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Few Employers Take New Actions to Curb Sexual Harassment

Despite the recent spotlight on workplace sexual harassment issues, few employers have taken action to prevent and/or address sexual harassment concerns in the workplace, according to a survey of employees by the American Psychological Association. Only 32 percent of working Americans said that their employer has taken new prevention steps to their workplace, according to a survey.

Some employers remind workers about existing training and resources, but few take new prevention steps, reported employees. The most common action taken was simply reminding employees of existing sexual harassment training or resources (18 percent), the survey found.

'Leaders in a psychologically healthy workplace model civility, respect, fairness and trust.'

"Workplace Sexual Harassment: Are Employers Actually Responding?" from APA's Center for Organizational Excellence was conducted online by Harris Poll from Feb. 15-March 1, 2018, among 1,512 U.S. adults who are employed full-time, part-time or self-employed. The data were collected as part of APA's 2018 Work and Well-Being Survey.

While the lack of meaningful change is not entirely surprising, it is disappointing, said David W. Ballard, PsyD, MBA, director of APA's Center for Organizational Excellence. "Our survey – as well as anecdotal reports – shows that too few employers are making comprehensive efforts that can have significant impact," Ballard said.

Only 10 percent of U.S. workers said their employer has added more training or resources related to sexual harassment. Just 8 percent said their employer implemented a more stringent policy related to sexual harassment, and only 7 percent reported that their employer hosted an all-staff meeting to discuss the issue.

Research has shown training to recognize and report sexual harassment isn't enough to change employee behavior or a workplace culture where harassment is more likely to occur. Instead, psychologists recommend a comprehensive approach that incorporates fair policies that are clearly communicated, ongoing training, leadership support of a civil and respectful culture, and the hiring and promotion of women into senior leadership roles.

"For training to produce long-term changes, the organization's workplace practices need to align with and support the individual attitudes and behaviors it's trying to promote," Ballard said. "Leaders in a psychologically healthy workplace model civility, respect, fairness and trust." That's good for people and profits.

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National

Mid-to-Large Sized Agencies Show Strong Organic Growth in 2018: Reagan Consulting

All Lines of Revenue Surpass Expectations; Outlook Remains Optimistic

Insurance agencies and brokerage firms recorded the second consecutive quarter of accelerating growth, and their outlook for the remainder of 2018 continues to be optimistic, according to a new survey of mid-to-large privately held firms.

All lines of business experienced the highest organic growth since 2015 in the first quarter of this year, reported Reagan Consulting, a management consulting and firm for the insurance distribution system.

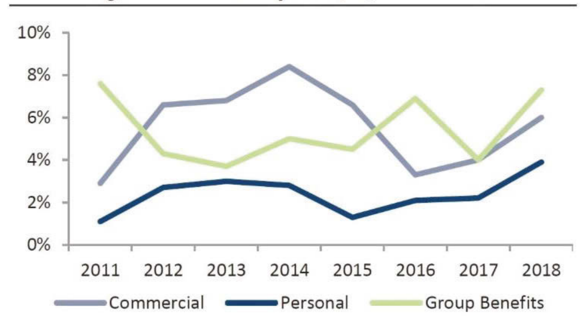
Overall, first quarter agency organic growth reported by firms participating in Reagan Consulting's Organic Growth and Profitability (OGP) Survey rose to 5.6 percent, representing a 44 percent increase over Q1 2017 and a 24 percent increase over Q4 2017.

Personal lines provided the "biggest surprise," according to Brian McNeely, partner at Reagan Consulting. It was the highest Q1 performance — at 3.9 percent — in the survey's history.

"We believe this is driven, at least in part, by hardening in the personal auto market in certain states as well as agents and brokers continuing to focus on high-end personal lines, which tends to grow faster than main street personal lines," said McNeely.

The group benefits category has experienced the strongest growth, coming in at 7.3 percent, which represents a 40 percent increase over Q4 2017. Reagan analysts attribute the growth to the continued escalation of healthcare costs and brokers' ongoing investment in additional producers and client-facing resources.

Organic Growth by Line, Q1 2011-2018



Source: Reagan Consulting Organic Growth and Profitability Survey

In contrast to overall growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margin lowered slightly to 26.9 percent when compared to the 27.6 percent EBITDA margin reported in Q1 2017. "Given the consistency of contingent income versus Q1 2017 combined with the organic growth increase, we would have expected the EBITDA margins to increase in Q1 of 2018," McNeely said.

McNeely added that the Q1 2018 operating profit was down 0.5 percent to 9.9 percent, seeming "to confirm a concern that many of our clients have voiced in this year's valuation conversations — brokers are feeling margin pressure." Reagan Consulting does not expect that pressure to lessen and predicts EBITDA margins will fall slightly in 2018 versus 2017.

Reagan Consulting has conducted its quarterly survey of agency growth and profitability since 2008, using confidential submissions from more than 150 midsize and large privately held agencies and brokerage firms. Nearly half of the industry's 100 largest firms regularly participate in the survey. IJ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Risk Management Not Keeping Pace with Technology Trends: Marsh-RIMS Report

Emerging technologies continue to rapidly change the way businesses operate and interact with customers, yet risk management processes are not keeping pace with the associated risks, according to a report published in April by global insurance broker Marsh and the risk management society, RIMS.

Only a small percentage of risk managers are confident they have good risk management processes to deal with new technology risks, according to the 15th Annual Excellence in Risk Management report and survey.

The report delves into risk professionals' role in managing technology innovation such as artificial intelligence (AI), blockchain, and the internet of things (IoT). According to the findings, 59 percent of respondents said their organizations are currently using or exploring the use of IoT systems; 47 percent are using or exploring the use of AI; and 24 percent are using or exploring the use of blockchain.

Despite the growth, only 14 percent said they strongly believe they have a clear process in place for addressing disruptive technology risks. Nearly half could not say there is a clear process at all.

