Jerry Boylan, pleaded not guilty in February to rare federal manslaughter charges. Prosecutors say Boylan failed to follow safety rules before the fire broke out Sept. 2, 2019, by failing to train his crew, conduct fire drills and have a roving night watchman on the boat when the fire ignited. His case is pending.

Boylan and four other crew members, who had all been sleeping above deck, escaped from the fiery boat after the captain made a panicked mayday call. IJ

*Associated Press writer Brian Melley contributed.*



## Hospitality on the Road to Recovery


*By Andrea Wells*

The hotel industry has made progress on the road to recovery from the effects of the COVID-19 pandemic, but in total, the sector is still reeling.

The hotel industry is projected to end 2021 down more than $59 billion in business travel revenue compared to 2019, according to a new report released by the American Hotel & Lodging Association and Kalibri Labs. That comes after losing nearly $49 billion in business travel revenue in 2020. Business travel is the hotel industry's largest source of revenue and has been slow to return since the onset of the pandemic.

McKinsey & Co.'s partner and North America travel practice leader Vik Krishnan noted in a video in May that U.S. hotel occupancy has rebounded to about 65% of pre-COVID-19 levels, although room rates remain depressed. Leisure travel is driving the recovery, but revenue per available room is not projected to return to pre-pandemic levels until 2023 due to the slower recovery of business travel. Even so, the pipeline of new hotels under development remains healthy, Krishnan said.

Middle America is a bright spot of strong growth for hoteliers and insurance professionals serving this niche market, according to John Welty, president of SUITELIFE Underwriting Managers, a division of Ryan Specialty Group.

"In Middle America, you're getting more boutique hotels, you're getting higher end hotels, opening up," he said.

The pandemic has pushed travelers away from larger cities, even along the coastlines, and that sent travelers seeking new destinations. "Travelers are still looking to stay in nice locations, so we're seeing the hospitality industry respond by building more [hotels] in Middle America," Welty said. "That's where we're seeing growth."

When it comes to the insurance market, the hospitality sector remains tight, but there are a couple of carriers coming back into the marketplace in the high-end hotel segment, Welty said. "I'm not seeing any new markets come in but some of the markets that were there 18 months ago, are starting to come back, but they're very selective on what they're looking at," he said. "It has to be an absolute perfect hotel for them to give a cover on it."

Smaller hospitality risks, including the roadside limited-service hotel and motel sector, are a much different story. The market remains very tight for those classes of business, he added. "Roadside hotels are good hotels, but they just don't have the same policies and procedures in place as actively as the larger facilities do."

Larger chains and larger hotels often employ engineers and risk managers on staff, he added. "They have fully implemented safety policies and procedures, so they have very standardized human trafficking procedures, very standardized sexual abuse and molestation procedures in place, and they have cleaning protocols that are in place in light of the pandemic."

Like all commercial property, hotels are seeing continued pressure in their property insurance. "We see property rates are still high, and that's really due to the wildfire claims, catastrophe-exposed areas," he said. "From a general liability standpoint, rate increases have decreased, but a lot of markets are still concerned with social inflation in the general liability field."

In spite of today's hospitality concerns, Welty remains optimistic. "There is great opportunity in the next 12 to 18 months for the hospitality industry," he said. "When I look at the financial projections over the next 12 to 15 months, there is an increase in expected revenues, as well as the stabilization of expenses to run the hotel along with the employee workforce."

He says hoteliers must be creative to succeed going forward. "If you're going to fall back to how we used to do business in 2018 and '19, you're going to be left behind," he said. "Those who are creative, and solutions-oriented, will get back to a more normal flow of business and be successful." IJ

# **Special Report:** Best Agency to Work For

## 2021 Winners

**OVERALL**
Powers Insurance & Risk Management, St. Louis, Mo.

**EAST**
Gold - The Rowley Agency, Concord, N.H.
Silver - Foa & Son International Insurance, New York, N.Y.
Bronze - Otterstedt Insurance Agency, Englewood Cliffs, N.J.

**WEST**
Gold - The Leavitt Group, Cedar City, Utah
Silver - Heritage Insurance Agency, Chico, Calif.
Bronze - Morris & Garritano, San Luis Obispo, Calif.

**SOUTH CENTRAL**
Gold - Higginbotham, Fort Worth, Texas
Silver – G&G Independent Insurance, Fayetteville, Arkansas
Bronze - Iscential, Houston, Texas

**MIDWEST**
Gold – Kapnick Insurance Group, Adrian, Mich.
Silver – The Rathbun Agency, Lansing, Mich.
Bronze – UIS Insurance & Investments, Tiffin, Ohio

**SOUTHEAST**
Gold – Balwin Risk Partners, Ridgeland, Tampa, Fla.
Silver - Frank an Inc., Pompano Beach, Fla.
Bronze - The Huneycutt Group, Wilmington, N.C.

*Is your agency on this list? Tell everyone! For reprints, badges, plaques and more, call (800) 897-9965 x125 or email us at: reprints@insurancejournal.com*


The votes were tallied and the results are in for the 2021 Best Independent Insurance Agencies to Work For survey by Insurance Journal.

Employees of the Best Agencies to Work For in 2021 highlighted the importance of competitive salaries, employee benefits, training and education, and other employee perks as drivers of satisfaction in the workplace. But it's not all about compensation and benefits. Happiness in the workplace has a lot to do with people, relationships and the agency's culture. Employees of the winning agencies cite high personal job satisfaction; rate their relationships with their immediate boss or supervisor as positive; and express a high opinion of their agency's owner or principals and their agency's reputation in the community.

Many employees are grateful the best agency owners support local charities and the community. Employees are grateful for the opportunities their agencies provide for them to participate in community service. Employees take pride in working for agencies that are respected and hold strong values and ethics. Employees appreciate the generosity of their agency owners in sharing revenues in the form of bonuses and trips.

The best agencies also provide ways to help their employees grow – by giving them the tools and technology they need, and supporting them with education, training, annual performance reviews and, in some cases, mentors. The survey results clearly show employees value this support.

As expected, the winning agencies score high for overall employee benefits including wellness programs and for working conditions that have helped maintain work-life balance during challenging times of the pandemic, including work-from-home options, flex-time and alternative schedules.

The best agencies to work for deliver a workplace environment where employees feel supported wholeheartedly by management and their peers. Many of the employees say they feel like family in their agencies.

*Insurance Journal* wishes to thank the nearly 4,000 customer service representatives, account executives, producers, managers and other agency staff who took the time to nominate their independent insurance agency in this year's survey. IJ

## Overall

**Powers Insurance & Risk Management**
**St. Louis, Missouri**

# Be Intentional: Why Powers Insurance Ranks High in Satisfaction

*By Andrea Wells*

When Pierce Powers founded Powers Insurance & Risk Management in 1991, it wasn't his idea. He had planned to follow in his father's footsteps and become a surgeon. But an auto accident during his senior year in college changed everything.

"Over a beer and limburger cheese, Dad said, I love what I do, I love my practice and my patients. The only regret I have is that I do not have a business to perpetuate," Pierce Powers, CEO, told Insurance Journal.

He advised his son, the oldest of the family's eight children, to seek out a business that would afford his own children an opportunity to perpetuate if they wished to do so.