Furthermore, the report found that most risk professionals would benefit from viewing digital technology from a balanced lens. When asked what it means for their organization to be "digital", a majority cited operational improvements, such as automating core processes, more so than growth initiatives, including new ways of doing business and interacting with their customers.

By ignoring how digitization is changing the way companies interact with their customers, risk professionals cannot fully understand the changing risk profiles of their organizations, the authors note.

According to the authors, risk managers should be aware of how their companies are positioning for growth.

"Risk executives must lean into these changes. They should drive internal conversations to help understand the implications of new business models. And they should deploy an analytical decision-making framework that ensures the risk finance approach is optimized against an ever-changing risk profile," the report states.

"Emerging technologies like AI, blockchain, and IoT are fast becoming the new normal, yet risk management is not keeping up," said Brian Elowe, chief client officer, North America, Marsh. "Only by asking questions and understanding the underlying technologies and their uses throughout the organization can risk professionals truly appreciate their risks and respond accordingly."

Carol Fox, vice president, strategic initiatives, RIMS, said risk managers have a role to play supporting their organizations' ability to make strategic decisions regarding disruptive technology.

"Engaging in innovation that impacts our companies, customers, industries, and even the practice of risk management itself is a giant first step," she said.

"While risk professionals do not need to be 'experts' in the intricacies of these technologies, they can certainly advance the performance benefits that each new technology brings."

Other findings from the report include:

The majority of respondents said they are most interested in technology that enables them to identify emerging risks (57 percent) and enhance data security (57 percent).

Of the respondents whose organizations have cross-functional risk committees, 31 percent said disruptive technologies are discussed at every meeting.

40 percent of respondents said they would consider switching insurers and other advisors based on their innovations in the claims area. Another 43 percent wouldn't rule out such a move.

While only 20 percent of respondents had experienced a cyber claim in the past 36 months, those that did expressed the highest level of satisfaction. The report suggest that this could stem in part from the number of ancillary services that insurers provide in their servicing of cyber claims.

Directors and officers liability claims registered the highest level of dissatisfaction. This may relate to the at times personal nature of such claims, the report says.

The Excellence report, Maintaining Relevance Amid Technology Disruption, is based on 450 responses to an online survey and a series of focus groups with risk executives in January and February 2018. IJ

Court Revives Challenge to Seattle's Ridesharing Union Law

A U.S. appeals court has revived a leading business group's challenge to a Seattle law, the first of its kind, that would allow drivers for ridesharing services such as Uber Technologies Inc. and Lyft to unionize.

The San Francisco-based 9th U.S. Circuit Court of Appeals ruled earlier this month that the city did not have the power to regulate payment arrangements between companies like Uber and Lyft and their drivers.

The litigation is unfolding amid a national debate over whether workers in the "gig economy" are independent contractors, who typically cannot form unions, or employees.

The U.S. Chamber of Commerce, which sued over the law last year and counts Uber and Lyft among its members, said in a statement that it was pleased with the decision.

"The Chamber brought this lawsuit because allowing every city or town to create its own unionization scheme would have burdened innovation, increased prices, killed jobs, and harmed consumers," said the group, the largest U.S. business lobby.

The Seattle city attorney's office did not respond to a request for comment.

Seattle's law, passed in 2015, requires the city to select a union as the exclusive bargaining representative of the estimated 9,000 drivers in Seattle who work for Uber, Lyft and other services. The law was put on hold pending the outcome of the chamber's lawsuit.

The chamber argued that by allowing drivers to bargain over their pay, which is based on fares received from passengers, the city would permit them to essentially fix prices in violation of federal antitrust law.

A federal judge in Seattle last year disagreed, saying the state of Washington had specifically authorized its cities to regulate the for-hire transportation industry.

But the 9th Circuit said state law allows the city to regulate rates that companies charge to passengers, but not the fees that drivers pay to companies like Uber or Lyft in exchange for ride referrals.

The court sent the case back to the judge in Seattle to reconsider the chamber's antitrust claim.

The city and supporters of the law, including labor unions, have said that allowing drivers to unionize would improve their working conditions, making ride-sharing services safer for passengers.

Lawyers for the city had told the 9th Circuit that in some cases, drivers were engaging in unsafe behavior such as driving on little or no sleep because they are not paid adequately.

The case is *U.S. Chamber of Commerce v. City of Seattle*, 9th U.S. Circuit Court of Appeals, No. 17-35640. IJ

Coffee in California to Be Paired With Cancer Warnings

Starbucks Corp. and other roasters and retailers must serve up a cancer warning with coffee sold in California, a Los Angeles judge has ruled.

Superior Court Judge Elihu Berle in a ruling published in early May said that Starbucks and other coffee sellers did not show that the risk from consuming acrylamide, a possible cancer-causing byproduct created during coffee roasting, was offset by benefits from drinking coffee.

That ruling confirmed Berle's tentative decision on the matter in March.

The Council for Education and Research on Toxics, a non-profit group, sued some 90 coffee retailers, including Starbucks, on grounds they were violating a California law requiring companies to warn consumers of chemicals in their products that could cause cancer.

The latest ruling in the eight-year legal battle opens a path for CERT to ask for a permanent injunction that would require coffee sellers to warn consumers about the cancer risk associated with acrylamide.

Many California coffee sellers, including Starbucks, already post signs with such warnings under the state's Proposition 65 law requiring businesses to provide warnings about significant exposures to chemicals that cause cancer, birth defects or other reproductive harm.

Several defendants in the case have already settled, agreeing to post warning signs and pay millions in fines.

Car That Collided With Waymo Vehicle in Arizona Ran Red Light

A driver whose sedan collided with a self-driving vehicle owned by Waymo has been cited for running a red light, police in a Phoenix suburb said.

Chandler Police Department spokesman Seth Tyler said that the Waymo-owned Chrysler minivan was in manual mode and slowing for the red light when the collision occurred in early May.

Police had said initially that the Waymo minivan was in autonomous mode with a person in the driver's seat.

Tyler said that investigators determined the accident occurred after a Honda sedan ran the red light and swerved to avoid a vehicle that had the green light.

The Honda then went across a raised median and into opposite-direction traffic lanes where the collision occurred, Tyler said. The Honda and the Waymo vehicle had significant damage, and Tyler said the Waymo driver had injuries that required hospitalization.

The company also said its mission is to make roads safer. It released a video of the moments before the collision. Waymo is Google's self-driving car spinoff.

The safety of self-driving technology has come under recent scrutiny. A pedestrian in the Phoenix suburb of Tempe died in March after she was struck by a self-driving Uber vehicle. It was the first death involving a fully autonomous vehicle.

California Man Nabbed for Getting Comp from Multiple Insurers While Working

Michael Williams, 34, of Daly City, Calif., was arrested on 21 felony counts of insurance fraud and grand theft after allegedly working for multiple employers while collecting over $85,000 in workers' compensation benefits from two insurers.

In November 2014, Williams was reportedly working as an electrician when he sustained a work-related injury. He filed a workers' comp claim with the State Compensation Insurance Fund and began collecting temporary workers' comp benefits.

An investigation by the California Department of Insurance revealed that in March 2015 Williams began working for a different employer, yet continued allegedly collecting payments from SCIF. In May 2015, Williams sustained another work-related injury and filed another claim, this time with Travelers Insurance.

Between March 2015 and November 2016, Williams allegedly worked for and was paid by three different employers. At one point, Williams was collecting payments from SCIF and Travelers for two different work-related injuries.

To continue collecting benefits, William allegedly misrepresented his level of abilities, earnings and employment status to SCIF and medical providers to collect permanent disability benefits after the temporary benefits were exhausted. Williams also was charged with grand theft for allegedly using his former employer's credit card for personal expenses including an engagement ring.

The case is being prosecuted by the San Mateo District Attorney's Office.

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Sean Conrad

EPIC Insurance Brokers and Consultants has named ***Sean Conrad*** a principal in its Southern California operations.

Conrad will be based in EPIC's Irvine, Calif., office, and will be responsible for new business development.

Conrad was previously a senior vice president and business development officer for Wells Fargo Insurance Services, which was acquired by USI Insurance Services. He began his insurance career as a claims director at Allied Insurance.

EPIC is a retail property/casualty and employee benefits insurance brokerage and consulting firm.

XL Catlin's North America construction insurance business has established an underwriting hub in San Francisco, Calif., with the addition of ***Charles Marmolejo*** as executive underwriter and relocation of senior underwriter ***Dan McCarthy*** from the Chicago office.

Marmolejo will help XL Catlin's construction clients address general liability, workers' compensation and commercial auto risks. He has nearly 29 years of experience in property/casualty insurance across a range of industry segments.

McCarthy will assist brokers in helping address customers' excess liability risks throughout the Western region.

He joined XL Catlin's North America construction team in 2014.

XL Catlin is the global brand used by XL Group Ltd. insurance and reinsurance companies.

G2 Insurance Services has named ***Paul Glover*** assistant vice president and producer.

He is located in G2 Insurance Services' San Francisco, Calif., office.

Glover plans to expand the company's middle market property/casualty practice. He will focus on manufacturers, real estate owners, financial institutions, wholesalers, schools and museums.

Prior to joining G2 Insurance Services, he spent nine years in positions with The Travelers Cos.

G2 Insurance Services is an independent property/casualty and employee benefits insurance brokerage firm. IJ


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California Commissioner Ran a Climate Change 'Stress Test' on Insurers

By Don Jergler

California Insurance Commissioner Dave Jones has run a "stress test" on the state's largest insurers.

Jones said during a press conference in May that he is the first U.S. financial regulator to conduct a climate-related financial risk stress test and analysis of insurance companies' investments in fossil-fuels.

Jones has for the past few years sought greater disclosure of insurer investments into coal and other fossil fuels, warning these carriers could have assets stranded as their values plummet while the world increasingly turns away from these sort of energy investments in favor of clean energy.

Jones and the California Department of Insurance have engaged 2° Investing Initiative, a partner of European financial regulators, to conduct an analysis of insurers in California's insurance market with more than $100 million in annual premiums.

Insurers analyzed have more than $500 billion in fossil fuel-related securities, issued by power and energy companies, $10.5 billion of which consists of investments in thermal coal enterprises, according to the analysis.

The stress test stems from a recommendation from the FSB Task Force on Climate-Related Financial Disclosures that financial institutions perform scenario analysis on their portfolios to assess financial risks related to climate change.

The goal of the scenario analysis conducted by Jones' office was to assess the exposure California insurers have to transition risk based on the evolution of production and assets in the real economy. The analysis compares the currently planned production from physical assets allocated to a portfolio with future production levels defined in a 2°C global warming scenario.

It looks at, for example, the projected number of barrels of oil produced by an oil well owned by a company that has issued a security held in an insurer's portfolio.

Data on insurer investments was taken from the 2016 year-end financial filings of all insurers operating in California with more than $100 million in premiums, which produced a sample of 672 insurers with more than $4 trillion in investments, nearly 87 percent of which is held in fixed-income portfolios.

Jones said he sees this at part of his duties as the state's insurance commissioner.

"One of my duties is to monitor the financial health and well-being of insurance companies," Jones said.

He the CDI will send the results of the survey to companies and encourage them to use it to assess the risks to their portfolios, and he'll use the information in his capacity as the state's insurance regulator.

"It's our intention as we're doing examinations of insurance companies to avail ourselves of this report as part of this regulatory exam process," Jones said.

The Property Casualty Insurers Association of America urged caution following the announcement.

"Under the watchful eye of investment professionals, regulators, rating agencies and other stakeholders, insurance company investment strategies are regularly assessed and re-balanced to meet the needs and risks of each entity," David Kodama, assistant vice president of research and policy analysis for PCI, said in an email reply to a request for comment for this story. "However, unprecedented regulatory actions ranging from a demand to boycott investment in a specific industry to evaluating whether insurer's investment portfolios are in alignment with a European Investment Initiative have raised concerns not only within the insurance industry, but with other regulators and attorneys generals in a dozen states."