The rest is history for Insurance Journal's Overall Best Agency to Work For in 2021. Employees of Powers Insurance nominated it as a Best Agency to Work For, giving high marks for the agency's performance in various categories, including compensation, management, employee benefits, culture and much more.

Today, Powers Insurance is a relatively small but growing independent agency with 28 employees writing $25 million in premium (72% commercial lines, 28% personal lines). The agency specializes in business segments such as hospitality, cannabis, construction, surety and private client, according to JD Powers, who serves as president of the firm.

Employees say the agency's culture is one reason they enjoy working there. "The leadership is extremely supportive, leads by example and invests heavily in their employees," one employee said in the survey.

"I absolutely love it," wrote another. "Everyone genuinely cares about each other and makes the effort to build rapport. Everyone gives good feedback but is not critical, so it is easy to learn and grow."

*J.D. Powers*

Another commented: "The ownership and leadership team believe and invest in the employment team; there are frequent and lucrative opportunities for advancement."

JD Powers says enabling employees to thrive and grow their skillsets helps to meet the expectations of the agency's clients.

"Insurance companies know our risk management reputation is legit and we implement processes to benefit the client's operation and increase the insurance companies comfort level," he said. "Often times we can place a risk with an insurance company when they wouldn't accept it otherwise due to our reputation to improve the risk profile and drive better outcomes for our clients."

Employees agreed and gave Powers Insurance high marks for client service. "We go above and beyond with the claims process for our clients," one said. "A lot of brokers can't say that when dealing with multiple carriers. But we are involved all the way through."

Another said: "Powers does things the right way and the ownership group is the most selfless group of people I have had the pleasure of knowing."

In 2006, Powers Insurance became the regional founding member of the Valley Insurance Agency Alliance (VIAA) agency network, part of the Strategic Insurance Agency Alliance (SIAA). Three of Pierce Powers' children and his wife, Sue, are partners in VIAA. JD Powers serves as its president and today VIAA generates more than $350 million in written premium. "Our Alliance team helps independent agents make money and a lot of it. No one in the region does what we do," one employee wrote about VIAA.

*Pierce Powers*

JD Powers says while the agency is fortunate to earn several awards throughout the year, the Best Agency to Work For award is the most meaningful. "Our associates share feedback with us regularly, so receiving this award truly validates that our team feels appreciated and genuinely listened to," he said. "We are very intentional in making associates know we care starting with the hiring process, and we clearly communicate it's safe to share anything with us."

"I have never been anywhere with such support," an employee wrote. "Not to mention, they are wonderful with work/life balance. ... They show class and equality... I have never felt this at any other company."

JD's best advice for agency owners striving to create a great workplace environment – invite feedback. "And incorporate any feedback into your vision to help improve your firm. Your vision will receive more buy in from team members and ongoing collaboration is more likely to organically permeate and enhance the overall culture." IJ

# East

**The Rowley Agency**
**Concord, New Hampshire**

2021 Best Agencies to Work For
INSURANCE JOURNAL

## The Rowley Agency Is the Place to Be

*By Elizabeth Blosfield*

One employee of The Rowley Agency, an independent insurance agency headquartered in Concord, New Hampshire, said that joining the agency was the best decision they made as a recent college graduate.

"Five years ago, I walked into this office not knowing anything about insurance," the employee said. "I didn't know what I was getting into, but after meeting with our then-controller and my boss, I knew this place was where I needed to be."

That feeling seems to echo throughout the agency among new employees and 20-year veterans alike, according to employee responses to an anonymous Insurance Journal survey.

Employees filled out the survey to nominate the agency for Insurance Journal's Best Agency to Work For awards, and it won Gold this year in the East region.

"As a person in leadership, you always hope that you are doing right by your employees," Christine Holman, executive vice president at The Rowley Agency, told Insurance Journal. "As the saying goes, the proof is in the pudding. Being nominated for The Best Agency to Work For is testament to our leadership team that we have gotten a few things right since the agency was founded in 1966."

Indeed, The Rowley Agency was established by Joseph Rowley in 1966 from a single office in Concord, New Hampshire.

Majority ownership transitioned to CEO Dan Church and President Gary Stevens in 1991, and the agency now has offices in New Hampshire, Maine and Vermont.

It provides risk management consulting, business and personal insurance, surety bonds and employee benefits to its clients across the Northeast.

"Despite having more than 60 employees, we treat each other as family," Holman said. "Respect is such an integral part of our success. We have our employees' respect, and they have ours. It is a team effort all the way around."

Employees pointed to the COVID-19 pandemic as one example that demonstrates this mutual respect.

"The flexibility throughout COVID and the support that all members of the team receive is unlike any other," one employee wrote in the survey. "I truly appreciate all of the opportunities that I've received in my short (less than three) years at this agency, and I plan to be here for the long run."

Holman said that as an essential employer during the pandemic, the agency knew remote work would not be in its clients' best interest and may place undue hardship on employees, especially those with young children.

Instead, the agency developed a plan of offering flexible shifts to employees while continuing to pay full wage.

"We kept all our employees on staff and actually added to staff in 2020," she said. "We did not have to close our doors for even one day since COVID hit our state in March of 2020."

Outside of the office, the agency works hard for the community it serves as well, according to its employees. It works to show support for growing businesses and opportunities for youth advancement, and during the pandemic, it continued this commitment.

"For example, Rowley is a sponsor of The Capitol Center of the Arts here in Concord," one employee wrote. "Unfortunately last year, they were not able to hold the majority of their productions. However, Rowley still contributed a significant amount to the organization to help keep it running."

Another employee said they take pride in knowing their workplace involves itself in community action.

"We are entrenched in not only our clients' needs, but those around us that need our help within our communities," this employee said. "Rowley is a fantastic place to work and call home."

*Christine Holman*

THE ROWLEY AGENCY INC.
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That feeling seems to be mutual among all of the Rowley employees that filled out Insurance Journal's survey.

"I couldn't have found a better place to work and feel connected as one unit for the common good of our agency," said one employee.

"When I do a good job it is always acknowledged," added another. "I have a long career ahead of me, and I'm excited about all of the growth opportunities that I know Rowley will provide me."

Holman said that her best advice for other agencies seeking to become a Best Agency to Work For is to remember that working in insurance is all about the people.

"Don't just hear, but listen. Be compassionate. Be fair," she said. "Focus on your employees' strengths and help them with their weaknesses."

As for Holman, how does she feel about The Rowley Agency being nominated by its own employees?

"Humbled," she said. "I am very proud to say I am a Rowley Agency employee." IJ

# Midwest

**Kapnick Insurance Group**
**Adrian, Michigan**

## A Guiding Compass

*By Stephanie K. Jones*

Whether in work or play, it's good to have a guide.

Kapnick Insurance Group in Adrian, Michigan, has that covered with its Kapnick Compass, principles that define "who we are, our common language, and how we treat each other," said CEO Jim Kapnick.

Started by Elmer Kapnick in 1946, Kapnick today remains family owned and focused on superior client service, a strong workplace culture and giving back to the community. Celebrating its 75th year in business, Kapnick now has 175 employees and annual revenue just shy of $40 million.

Through an online process as part of IJ's Best Agencies to Work For survey, Kapnick's employees nominated their agency, ranked its performance highly in various categories, and offered testimonials on why their workplace is the best, earning Kapnick the title of IJ's 2021 Gold Best Agency to Work For in the Midwest.