He also noted that during the last year, insurers were well prepared to respond to historic levels of insured losses and remain financially prepared for future natural and climate-related disasters.

The California stress test is based on a climate scenario in which clean energy technologies must be deployed by 2050 to reach a 50 percent probability of limiting global warming to 2°C. The department published key figures from the scenario analysis on its website.

Jones' efforts to do battle with climate change haven't gone unnoticed, or unopposed.

Jones last year came under fire from 12 state attorneys general and one governor, who called his efforts an "affront to sound insurance regulation," and threatened to sue him for calling on insurance companies to address potential climate-related risks. Oklahoma Insurance Commissioner John Doak has also urged Jones to back off his Climate Risk Carbon Initiative, which calls for insurance company disclosure of investments in fossil fuel producing companies. IJ


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Agent's California Senate Bid Driven by Need for Better Representation

By Don Jergler

Tom Pratt, an insurance agent who specializes in procuring fine art coverage in a rural Northern California community, has worked in the insurance industry for more than 20 years.

By day he is an insurance agent. In his spare time, Pratt is a typical family man with an interest in the community, having chaired the Vallecito Union School Board since 2014, as well as volunteering and helping out where he can.

Now, spurred by the desire to bring more services to a district he believes is underserved in many ways, he's dipping his toes into a big political arena.

Pratt, a moderate Democrat, is running in the race for state Senate's 8th district, which encompasses more than 30,000 square miles, close to 1 million residents and nearly a dozen counties.

"What I found was that there was a lack of access to a lot of services," Pratt told Insurance Journal, adding that he also found there to be "a lack of representation from our representatives."

When Pratt and wife, Kimberly, an executive director for a nonprofit, moved to the rural community of Murphy's in 2008, the first thing they noticed was trouble finding access to broadband, healthcare and other crucial services that people in larger cities are able to take advantage of.

'What I found was that there was a lack of access to a lot of services.'

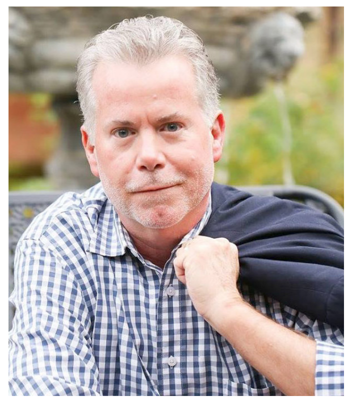
While trying to deal with these issues as an agent, a member of the community, and as a school board chair, he emailed and reached out to his local and state elected representatives to try and get help. But, he said he had no luck.

"I never even got 'Thank you for your email,'" he said. "The way I was brought up, that's just bad manners."

The youngest of four, Pratt attended California State University, Northridge, graduating in 1984 with a degree in theatre arts, and he subsequently studied art history at Santa Monica College, UCLA and in Paris, France.

After CSUN he followed of his parents into the business. His parents had started Thomson and Pratt Insurance Associates.

Pratt worked at numerous firms throughout his career, including a stint at his parent's firm, as well as at AIG, Allen Insurance Associates, Kaye Insurance Associates and Zenith Insurance Co., to name a few.


Tom Pratt

While Pratt's primary expertise is in insurance, throwing his hat into the ring for state Senate isn't his first foray into the political realm.

"I've always been interested in politics," he said.

Pratt was elected to the Santa Monica school board in 1998 and served until 2002. When he moved his family up to Northern California, he found himself being asked to chair the Democratic Central Committee in Calaveras County, a position he held from 2015 to 2017.

When he saw that incumbent Republican Tom Berryhill was about to term out of his Senate office, Pratt decided to run.

He is one of four candidates running for the 8th district on the June 5 primary ballot. The others are businesswoman Paulina Miranda, a fellow Democrat, Republican Andreas Borgeas, a Fresno County supervisor, and businessman Mark Belden, who has no stated party preference.

His endorsements so far include California Insurance Commissioner Dave Jones, State Controller Betty Yee, state Sen. Kevin de Leon, the California Teachers Association and the California Democratic Party.

If elected, of course one of Pratt's goals would be to get placed on the Senate Standing Committee on Insurance, where one of his top priorities would be to deal with the effect wildfires have had on the constituents of the 8th district.

Pratt recently has been approached by numerous area residents seeking his assistance in accessing insurance, as coverage becomes increasingly harder to obtain in the area, particularly following last year's massive California wildfires. "There's a whole bunch of issues with insurance right now in the whole Sierra-foothill area," he said.

Chances

Not only does he have just about every major Democratic endorsement in the state, but he's a small businessman who has placed jobs creation high on his campaign platform — something he believes the area's voters can relate to.

The statewide unemployment average was 4.2 percent as of March, according to the Employment Development Department. Several counties within the 8th district are well above that average, including the counties of Fresno (8.7 percent), Mariposa (6.9 percent), Madera (8.2 percent) and Stanislaus (7.1 percent).

"A lot of these places still haven't recovered from the recession," Pratt said.

Circling back to his other big issue, Pratt who has two sons with Kimberly, Tommy and Hutty, ages 6 and 4, said bringing more services to the district will be among his highest priorities if elected. Students need Internet access to do homework and study, and there are many veterans and others in the area who need better access to health services, he added.

"If I go a mile up the hill, I have lost all cell reception and Internet," he said. "If you have a serious illness, you're flown to San Francisco or Sacramento or somewhere else. There's not a lot of access to the services that we need here." IJ

Figures

$5 MILLION

The amount in damages a jury awarded former railroad conductor James Mitchell after he was injured twice at the BNSF Railway Co. railyard in Springfield, Mo. Mitchell was injured in 2015 when a handrail on a rail car ladder broke. In 2017, he was injured while operating a defective lever that separates rail cars. BNSF has denied liability and says it will appeal.

$1,286,911

The amount Alexei Legassov of Palm Coast, Fla., must pay in restitution to two insurance companies after being sentenced for filing false insurance claims related to his long-haul trucking companies that are based in Middlesex County, N.J. Legassov pleaded guilty to second-degree insurance fraud and misconduct by a corporate official, and was sentenced to nine years in prison.

$340 MILLION

The amount the U.S. Department of Agriculture will provide to Florida citrus farmers to help them recover from Hurricane Irma, which caused more than $2.5 billion in damage to the state's agriculture industry. The money will be used to help citrus growers plant new trees, replace damaged irrigation and other equipment and make up for losses expected in the 2018 to 2020 growing seasons.

$1.3 BILLION

That's how much the California State Compensation Insurance Fund's annual report shows in net premiums earned for 2017. That was down from $1.5 billion a year earlier.

$709,000

The amount an Arkansas company paid to settle overtime and minimum wage claims stemming from the cleanup of Louisiana floods in 2016. The U.S. Department of Labor said Wallace, Rush, Schmidt Inc. failed to pay 1,393 workers for weeks. The workers had gone to the Baton Rouge area and other Louisiana worksites after prolonged rains triggered floods.

Declarations

Insurance Commissioner Obscurity

"Without being too cynical, voters aren't going to hear much about this office. I'm not sure a lot of people know what the insurance commissioner does."

— Parke Skelton, a Democratic political consultant who worked on the campaigns for California's Dave Jones, said the June 5 primary election won't get much play in the media.

Inappropriate Behavior

"We just should not be holding taxpayers responsible for our inappropriate behavior."

— Democratic state Sen. Laura Kelly, of Topeka, comments on a proposal by Kansas legislators to ban taxpayer-funded settlements of sexual harassment claims against state officials and block non-disclosure agreements in harassment cases.

Struggling to Cope

"I have struggled to cope with the effects of the repeated abuse I suffered at the hands of Dr. Nassar. USA Gymnastics, the USOC and the Karolyis failed to protect me and the other athletes in their care, and I believe they should be held accountable."

— Former U.S. gymnast, 22-year-old Sabrina Vega, who has filed suit against Texas-based coaches Bela and Martha Karolyi and others saying they did not protect her from being sexually abused by imprisoned former sports doctor Larry Nassar.

Disaster Response

"Disaster response and business continuity plans should reflect the nature, scale and complexity of each insurer's business, and these plans need to be updated at least annually."

— New York Department of Financial Services (DFS) Superintendent Maria Vullo said regarding DFS issuing updated disaster response and recovery plan requirements for all insurance companies licensed to conduct business in New York state. It issued these updated requirements in light of disasters that may occur outside of New York, such as hurricanes, terrorist attacks or cybersecurity breaches, which could affect an insurer's ability to serve New York consumers.

InsuranceJournal.com Poll

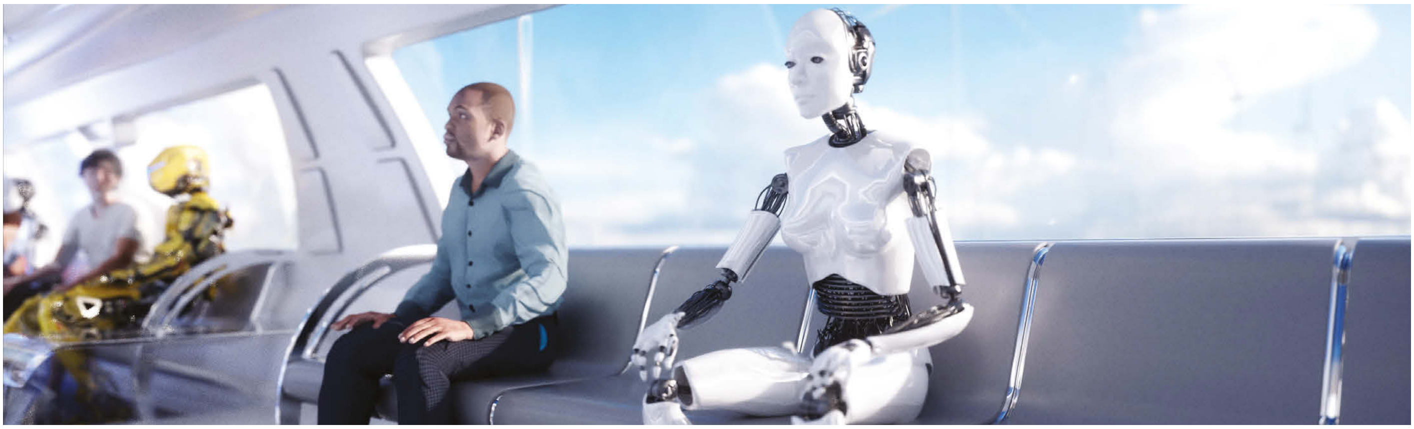
Can the bottom line benefits of training be measured?

65.63%
No, it's a cost of doing business

25%
Yes, but we don't measure this currently

9.37%
Yes, we measure real business results associated with training

Total Votes: 131



Industry View on Artificial Intelligence and Future Work

Insurers can seize major growth opportunities by redesigning work, bringing in new talent, and pivoting their existing workforces to work with artificial intelligence (AI), according to a new report by Accenture.

The report, Future Workforce Survey - Insurance: Realizing the Full Value of AI, maintains that insurers that invest in AI and human-machine collaboration at the same rate as top-performing businesses could, over the next five years, boost their revenue 17 percent and their employment 7 percent, on average.

According to the report - based on two surveys, one of 100 senior insurance executives and another of more than 900 non-executive insurance workers in 11 countries- the insurance workforce needs to be trained to collaborate effectively with AI. For instance, the executives surveyed believe that only one in four of their workers are ready to work with AI, and more than four-in-10 (43 percent) cite a growing skills gap as the top factor influencing their workforce strategy.

A majority (61 percent) of the executives surveyed expect that the workforce of the future will be a blend of humans and machines. Contrary to the popular belief that AI will reduce jobs, two-thirds (67 percent) of insurance executives expect AI to result in a net gain in jobs within their company in the next three years.