"Being recognized by our team is very humbling and makes me incredibly proud of the day-to-day efforts by many that create our culture," Jim Kapnick said. "It sounds like a cliché but it really is about the people. Our family culture builds strong morale and drives our ability to attract the best talent. Being a privately held family business, we are motivated by our clients, not by outside shareholders which allows long-lasting, real relationships to be nurtured."

He added that it takes work to create a great place to work. "It isn't just fun events and food. It is about the experience people feel when working including how we treat each other, our common purpose, and creating a challenging, yet comforting work environment."

That hard work has not gone unnoticed by Kapnick's employees. One survey respondent praised the "outstanding culture created by Mike and Jim Kapnick. Their commitment to our clients, our carrier partners and their employees is best in class."

Another commented: "The family culture and spirit of cooperation within a team that shares common goals cannot be overstated. I like and respect my coworkers and look forward to going to work each day. My work environment is comfortable and includes the tools I need to service my clients. We are constantly looking for opportunities to improve our value proposition for employees and clients."

One enthusiastic employee wrote: "Kapnick is family! We are all striving for one common goal and that is to have happy, healthy clients who rely on us for consultation and professionalism. Kapnick has this!"

Others praised the agency's management of the challenges brought by the COVID-19 pandemic. "I believe that Kapnick handled the pandemic in a professional and honest manner. Mike Kapnick, the COO, has kept all employees up to date via videos showing where the pandemic is at and where we were a year ago. He has communicated throughout the year many times and even when giving bad news of the numbers he kept his cool and tried to keep the employees from panicking," one employee said, adding: "I am super proud to work for Kapnick."

Another wrote that they "felt secure" in their job despite the pandemic. "The upper management is always thinking months ahead to account for any anticipated hardships. They always have their employees' best interests in mind, making sure their mental and physical well-being is taken care of in and out of the office. The entire company works as a whole. If help is needed in a certain department, everyone pitches in to fill in any gaps."

During this unusual time, like many other agencies Kapnick "shifted from an office workplace model to a work from anywhere model," Jim Kapnick said. "We made significant investments in our technology infrastructure to allow great flexibility on a work location."

He added the agency continues to embrace flexible work arrangements to accommodate its employees' needs. "That being said, we really value personal interaction and are working on making our offices a 'magnet' instead of a 'mandate.' We want people to feel value in coming to the office and collaborating and building lasting relationships with others on the team," Kapnick said. IJ

## South Central

**Higginbotham**
**Fort Worth, Texas**

2021 Best Agencies to Work For INSURANCE JOURNAL

# Four Core Values and the 'Thanksgiving Test'

*By Stephanie K. Jones*

"We are family to our employees, accountable to our clients, teammates to our carriers and generous to our communities. Those values inform all our decisions," said Higginbotham CEO Rusty Reid, describing the four core values that drive the company's operational spirit. "Our employees not only know them, they live them. So we put considerable effort into hiring people who fit Higginbotham's culture. It's what we call the 'Thanksgiving test' – we only hire people with whom we would enjoy sharing a Thanksgiving meal. By sticking with this guiding principle, Higginbotham feels like family."

Fort Worth-based Higginbotham earned Insurance Journal's Gold Best Agency to Work For in the South Central region on the strength of the firm's employees' enthusiasm for their workplace – revealed in their responses to IJ's Best Agencies to Work For survey. Through the online nomination process, employees rank their agency's performance in various categories and comment on what makes their workplace the best.

It's quite a feat for an independent agency to feel like family when it has more than 1,500 employees and revenues of $318,638,000 in 2020. But Higginbotham clearly is doing things right. The firm has received numerous awards for its achievements, including having been selected as IJ's overall Gold Best Agency to Work For in 2019.

For Reid, honors "based on employee satisfaction are my proudest professional achievements. Higginbotham is a people-first firm, and I've always said that our greatest assets ride up and down our elevator every day. So I'm beyond happy that they feel valued as teammates."

The employer-employee admiration clearly goes both ways. Said one employee in the comments section of IJ's survey: "Rusty Reid is an amazing CEO! He's humble and so giving. I had the opportunity of a lifetime to travel to Africa with some amazing coworkers (that I had never met before). Our company took part in a program that assisted young children that were the head of households for their families because their parents were out of the picture. The program teaches them how to become entrepreneurs and provide for their family. Being able to be a part of that experience was life changing and I never would have been able to do that if it wasn't for Rusty and his giving heart!"

*Higginbotham employees helped to build a Habitat for Humanity home.*

The high regard Higginbotham employees have for the company's leadership doesn't stop with Reid. One respondent praised the firm's "wonderful managers," while another said: "If we drop the ball, we own it and make it right with clients. Our leadership supports us and has our back as long as we do the right thing for people."

One commented: "Like many agencies and brokerage houses across the country, Higginbotham had a hiring freeze in place during the early months of the pandemic." However, the agency's leadership "saw the opportunity to make strategic hires in support and servicing roles early on. We grew during the pandemic and we needed people to support the new business ... good people. Higginbotham senior management wisely saw this and allowed us to bring good people in."

When it comes to adding people, Reid recognized while the insurance industry as a whole is getting older, "Higginbotham is getting younger. We've intentionally brought in young talent to perpetuate and invigorate our firm. Seeing their enthusiasm and exuberance makes me excited to come to work every morning."

**Giving Back**

Higginbotham employees widely praised the firm's Higginbotham Community Fund, which is "funded voluntarily by employee contributions and contributes directly to communities where our offices are located. Recipients are determined by employee nomination and review by a committee," one respondent said.

"I'm proud to work for a company [that] cares for its community as much as its bottom line. Employees are encouraged to contribute to the Higginbotham Community Fund, the money is then granted to charities nominated by employees," said another.

For Reid, the way to build a company that people want to be a part of is fairly simple. "Take care of your people, and they'll take care of your business. When you have broad-based employee ownership like we do at Higginbotham, it's a win-win for everyone." IJ

## Southeast

**Baldwin Risk Partners**
**Tampa, Florida**

# Everyday Commitment Helps BRP Maintain Its Tight-Knit Culture

*By Ezra Amacher*

For Florida-based Baldwin Risk Partners (BRP), creating a family-oriented atmosphere isn't jargon; rather, it's the very essence of the company. CEO Trevor Baldwin is the fourth generation in his family to work in insurance, "simply the best business on the planet," as he calls it, and he relies on family principals to guide the growing company forward.

First and foremost is valuing BRP's employees, many of whom nominated the agency for Insurance Journal's Best Agency to Work For. BRP was awarded Gold in the Southeast.

The Tampa, Florida-based firm offers personal insurance along with a diverse portfolio of services such as risk management and employee benefits. Its member companies include Baldwin Krystyn Sherman Partners, The Villages Insurance Partners and American Risk Partners.

BRP maintains a tight-knit feel even as it continues to expand significantly.

"Our colleagues are our greatest asset, and we are committed to providing them with the very best experience," Baldwin said. "Putting our colleagues first helps us better serve our clients and our other key stakeholders. I'm honored to be part of an organization that our people love – we couldn't do any of this without them."

Employees give credit to BRP leadership for instilling strong communication and fostering a diligent work environment.

As one survey respondent put it: "The 'tone at the top' is one of the best! The CEO and C-level executives make sure that we are kept in the loop on what's happening in the firm, when new partnerships are coming on board, welcome new colleagues and not holding back on what they are up to in their spare time."

BRP relies on the Azimuth, a cultural guide, to inform and direct their decision-making framework. Baldwin recognizes that culture doesn't "happen by accident." It takes everyday commitment displayed through actions and behavior.

"Our culture binds the firm together in a tribe-like fashion through shared values and a common language," Baldwin said. "From our very beginning, we have been a stakeholder-centric organization and are committed to delivering results for each of our key stakeholders (colleagues, clients, communities, insurance company partners), which ultimately propels us forward."

*Trevor Baldwin*

One employee who has been with the company for one and a half years said BRP is the best place they've worked for in their three decades in the insurance business.

"I thought that I would never find something better than a couple of my past roles and companies but I have in fact found the best," the employee said. "I have never felt this valued. I've seen executive leadership really make a point of getting to know me and verbalize that they appreciate what I bring to the table."

As with most agencies, the COVID-19 pandemic tested BRP's resiliency, forcing the company to rethink how it does business. BRP installed an accommodating work-from-home policy that amped up its rewards system, which promotes healthy lifestyles by encouraging employees to volunteer in the community, take time off to recharge and seek support when needed.

"They truly care about us which was clearly shown during the pandemic when they were doing emotional and health check ins with everyone and daily activities we all did as groups to keep us mentally and physically engaged," one employee said.

When many businesses were cutting pay and enforcing layoffs in spring 2020, BRP committed to pay raises and continued to hire.

The company also seeded a fund with $500,000 to provide grants and support to colleagues who fall on hard times.

By investing in its employees, BRP managed the pandemic "exceptionally well" according to Baldwin, and business is growing dramatically.

"We told our colleagues, we are going to take care of you, we have your back, giving them the peace of mind to then focus on taking care of our clients during their times of need," Baldwin said.

As one employee put it, "I have never had an employer who treated their employees like they do. Providing the option to work from home or in the office, communication from leaders is clear, there is transparency, we are investing in our people and our technology. The growth we have done since the pandemic is mind blowing." IJ

# West

**The Leavitt Group**
**Cedar City, Utah**

## Culture Is Rooted in Reasons for Employee Satisfaction

*By Don Jergler*

The phrase "building a culture" in a workplace has been tossed out so often when the topic of making a company a great place at which to work that it has become cliché.

But in the case of The Leavitt Group, there's no avoiding it.

Employees at the Utah-based insurance firm voted it Insurance Journal's Best Agency to Work For - Gold in the West.

In comments submitted with their nominations for the award, it word "culture" was impossible to miss.

"Our culture is phenomenal. It comes from our top leadership and trickles down throughout the organization," one employee wrote. "A key value is integrity, but even more than that, it's just a fantastic group of people who are a joy to be around. We try to hire people and acquire agencies that fit that culture."

Mark Kenney, the secretary of Leavitt Group Enterprises, was asked about why he thought employees at the large firm with $214.9 million in total P/C revenue for 2020 put in the effort to nominate their firm as the best place to work. He, too, tossed out the "culture" word.

"We have a really strong culture of doing the right things for the right reasons," he said.

Evidently, for the leaders at Leavitt, building a culture requires more than a set-it-and-forget-it mentality.

Over a year ago, the executives invited a consultant to come in and talk to employees to see how they were relating to the established company culture.

"What we found is that we had a really strong culture, but that the employees didn't really understand it that well," Kenney said.

Following that, the firm ramped up efforts to better communicate the culture to the rank and file employees, and also stepped up hosting fun events for workers to get to know each other and the executives.

*The Leavitt Group's annual bocce ball tournament, May 27, 2021*

The company in its recruiting has also taken an interesting path, going outside of insurance markets to find sales professionals in other professions who may be new to insurance – something Kenney also sees as culture building.

"We invite them to come and be part of the Leavitt Group insurance organization, and generally we are recruiting in areas where there's already our agency presence, and we bring them in and give them the goals, tools and markets and leadership to help them be successful and learn to sell insurance," he said. "We've found several young producers who have really thrived and are doing well."

Culture wasn't the only concept employees keyed in on. Inspiration was another theme in employee comments.

"The agency inspires the passion of the employees and allows us to use our talents. We are motivated by what we do and who we do it for," an employee wrote. "The vison is to grow, nurture and apply our skills and knowledge in ways that enable us to produce excellence."

Another Leavitt employee has been inspired by the firm's culture to work well beyond the typical retirement age.

"This might seem minor, but it is the reason we retain employees, and it is the reason I am still working at age 71," the employee wrote.

**'Our culture is phenomenal. It comes from our top leadership and trickles down throughout the organization.'**

"Leavitt has a genuine family atmosphere even though it is a large agency that spans many states. The agency was started by Dixie Leavitt decades ago and he instilled a family atmosphere and we have retained it even as we grew to a multistate firm. Corporate profits are not what drives us. Helping others is what drives us. We truly care about our customers and employees."

One employee shared a story of two coworkers who left Leavitt for better money and new opportunities.

"In the last month both have returned to the agency for their jobs back," the employee wrote. "One stated that she feels like she's back home here. The other said, 'The grass isn't always greener on the other side.' I think this speaks a lot about our agency and the relationships we create with employees. We care about our staff, professionally and personally, and they see that." IJ

# Focus on Culture: Engaging Employees in the Remote Environment

When the pandemic hit, the business world changed rapidly and drastically. Insurance organizations pivoted to focus primarily on keeping their businesses running and managing the technical and logistical aspects of remote work. Employees adapted to best meet their work obligations while also caring for family members and coping with difficult societal changes and challenges. Savvy leaders incorporated new technologies and processes into their talent management strategies, striving to keep individuals connected while they were physically separated.

By JoJo Harris

However, remote work is no longer a new or a short-term novelty. It has continued to be the standard way of operating for most organizations. While some insurance organizations are beginning to act on their return-to-office plans, remote working arrangements are here to stay.

In our recent Q3 2021 Insurance Labor Outlook Study, half of insurance carriers shared they plan to offer full-time remote work and nearly three-quarters plan to offer occasional remote work, even as offices reopen.

A PwC survey across multiple industries found 36% of executives feel the loss of corporate culture is the biggest challenge in these blended environments. It's vital insurance leaders develop long-term strategies around virtual engagement and take a proactive and intentional approach to remote employee culture.

**Connect Face-to-Face**

While "face-to-face" may not mean being together in person, there is much to be gained from seeing another individual — even if it is through the computer screen. Encourage employees to connect through video calls and turn their cameras on for meetings.

Schedule weekly or biweekly team huddles to discuss projects and upcoming priorities, while also setting aside time for informal conversations and celebrations. These meetings don't need to be long but ensure your team is interacting on a regular basis and building relationships with one another, especially when impromptu hallway conversations and informal pre- and post-meeting conference room chats aren't as possible.