Despite acknowledging a need for training, only 4 percent of insurers plan to significantly increase their investment in retraining programs in the next three years.

"AI has the potential to boost innovation, growth and efficiency, but insurers' hesitance to properly reskill their employees could limit its impact," said Michael Costonis, who leads Accenture's Insurance practice globally. "To complicate matters, despite having a business that is ripe to apply technology and innovation, insurers aren't in a good position to win the war on technology talent."

Costonis said executives need to "think pragmatically" about how they can bring in new talent and about redesigning jobs and retraining existing employees. He suggested creating more-flexible work environments could help attract new talent.

The report found that insurance workers are willing to embrace AI in their day-to-day roles. Two-thirds (68 percent) believe it will create opportunities in their work, while only four percent think it will create more challenges. Almost three-quarters (73 percent) believe it will make their jobs simpler, and more than two-thirds (69 percent) believe it will enable a better work-life balance.

New Workforce

The report maintains that the use of AI will reconfigure many existing jobs within insurance and identifies three new categories of AI-driven jobs likely to emerge: "trainers," "explainers," and "sustainers."

Trainers will assist computers as they learn - for example, to recognize faces or identify images in photographs taken by drones - and play key roles in underwriting, claims and customer engagement. They will work with the systems to ensure that the algorithms accomplish their tasks.

Explainers will play a vital communications role, interpreting the results of algorithms to improve transparency and accountability for their decisions. If AI rejects a customer's insurance claim or offers a settlement, insurance workers can help strengthen acceptance of AI among customers and regulators.

Sustainers will ensure that machines stay true to their original goals without crossing ethical lines, including drifting away from desired outcomes or reinforcing bias. Insurers might need to hire ethics compliance managers to ensure that an AI-powered claims assessment system does not discriminate against certain customers.

"As more insurers look to integrate AI within their organizations, they should pursue a large-scale application in which humans and AI work together across a variety of tasks," said Andrew Woolf, the Talent & Organization lead within Accenture's Financial Services practice. "The benefits — including faster underwriting, quicker claims settlement and improved customer service — could be extraordinary, helping insurers solve complex challenges, break into new markets and generate new revenue streams." IJ

Alliant Insurance Services, Crystal & Company

Alliant Insurance Services, a Newport Beach, Calif.-headquartered specialty insurance brokerage firm, has entered into a definitive agreement to acquire New York-based Crystal & Company.

Terms of the agreement were not disclosed.

Following the transaction, The Crystal & Company team will continue to service clients from its 11 offices throughout the U.S. while combining forces with Alliant to provide a cohesive offering to its collective client base.

The agreement will serve to expand Alliant's national footprint and areas of expertise, according to a company press release.

According to Crystal & Company Chairman and CEO Jim Crystal, the new alignment will also foster Crystal & Company's growth and provide a stronger service platform for its client base.

Founded in 1933, Crystal & Company provides insurance and employee benefits consulting services to a global client base. Currently in its third generation of Crystal family leadership, the firm operates in the financial institutions space, as well as other industry verticals that include energy, technology, real estate, hospitality, consumer products and retail. In addition, the firm has a private client service operation that will enhance Alliant's presence in that space.

Alliant provides a comprehensive set of property and casualty and employee benefits products and services to clients globally, with positions in construction, public entities, tribal nations, financial institutions, healthcare, energy, law firms, real estate and other industry groups.

DFW Capital Partners, ReSource Pro

DFW Capital Partners, a 35-year-old private equity firm based in New Jersey, has completed an investment in ReSource Pro, becoming the company's majority owner.

ReSource Pro, a New York-based provider of operations efficiency and business process solutions for the insurance industry, will continue as a stand-alone entity with its existing management team that is tasked with expanding the company's operations. Terms of the transaction were not disclosed.

DFW's strategy has been to invest in middle market companies with strong management teams and consistent annual revenue growth, said DFW Managing Partner Keith W. Pennell in a ReSource Pro press release.

With service operations across the U.S., China and India, ReSource Pro is focused on operational efficiency and analytics as drivers of growth for insurance organizations. The company was founded in 2004.

Specialty Program Group, New Heights Insurance Solutions

Specialty Program Group LLC, an insurance holding company for specialty brokerages and underwriting facilities, has launched Eastern Pennsylvania-based New Heights Insurance Solutions (New Heights).

New Heights President Megan Rose joined SPG as part of its Norman-Spencer Crane acquisition and will run the newly created platform.

With more than 25 years of experience in the construction insurance space, New Heights provides resources and services to the crane and boom industry.

Headquartered in Summit, N.J., SPG focuses on expanding program underwriting and specialty businesses.

"The creation of New Heights is important for SPG and will launch our construction platform," said SPG President and CEO Chris Treanor in a company press release. "We believe in the team's ability to build durable solutions for the unique needs of the construction client, starting with crane and expanding into related niches."

AssuredPartners, National Insurance Services

AssuredPartners Inc. has acquired National Insurance Services, headquartered in Brookfield, Wisc.

NIS is trusted by more than 2,500 public sector organizations in 29 states for employee benefits consulting and brokerage services such as medical, dental, life, disability and vision insurance. In addition, as many as 600 schools, cities and counties have entrusted the Retirement Income Division with more than 700 million dollars in deposits on behalf of employees and retirees in 403(b) plans, health reimbursement and flexible spending arrangements, employee benefit trusts and retirement incentive payouts.

The staff of 129 will continue operations under NIS' President and CEO Bruce Miller. NIS will continue its focus on the school and other public-sector markets and will provide additional distribution for AssuredPartners in the public sector.

NIS has additional locations in Eden Prairie, Minn.; Canonsburg, Penn.; Indianapolis, Ind.; Kalamazoo, Sterling Heights and Ann Arbor,

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Mich.; and Omaha, Nebraska.

AssuredPartners, Cornerstone Insurance Group

In another transaction, AssuredPartners Inc. has acquired Cornerstone Insurance Group, based in St. Louis, Mo.

Cornerstone is a full-service insurance firm providing employee benefits, risk management and personal insurance solutions.

The agency, which has offices in St. Louis and Southern Illinois, also supports clients with non-insurance resources in payroll, human resources, wellness, loss control and more.

The staff of 85 will continue operations under Managing Partners Richard Steinbaum and Cody Wilson.

By combining insurance and benefits products with non-insurance services, Cornerstone provides businesses of all sizes with solutions that support their broader business goals.

AssuredPartners said the Cornerstone acquisition is its 200th since the company was founded in 2011.

Headquartered in Lake Mary, Fla., AssuredPartners is led by Jim Henderson and Tom Riley.

Associated Banc-Corp, Anderson Insurance & Investment Agency

Green Bay, Wisc.-based Associated Banc-Corp announced its Associated Benefits and Risk Consulting group will acquire Anderson Insurance & Investment Agency Inc., an independent insurance agency based in Minneapolis, Minn.

The transaction is expected to close next month. Terms of the transaction were not disclosed.

ABRC is a multi-line insurance and Midwest-based consulting firm with more than 400 employees.

Anderson, which was founded in 1927, adds a range of complementary services and significant expertise in workers' compensation and executive risk management services.

Based on 2017 financials, and the March 1, 2018, acquisition of Diversified Insurance Solutions, the company believes the addition of Anderson will solidify ABRC's position among the top 45 insurance brokerage firms in the U.S.

As part of the proposed transaction, key Anderson executives will maintain leadership roles.

Along with current ABRC senior leadership, the team will be responsible for the integration and expansion of the business.

H.W. Kaufman Group, Stonemark

H.W. Kaufman Group has acquired Dallas-based premium financing firm, Stonemark Inc., with plans to merge it into Kaufman subsidiary, Royal Premium.

The merger will create a new organization under the Stonemark brand.

Stonemark recorded more than $125 million in annual loan volume in 2017, according to Kaufman's announcement.

Elizabeth Davies, who serves as Stonemark's CEO and whose family founded the company more than 30 years ago, will lead the combined organization as president. Laura Tate, who served as chief operating officer, will assume the role of chief administrative officer.

Stonemark will maintain the group's associates at its current location in Dallas, Texas. The Royal Premium Detroit/Farmington Hills, Mich., office will operate under the Stonemark name.

The new Stonemark organization expects to offer insurance premium financing services for the property and casualty broker or agent in commercial, professional and personal lines.

As part of the acquisition, Stonemark will also deploy premium financing specialists throughout more than 60 Kaufman and Burns & Wilcox offices.

This marks the 18th acquisition by H.W. Kaufman Group since 2010.

Higginbotham, Butler Carson Tate Insurance

Higginbotham and Butler Carson Tate Insurance have merged operations in Lubbock, Texas.

This is Higginbotham's second office in Lubbock, having entered the market in 2015 when it merged with another locally managed independent insurance agency.

The two offices and their combined 18 insurance and financial services professionals will work in unison to deliver a single-source product to west Texas businesses and families.

Butler Carson Tate Insurance will expand services to include group life, health and disability plans by collaborating with employee benefits broker and managing director Jeff Fowler at Higginbotham in Lubbock.

James Tate, president, will continue supervising Butler Carson Tate Insurance as managing director, with John Carson as vice president.

Butler Carson Tate opened in 1973 to broker business and personal property/casualty insurance in Lubbock, Texas.

Higginbotham is headquartered in Fort Worth, Texas, and operates 29 offices in Texas and Oklahoma City, most of which were established agencies that joined the firm. IJ


WITH SPEED COMES POWER
Jimmy Walker
2016 PGA Champion
Team Burns & Wilcox
For your clients, speed is the name of the game. Deliver under pressure by turning to the wholesaler with the expertise, agility and access to deliver complex solutions right away. To be the best, work with the best—Burns & Wilcox.
Burns & Wilcox, the leader in specialty insurance.
Burns & Wilcox
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Insurers' Worst Fear:

Cyber Hurricane or Silent Cyber?

By Amy O'Connor

Insurers in the cyber insurance segment have enjoyed exponential growth in the market over the last 10 years, and that is expected to continue as the world becomes even more connected via the internet. But while the growth in business is welcome, the exposure the industry itself faces to losses in the event of a large data breach, or even worse — a so-called "cyber hurricane" — is something industry experts say cannot be ignored.

The term "cyber hurricane" describes the takedown of the entire U.S. economy's cloud network, according to Scott Stransky, assistant vice president and principal scientist for AIR Worldwide.

Stransky, a co-author of the AIR and Lloyd's report "Cloud Down: Impacts on the U.S. economy" released earlier this year, said the report was developed after discussions with Lloyd's over what would be the worst-case scenario for a cyber loss — a cyber hurricane — from a cyber incident causing disruptions to businesses that depend on cloud computing.

Stransky, one of the panelists at the Advisen Cyber Risk Insights Conference in San Francisco in February, noted that clouds can fail or be brought down in many ways. Likely causes of interrupted cloud service include malicious cyber-attacks by external agents, errors by internal workers, as well as hardware and software failures.

With more and more businesses connected to cloud servers and just a handful of service providers dominating 70 to 80 percent of the market, a very extreme event, defined by AIR as one that results in cloud downtime of five and a half to 11 days, could affect up to 12.4 million businesses of all shapes and sizes in all parts of the U.S. economy.

"We came to the conclusion that a cloud going down would actually be a big hurricane for cyber," Stranksy said.

Losses for an incident that takes one of the top three cloud service providers offline for three to six days would be between $5.3 billion and $19 billion, with insured losses totaling between $1.1 billion and $3.5 billion, the AIR report said.

A cyber incident that knocks out one of the 10th- to 15th-largest U.S. cloud providers for three to six days would cause $300 million and $1.5 billion in losses and between $40 million and $300 million in insured losses, the report said.