**Emphasize Remote Meeting Skill**

Most professionals have experienced Zoom fatigue, video conferencing glitches, poor audio quality and a plethora of other remote meeting malfunctions. While seeing colleagues' faces is valuable, hosting a meeting in a virtual environment — especially one with several attendees — can be a challenge. Well-developed meeting facilitation skills are vital for holding individuals' attention and being most effective. Many of the same elements of in-person meetings carry over. However, there are additional considerations for virtual platforms. Be familiar with screen sharing, breakout rooms, chat functions and other video conferencing tools. Ensure all individuals have an opportunity to contribute, even calling on those who may be less inclined to naturally speak up. At the start of the meeting, ask individuals to turn on their video and remind them to mute themselves when not actively participating. Additionally, keep meetings short, avoiding tasks and conversations that can be performed over email.

**Celebrate Work-Life Balance**

Staff members look to leadership to model acceptable behaviors and levels of formality. The line between personal and professional lives has been blurred more than ever before. Individuals have moved their offices into their homes, and it can be difficult to set clear boundaries. As a manager, strive to avoid emails after hours and proactively demonstrate the importance of setting work aside in the evenings to rest and focus on personal priorities. Encourage employees to bring their full selves to work by initiating conversations around non-work topics such as kids, pets, weekend plans or favorite TV shows. As employees settle into the acceptable norms of the virtual environment, they're looking to leadership to set the parameters.

**Integrate Socialization**

In a work environment with no organic hallway discussions or water cooler talk, facilitating these smaller, relationship-building interactions must be intentional. Consider an all-company or all-department chat (depending on your company's size) where employees can share more personal information and wins, engage in casual conversations, and learn about their co-workers. To make this most effective, appoint individuals within the organization (ideally at the leadership level), who can set the tone and bring energy to the conversations.

**Assume the Best**

For some managers, it can be difficult to gauge team members' work ethic and productivity without observing them in the office. However, even if you're not working near your team, assume the best and trust they are putting their time in. If work is getting completed on time, the exact hours when it happens shouldn't be as important. Additionally, if you call an individual during work hours and there's no response, consider it similar to an office environment where they could have gone to the breakroom or been refreshing their morning coffee. Individuals are working differently than they were even earlier on in the pandemic. Provide them with autonomy and unless you have a true reason for concern, offer them the benefit of the doubt.

Although some employees may choose to return to the physical office, continuing to offer remote work options is key for remaining competitive. Virtual work environments are largely here to stay and the insurance industry must be dedicated to creating corporate cultures that resonate. By focusing on connecting individuals, facilitating personal interactions and mastering remote meetings, leaders will be able to increase employee engagement, productivity and loyalty.

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# Logic & Language and Forms & Facts Oh the Tangled Web We Weave....

By Bill Wilson

To paraphrase Sir Walter Scott, "Oh what a tangled web we weave when we try to figure out coverage under multiple insurance policies."

This month, I'd like to feature a real-life coverage scenario involving both personal and commercial lines policies involved in the same potential claim. Luckily, this was just a coverage inquiry by an agent and not an actual claim.

A church member offered to pick up several elderly parishioners in his minivan for Sunday services. The church member allegedly had a personal auto policy (PAP). The church had no commercial auto coverage, only commercial general liability (CGL), because they didn't feel they had much of an exposure without any owned vehicles.

Based on a high-profile news story, one of the church deacons expressed concern about the exposure to the church presented by the church member giving rides to church. What if one of the riders was injured and sued the church? What if the driver negligently injured someone in another vehicle or a pedestrian and the church was sued?

So, the pastor contacted the church's agent who contacted the insurance company underwriter. Simply as a matter of chance, the same insurer issued both the CGL policy of the church and the PAP of the church member, and both policies were ISO forms. The first question was whether there could be liability coverage for the church under the PAP and the second question was whether the church's CGL policy covered it.

After checking with the personal lines department, the underwriter advised that the PAP did not cover the church because, not being a resident family member or permissive user, it wasn't an insured under that policy, nor did it cover the driver because the PAP was not rated for business use. In both cases, the underwriter was wrong.

First, unless there is insurance contract language to the contrary, how a risk is rated usually has nothing to do with coverage. This assumes there was no concealment, misrepresentation or fraud about how the vehicle was used. As a matter of fact, there was no "business" use as defined by the PAP, no remuneration of any kind.

Second, the "insured" definition for liability coverage included four categories of insured. The third category was: "For 'your covered auto', any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part."

This extends coverage under the PAP to the church for its vicarious liability for the driver or any other insured under the PAP. The bottom line is that both the church and the driver, absent any exclusions triggered by extending facts and circumstances under the policy, are insureds and covered by the PAP. The underwriter's response also indicates why coverage questions are best submitted to carrier claims departments rather than underwriting.

The next issue was whether there is CGL coverage for an auto accident in which the church might be held liable. According to the underwriter, there was no coverage under the CGL policy because "CGL policies don't cover motor vehicles that aren't mobile equipment." Is that true? Not necessarily. The way truth is likely sought in this church is through the Scriptures. The way truth is sought in an insurance claim is through the insurance contract.

The ISO CGL policy excludes liability for "'Bodily injury' or 'property damage' arising out of the ownership, maintenance, use or entrustment to others of any aircraft, 'auto' or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and 'loading or unloading'." [emphasis added] In order for this exclusion to apply to the church, both of two conditions must be met. First, the church must own, maintain, use, or entrust the auto to others. One might argue that the church is "using" the auto vicariously through the driver and there is some case law to support this, but otherwise, there is no ownership, maintenance or entrustment.

But it really doesn't matter because the second condition isn't met. That condition requires that the auto must be "owned or operated by" or "rented or loaned" to an insured, for now that insured is the church. The church does not own the auto, it wasn't rented or loaned to it, nor was the church operating it. So, even if it's argued that the church was using the auto vicariously, this second requirement in the exclusion stem is not triggered.

**'The problem with Americans is that we're fixers rather than preventers.'**

But wait! If we read the exclusion word for word, it applies to an auto owned or operated by "any insured." So, the question becomes, is the driver an insured under the CGL policy? At the time of this coverage issue, the ISO Commercial Lines Manual mandated the CG 20 22 – Additional Insured – Church Members And Officers endorsement be attached to the CGL policy.

If this endorsement was attached to the policy, then the "any insured" language in the exclusion is triggered with regard to autos "owned or operated by or rented or loaned to any insured." That means, for the exclusion to apply to the church, the issue of "use" must be answered.

If your head is spinning at this point, relax. In this case, the underwriter had failed to add the endorsement to the policy. Failure to issue a mandatory endorsement in this day of automation may seem impossible, but it happened. As a result, the church member was effectively not an insured under the CGL policy, so the auto exclusion wasn't triggered.

Needless to say, there are other reasons why insured status is desirable for church members, so it's likely that this oversight would be corrected at renewal, if not earlier. The bottom line is that every entity needs specific auto insurance, even if only hired and nonowned coverage.

This scenario also illustrates why insurance contracts must be read in their entirety and very carefully and why it's best to resolve a claim dispute before it ever happens...by resolving coverage issues in advance. As Gen. Jimmy Doolittle once said, "The problem with Americans is that we're fixers rather than preventers." Uncovered claims can often be prevented simply by reading and understanding the policy. IJ

Wilson, CPCU, ARM, AIM, AAM is the founder and CEO of InsuranceCommentary.com and the author of six books, including "Presentation Skills for the 'Unprofessional' Speaker," available on Amazon.

## If at First You Don't Succeed:
# The Key to Answering Prospect Objections

By Tony Caldwell

In our business – the business of developing insurance agencies – our coaches work closely with agency owners and their teams to develop the business of the founder's dreams. Along the way, they teach, coach and mentor, cultivating a variety of skills within agency team members. Recently, one of our coaches relayed a story about the work he had been doing with a new agency owner. The agency owner told him, "I just can't answer the objections that prospects give me about some of the policies I'm selling."

I was appalled but not surprised.

It seems that this professional salesperson (by which I mean she earns a living by selling things) had never mastered the most fundamental sales skill of all: answering objections. When a salesperson cannot effectively overcome a prospect's objections, they have no alternative but to attempt to close the sale solely by leveraging lower prices. This agency owner and thousands like her face extinction if they cannot master the most basic of sales skills. Why? Because technology is relentlessly shrinking the price-based market.

**'Professional salespeople are like pilots. They master a skill and then they never stop practicing.'**

How did we get here? In the last two decades, multi-company rating systems have dominated insurance quoting in personal lines in the United States. Though terrific tools, an unintended consequence of this software adoption and its widespread use is that many, if not most, personal insurance producers have become order takers rather than salespeople. By this, I mean they sell almost exclusively on price and when confronted with any sort of objection from a prospect, they don't know what to do. Today, these rating systems are becoming commonplace in the small commercial space as well, and I fear that the same thing may happen to small commercial producers.

### Taking Back the Reins

But it doesn't have to be this way. In the past, the most successful producers were highly effective salespeople. This needs to become the norm again. To be effective producers, agency owners must master selling skills, including how to counter objections raised by prospects. This mastery requires training, time, commitment and practice. In my experience, the salespeople who master this art are those who cultivate the most valuable books of business.

Consider those who sell life insurance. They are arguably the most accomplished salespeople in the insurance industry. They sell an intangible product — a product, which many view as a cost without benefit or as a means to recognize their own mortality. That said, life insurance salespeople have to be good to make a sale.

Early in my life insurance sales career, I was sent to our company's home office for additional sales training. The assignment I was given ahead of my first day was to memorize the answers to 25 common prospect objections. When I arrived at the training in New York City, the instructors drilled us extensively on those 25 objections and their answers. If life insurance salespeople have mastered these skills and those in sales training recognize the importance of teaching this skill, then why can't the rest of us master it?

Could it be that we have failed to train adequately, or do we simply need to practice more?

**Practice Makes Perfect**

Any agency, regardless of size, can improve its new business production results simply by setting aside time for regular, repeated practice in answering objections. Here are four steps to help you and your team develop a mastery:

- Make a list of the most common objections your salespeople face.
- Develop concise, convincing answers to those objections.
- Memorize the answers word-for-word.
- Practice regularly.

Though building the list may seem daunting, the task is actually fairly simple. Once you have listed the core objections, you can list a number of variations on the same theme. While some trainees may object to memorizing answers to objections — complaining they'll sound canned, or scripted — this argument is ridiculous on its face. If memorizing a script made you unbelievable, no one would go to the movies or theater.

I'm sometimes questioned on the need to memorize the answers word-for-word but again, the reason is simple. Memorization promotes mastery. Once mastery is obtained, variations on themes can be experimented with and improvisation can be tried, similar to how professional musicians master their craft. Many play scales regularly, the most fundamental of all musical performance. They master and practice the basics of their instrument, as well as their repertoire, to maintain their mastery.

**Fighting the Fear of Failure**

As a pilot, I attend regular simulator-based training. Many of the pilots attending with me are professional pilots who fly every day. I am a private pilot. Despite this difference, all of us know how to fly and are masters of the intricacies of our planes. Even so, every training session starts with a repetition of the basics of flight.

Doing this training in a simulator is safer than in a real airplane just as practicing sales skills is "safer" in the agency office than in front of a live prospect. Sometimes, we screw up during training but the audience is understanding as they have made mistakes, too. Practice and the mistakes that come with the territory make us more proficient and ready for the real thing. The same holds true in sales.

Professional salespeople are like pilots. They master a skill and then they never stop practicing. I've been talking here about one skill that I find particularly lacking in our industry today, but there are many others. Prospect qualification, agency positioning, sales track development and use, etc., are all important skills which must be trained, mastered and continually reviewed.

Fear of failure is normal when we try to adopt new skills. The information may come at you quickly and seem confusing at first. Because it is challenging, this early training may be uncomfortable. But, as mastery is developed, clarity will present itself. Knowing exactly what to do and how to do it creates confidence, and the challenge before you becomes enticing – whether you are flying an airplane or closing a sale. IJ

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# The Insurance Industry's Equality Problem

The insurance industry has a problem.

In order to determine how to charge our customers, insurers must find ways to put people into buckets based on their risk type and expected losses. Historically, the industry has relied on stand-in variables like credit score, education level, occupation and ZIP code to classify risk and determine pricing.

Now, consumer advocates, regulators and customers alike want the industry to examine to what extent this approach has unfairly disadvantaged communities of color, immigrants and poor communities.

Washington Insurance Commissioner Mike Kreidler recently told Bloomberg that the use of credit scores in setting casualty insurance rates is "a surrogate for redlining," referring to the discriminatory practice of denying services (typically financial) to residents of certain areas based on their race or ethnicity. Redlining has contributed to systemic racial inequality, displacement and exclusion throughout society.

*By Kumi Walker and*

*Nick Frank*

Meanwhile, the National Association of Insurance Commissioners has made diversity and inclusion a strategic regulatory priority for 2021. And consumers, too, are questioning why carriers use certain kinds of information to determine premiums for insurance policies that are required by law, such as auto insurance.

Many insurers are struggling with how to address these issues. Insurers do not want to unfairly discriminate against

their customers, but how can we balance the need to segment with addressing systemic inequality?

**Have the Hard Discussions**

Insurance executives must be able to have frank and open discussions about the impact their underwriting decisions have on racial equity, social disparities and financial exclusion.

For example, what implications does using a variable like education have on affected groups?

These are hard questions, but they must be asked and answered if we want to make progress on this issue as an industry.

The insurance industry needs to acknowledge that systemic inequality continues to impact consumers today and that this inequality is built into their businesses.

Let's consider the practice of using points on a driver's license to determine if we should charge someone more for car insurance — this might be fair if we lived in a society that equally policed everyone.

However, when we think about this from the context of over-policing certain communities, we quickly realize that using a variable like this disproportionately harms people of color. An open discussion among leaders in the insurance industry can pave the way for us to consider alternatives.

Telematics, for example, allows carriers to directly track erratic and reckless driving behaviors like missing stop signs at 2 a.m., bad turning and weaving across lanes. These data are a better predictor of risk, regardless of whether someone gets pulled over or not.

**The Role of Data**

This does not mean we should remove every proxy variable out there and start to price insurance based only on individual behaviors. This is not realistic for a number of reasons. With a few exceptions, the industry cannot entirely link pricing to individual behaviors. Legacy technology systems can also limit what is feasible and economical for a traditional insurer to undertake immediately.

Still, we can strive to remove as many of these suspect discriminatory proxy variables as realistically possible from the underwriting and pricing process.

Having more data allows more opportunity to de-bias segmentation. Insurance is based on number crunching. The industry can direct investment to parts of the value chain that produce the data that allow for more insightful scoring.

In some cases, this may mean investing in telematics and IoT devices to support underwriting. In other cases, it might make more sense to partner with a provider to get scoring or devices.

Newer insurers may have an advantage here.

At Root Insurance, underwriting is built on telematics and data infrastructure. Older, larger companies will have to overcome decades of reliance on infrastructure built on analyzing demographic data to price policies.

These are strategic decisions and can involve large investments, so insurers have to be thoughtful about how to approach these questions without negatively impacting their businesses. We must recognize that while there will be clear answers for some of these questions, others will be more complex.

**Driving Forces**

Identifying and focusing on business opportunities can help drive the industry towards better outcomes.

Consider the case of Infinity Insurance. For years, insurance underwriters have avoided non-standard auto insurance policies. This type of coverage is reserved for drivers with certain risk factors, including new or young drivers, drivers with low or no credit scores, and drivers with an unusual driver's license status.

But this classification negatively and unfairly impacted first-generation Latino communities, who were not necessarily high-risk drivers but instead had some of these unusual circumstances. Infinity Insurance understood the nuances of this underserved community and reached out to these drivers with affordable non-standard policies offering bilingual customer support and sales agents. Infinity has since grown to become the second-largest writer of non-standard auto insurance in the U.S.

Insurers can find good risk that is worth underwriting by addressing segmentation and using variables that are more closely aligned with actual behavior.

Thoughtful regulators can also focus on reducing reliance on pricing factors that impose a higher tax on under-represented communities. But insurers will have to work to find the right balance to maintain a healthy insurance market. No one wants a situation where insurers are pulling out because it is no longer profitable for them to do business, and no one wants their carrier to go into receivership either.

It's worth noting that as we increasingly apply advanced technologies like AI to insurance, we are moving into uncharted territory. We must beware of automating and baking bias into AI models. Simply using proxy data and AI together is not enough. It just ends up scaling historically biased and unequal outcomes into an unapologetic and unemotional AI model.

It is important that the industry has these conversations, so it can move toward greater fairness and equality in risk classification and pricing — for the good of the industry and its customers. IJ

Walker is the chief corporate development and strategy officer at Root Insurance, and Frank is a partner at the consulting firm Simon-Kucher & Partners..

*3 Keys for Recruiting*

# Quality Insurance Producers

*By Randy Schwantz*

Many agency owners want to hire new producers, and the good news is that there's a flood of candidates right now looking for jobs. It seems like it'd be a win-win, but the bad news is that most agency owners I talk to are still getting burned in the hiring process. They've tried to hire good people but consistently struggle to find quality talent.

You might never say this out loud, but maybe you've said it to yourself: "Why would anyone great want to work here? We have no real training, no system to make them successful. We offer them a desk, a telephone, and a computer. We help them get licensed and trained to understand a little bit about insurance policies. Then we send them out to do their best."

But the problem is that most of your newbies fail, and it becomes a self-fulfilling prophecy of "I can't find good producers." Then after a while, you get stuck in an identity crisis and start recruiting what you least want because, to some degree, that's all you believe you deserve. You honestly can't reconcile why someone great would want to work with you especially when candidates have better choices out there like big tech, big pharma, and big VC companies. Plus, you know bigger agencies have more markets, better sales training,

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and more value-added services. And when it's all said and done, you settle for what you feel you can get.

So how can smaller independent agencies possibly compete with the bigger guys? What do you even say to candidates to entice them? "Hi, we sell insurance and have been around for over 100 years. Would you be interested in coming to work for us?" It may have worked before, but unfortunately, this tactic doesn't play out very well in today's job market.

The truth is you do deserve great producers and have a ton of value to offer them. I promise, people want what you have. Think about it, how else can you make more money than a doctor, lawyer, or dentist – with no education, no investment, and 10 times more freedom?

To help you shift to this new mindset, you need to create a simple recruiting story. Nick Saban has one, Dabo Swinney has one, and Coach K has one. All hall-of-fame coaches have a powerful recruiting story they've crafted, rehearsed, and perfected. Something that causes their candidates to say, "Wow, that sounds interesting, how can I hear more about this?" Because when people can see themselves in your story, they'll want to be a part of it.

My wife, Lori, and I took all four of our daughters on college campus tours. Some universities just told you where everything is like the lecture halls and cafeteria but the universities that got them excited were the ones that painted a clear vision of what campus life would be like there. Their top schools showed them how this place will position them to succeed. It's the same for recruiting insurance producers, too.

**'The truth is you do deserve great producers and have a ton of value to offer them. I promise, people want what you have.'**

One of the best recruiters I've ever seen was Rusty Reid, CEO of Higginbotham in Fort Worth, Texas. There were three distinct things that Rusty did that made him a great recruiter, and it really paid off. For over a decade, I assisted him in hiring 34 new producers, of which 29 of them were successful. That same group of 29 producers grew $17.5 million of renewable revenue during those 10 years.

### The Industry

Rusty believed the insurance business was an exceptional profession. He would talk about it everywhere he went and why it's such a rewarding career path. He had the natural ability to convince anyone that selling insurance was a promising career path.

Rusty would tell his candidates about how brokers get to meet an incredible array of business owners and entrepreneurs. How they get to see businesses from the inside out, what makes them tick, and how they make money. Then he'd get into the model of renewable income and how it can make you and your family very well-off. This part of his story opened the door for Rusty to compete with those big pharma, big tech, and big VC companies trying to recruit the same candidates.

When you get your story down, you'll be able to paint commercial insurance just as sexy as those industries.

### The Agency

Rusty would talk about how the agency is structured to help make producers successful. He'd provide them with a combination of sales training and ongoing coaching to improve their skills. His agency had a real commitment to Proactive Services, so they had differentiation that went beyond having the best price and coverage. He rallied his producers to win and built a culture of helping each other get deals done. Rusty was a powerful recruiter because he directly answered a crucial question: Why should I consider your agency?

Is your agency a great place to work? Do you provide resources for producers? Do you have a sales culture? Do you have a sales playbook? Are producers in your agency rockers and rollers? If so, you've got a great story, and you need to learn how to tell it. If not, you need to help create that kind of agency so that you can tell that story.

### The Leader

Lastly, Rusty would talk about his relentless commitment to salespeople. He loves selling, and he has a strong passion for doing whatever he can to make their producers successful. Not just the typical, "Hey, we're going to give you a computer, phone, desk and throw you some resources."

Rusty would emphasize, "Mary, Jim, Michael, and I, we're all here to make you successful."

So, the last question to look in the mirror and ask yourself: Why should I work for you? Are you committed to helping salespeople be great? Are you a believer in salespeople? And how will you support them? Why you?

When you can confidently tell your candidates these three key things, you'll have a powerful recruiting story to hire quality producers. But if you don't have one yet, it's time to create it, mold it, and make it work for your agency to grow. Because if not now, then when? IJ

Schwantz is founder of The Wedge Group. He's also the author of the book Agency Growth Machine. Phone: 214-446-3209. Email: randy@thewedge.net.

## Insurance M&A Activity Slowed in P/C Sector in First Half of 2021

Merger and acquisition activity increased in the first half of 2021 in most insurance sectors but not in the property/casualty sector.

According to Deloitte's Midyear Insurance M&A Outlook, the number of M&A deals is up 18% year-to-date and aggregate deal value is about four times higher compared to 2020.

While total deal volume is on track to possibly outpace calendar-year 2020, activity in the property/casualty sector is down in 2021, with 18 deals so far versus 24 in the same period last year. Deloitte attributed this to the current rate-hardening environment more than any other factor, which may drive insurers to seek value from non-core legacy products and businesses.

Deloitte said that companies are considering a broader definition of M&A to include acquisitions, dispositions, alliances, partnerships, ecosystems and investments that can help them enhance their portfolios, enter more profitable market segments and accelerate the shift to digital.

Insurtechs continue to be desirable investment vehicles, partners and acquisitions in 2021, Deloitte said, noting that technology also continues to be a way for insurers to complement their existing products, as well as to diversify services, as seen in the recent deals completed by Next, Porch Group, and Hippo. IJ

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| c. Total Paid and/or Requested Circulation (Sum of 15b (1), (2), (3), and (4)) ▶ | 33,936 | 34,342 |
| d. Non-requested Distribution (By mail and outside the mail) (1) Outside County Nonrequested Copies Stated on PS Form 3541 (include sample copies, requests over 3 years old, requests induced by a premium, bulk sales and requests including association requests, names obtained from business directories, lists, and other sources) | 8,199 | 7,186 |
| (2) In-County Nonrequested Copies Stated on PS Form 3541 (include sample copies, requests over 3 years old, requests induced by a premium, bulk sales and requests including association requests, names obtained from business directories, lists, and other sources) | | |
| (3) Nonrequested Copies Distributed Through the USPS by Other Classes of Mail (e.g., First-Class Mail, nonrequestor copies mailed in excess of 10% limit mailed at Standard Mail® or Package Services rates) | | |
| (4) Nonrequested Copies Distributed Outside the Mail (Include pickup stands, trade shows, showrooms, and other sources) | | |
| e. Total Nonrequested Distribution [Sum of 15d (1), (2), (3) and (4)] | 8,199 | 7,186 |
| f. Total Distribution (Sum of 15c and e) ▶ | 42,135 | 41,528 |
| g. Copies not Distributed (See Instructions to Publishers #4, (page #3)) ▶ | 934 | 174 |
| h. Total (Sum of 15f and g) | 43,068 | 41,702 |
| i. Percent Paid and/or Requested Circulation (15c divided by 15f times 100) ▶ | 80.54% | 82.70% |

* If you are claiming electronic copies, go to line 16 on page 3. If you are not claiming electronic copies, skip to line 17 on page 3.

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**October 4, 2021**

**National Specialty Insurance Company**
**1900 L. Don Dodson Drive**
**Bedford, TX 76021**

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

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

**October 4, 2021**

**National Casualty Company**
**One West Nationwide Blvd.**
**Columbus, OH 43215-2220**

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

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

**October 4, 2021**

**National Summit Insurance Company**
**325 N St. Paul Street, Suite 900**
**Dallas, TX 75201**

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

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

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**Statement of Ownership, Management, and Circulation (Requester Publications Only)**

| 16. Electronic Copy Circulation | | Average No. Copies Each Issue During Previous 12 Months | No. Copies of Single Issue Published Nearest to Filing Date |
|---|---|---|---|
| a. Requested and Paid Electronic Copies | ▶ | 5,998 | 6,489 |
| b. Total Requested and Paid Print Copies (Line 15c) + Requested/Paid Electronic Copies (Line 16a) | ▶ | 39,934 | 40,831 |
| c. Total Requested Copy Distribution (Line 15f) + Requested/Paid Electronic Copies (Line 16a) | ▶ | 48,133 | 48,017 |
| d. Percent Paid and/or Requested Circulation (Both Print & Electronic Copies) (16b divided by 16c × 100) | ▶ | 82.97% | 85.03% |

■ **I certify that 50% of all my distributed copies (electronic and print) are legitimate requests or paid copies.**

17. Publication of Statement of Ownership for a Requester Publication is required and will be printed in the October 4, 2021 issue of this publication.

18. Signature and Title of Editor, Publisher, Business Manager, or Owner: Elizabeth J. Duffy, Circulation Manager — Date: September 21, 2021

I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).

PS Form **3526-R,** July 2014 *(Page 3 of 4)* **PRIVACY NOTICE:** See our privacy policy on *www.usps.com.*

## Advertisers Index

# Revenue Hiding in Your Book of Business

*By Jaime McGrath*

Most independent agents overlook surety bonds as an additional product they can offer their clients. They believe surety is too much of a niche specialty. The bonds are difficult to write, and best left to larger firms, which often are competitors. So why lose your clients to your competition when you can benefit from surety bond premiums? If you want to increase your book of business, there are two things you need to do first. Know what types of clients might need bonds and partner with a trusted surety bond expert.

Let's begin with your existing customer base. Some numerous occupations and trades require commercial bonds also known as license and permit bonds. If you write insurance policies for residential or commercial contractors, this could be a gold mine. They can include carpenters, plumbers, HVAC, electrical, painting, irrigation, solar, and roofing contractors, etc. In addition, contractors bidding on certain types of construction projects, especially government, will need to secure contract bonds. Federal legislation known as the Miller Act requires contractors working on federally funded projects valued at more than $100,000 to purchase performance and payment bonds. These types of bonds are also an excellent source of premium, so it's important to be aware of this and stay on their radar.

Auto dealers in most states need auto dealer license bonds and this can include recreational vehicles, boats and yachts.

Individuals also may need a title bond when a vehicle's original title is lost, stolen or destroyed. Retail businesses may be required to obtain bonds for sales tax, alcohol, tobacco and the lottery. If you have a client that is a trucker or in the freight broker business or a client that runs a driving school, they will need a bond called a BMC-84 bond.

Other service industries such as real estate and mortgage brokerage firms, finance companies, collection agencies and tax preparers will need bonds, depending on state requirements. Lawyers and individuals may require various court bonds such as judicial and fiduciary bonds. And don't overlook that all these different types of businesses may need an ERISA fidelity bond for their company's employee benefit plan. Most of the commercial bonds mentioned can often be issued the same day and with very little or no underwriting. Others are more credit sensitive and will require a little more financial information from the company or individuals.

So how much revenue can an independent insurance agent expect from co-writing surety bonds? This amount depends on the percent of the commission agreed upon, but it is usually 10% to 15% of the premium. A freight broker bond at a $1,500 premium, for example, will yield an agent $150. An auto dealership bond at an average rate of $250 will yield the agent $25, and most dealerships have multiple locations so this adds up quickly. Many commercial license bonds renew annually providing an automatic source of commission with little or no effort. And contract bonds for large construction projects written together can yield several thousands of dollars.

After identifying what types of your existing clients may have needs for commercial or contract bonds, establish a relationship with a wholesale bond-only surety partner, one that doesn't write insurance policies, so there is no conflict of interest. They should have experience with your types of clients, in-depth knowledge of the products, access to multiple surety markets, provide excellent customer service, and be trustworthy. And team up with a surety agent that pays competitive commissions for all the bond referrals your accounts bring in.

So, take a closer look at your current book of business, and you'll discover additional revenue opportunities staring you right in the face. IJ

McGrath is a surety executive at Surety Bond Professionals based in Massachusetts. SBP is a bond-only agency with over 30 years in the industry. Phone: 781-559-0568. Email: Jaime@suretybondprofessionals.com.