Stransky said while the potential losses from events like cloud failures are startling, insurers should look at the low take-up rates of cyber policies, particularly among small businesses, as an opportunity.

But even the largest businesses have significant room for growth, Stranksy said, highlighting the healthcare industry where there is only a 50 percent take up rate for cyber insurance.

He said the hope is the AIR-Lloyd's report will help insurers become more comfortable writing the risk if they understand the potential ramifications of being in the market and the potential losses if the worst-case scenario does happen.

"There's a huge opportunity to grow into cyber insurance," Stransky told the audience,

noting that companies really need the protection and insurers should want them to understand why they need it.

'Silent Cyber'

As if a cyber hurricane is not scary enough, insurers are also worried about what is called "silent cyber." This is the cyber exposure insurers face with all-risk policies and other liability insurance policies that have not excluded cyber risk.

Kara Owens, global head of Cyber Risk, TransRe, who also participated in the Advisen cyber panel, said this is a universal exposure across the board of every product line. In other words, though insurers are writing standalone cyber policies, there is plenty of indirect exposure to cyber losses through other coverages.

"It's very hard to come up with a [product] line that wouldn't be exposed to it. It's definitely a massive issue," Owens said.

Owens cited the Uber and Yahoo breaches as examples of how silent cyber comes into play. Both companies had cyber policies and also directors and officers (D&O) policies so their breaches impacted several lines of business for their insurers.

"There are a lot of examples where you can have multiple policies exposed from the same breach," Owens said. "And we've been seeing a lot more of that correlation especially with D&O."

The challenge for an insurer is gauging the true aggregation in its books of a major breach.

TransRe has been working on addressing this issue through the building of an internal aggregation system that inputs its clients' quarterly policy information.

"That way, if there's a big breach, then we're able to pull that out and say, 'Okay, this is where we're exposed,'" she said.

The reinsurer also does a more detailed "manual effort" where it manually tracks its larger towers — around $100 million or $200 million and up — to gather a better understanding of its overall exposure and which other carriers are on those excess towers. She said

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the company will also include D&O exposures in these instances.

QBE has also focused on gathering information to answer the questions about what the company's true cyber exposure is, and the industry as a whole is waking up to this as well.

"Two years ago, we weren't really talking about these issues of aggregation. We weren't even talking about what silent cyber was," said panelist Steve Anderson, vice president, product executive - Privacy & Network Security Specialty Insurance, QBE.

He said with other lines of business, data modelers and companies use historical data and are "looking backward," but cyber companies must look forward, which is a hard adjustment for the industry.

"I still think we're looking backwards instead of trying to look forward in what we're going to see," he said.

Owens agreed the newness of cyber risk makes it a challenge to adequately model and understand an insurer's true exposure, especially because many losses that may have been cyber-related were not previously identified as such.

"We have a lot of data that we're sitting on as a reinsurer, but it's hard because we weren't coding cyber properly before. So, a lot of the claims information we have was coded as miscellaneous E&O," Owens said. "We have to manually go through all claims and we can't change it in the system because then that's going to mess everything up from an actuarial standpoint ... and pricing."

Regulating Cyber Insurance

Various state, national and international regulations are recommending or requiring insurers to address their silent cyber exposures. This is prompting many carriers to look at each product line to identify cyber exposures and whether they are pricing risk accordingly, or if the exposures are being adequately excluded.

"Sometimes a lot of the exclusionary language that we see out there is not by any means perfect because it was written a long time ago when it really varied by product line," Owens said.

Some carriers opt to put an affirmative limit on a product line so "that way you know when you're able to track your aggregation instead of just having an all-risk policy that doesn't even mention cyber."

She welcomed a statement from the Prudential Regulator Authority (PRA) in the UK that calls on insurers and reinsurers to identify their affirmative cyber and non-affirmative silent-cyber component. She urged U.S. regulators to come up with something similar.

"I think the PRA statement has been very helpful to have companies really start to take a look and address it in a formal manner," she said.

QBE's Anderson said the cloud down scenarios are definitely scary as an underwriter, but cloud networks are the current model being used. He said it's up to carriers and brokers to understand the cloud and how secure are the clouds their clients are using. "That falls to us. [Because] the reality is that is the model. So get comfortable with it," he said. IJ

U.S. Cyber Market Is $2 Billion, Growing Fast, Profitable: Fitch

Cyber insurance coverage continues to be one of the fastest growing segments and represents a significant growth opportunity for U.S. property/casualty insurers, according to Fitch Ratings in a new report.

The market has attracted about 75 insurers, with Chubb, American International Group and XL Group leading in market share.

Aggregate statutory data for the P/C industry shows that stand-alone cyber direct written premiums grew by 7 percent in 2017 to $986 million. Stand-alone and package cyber premiums combined grew 54 percent to $2.0 billion for the year. Allianz projects that the cyber insurance market could reach $20 billion by 2025.

The industry statutory direct loss ratio for stand-alone cyber insurance fell to 35 percent in 2017 from 43 percent in the prior year. While direct results do not incorporate all claims and underwriting expenses, or the effects of reinsurance, this result is indicative of strong underlying profitability thus far in the cyber market, Fitch said.

"Profitable results in a new market are attracting competition to the cyber space," said James Auden, managing director. "Roughly 75 distinct insurers wrote over $1 million each of annual cyber premiums last year alone."

The good underwriting results may not last.

"As cyber underwriting exposure grows, more cyber incidents will be covered, generating claims that lead to weaker underwriting results," said Gerry Glombicki, director. "From an individual underwriter perspective, the risk of naive capacity entering the market, growing rapidly without sufficient expertise and ultimately suffering outsized losses in cyber is an expanding possibility."

Fitch analysts note that growth in package-related cyber premiums reflect expanding insurer efforts to specifically include cyber coverage and endorsements in policies that may hold cyber exposure but which lack explicit policy terms or premiums related to cyber risk.

However, they add that some of the growth in 2017 package cyber premiums also reflects variability and changes over time in how companies report cyber premiums in the statutory supplement.

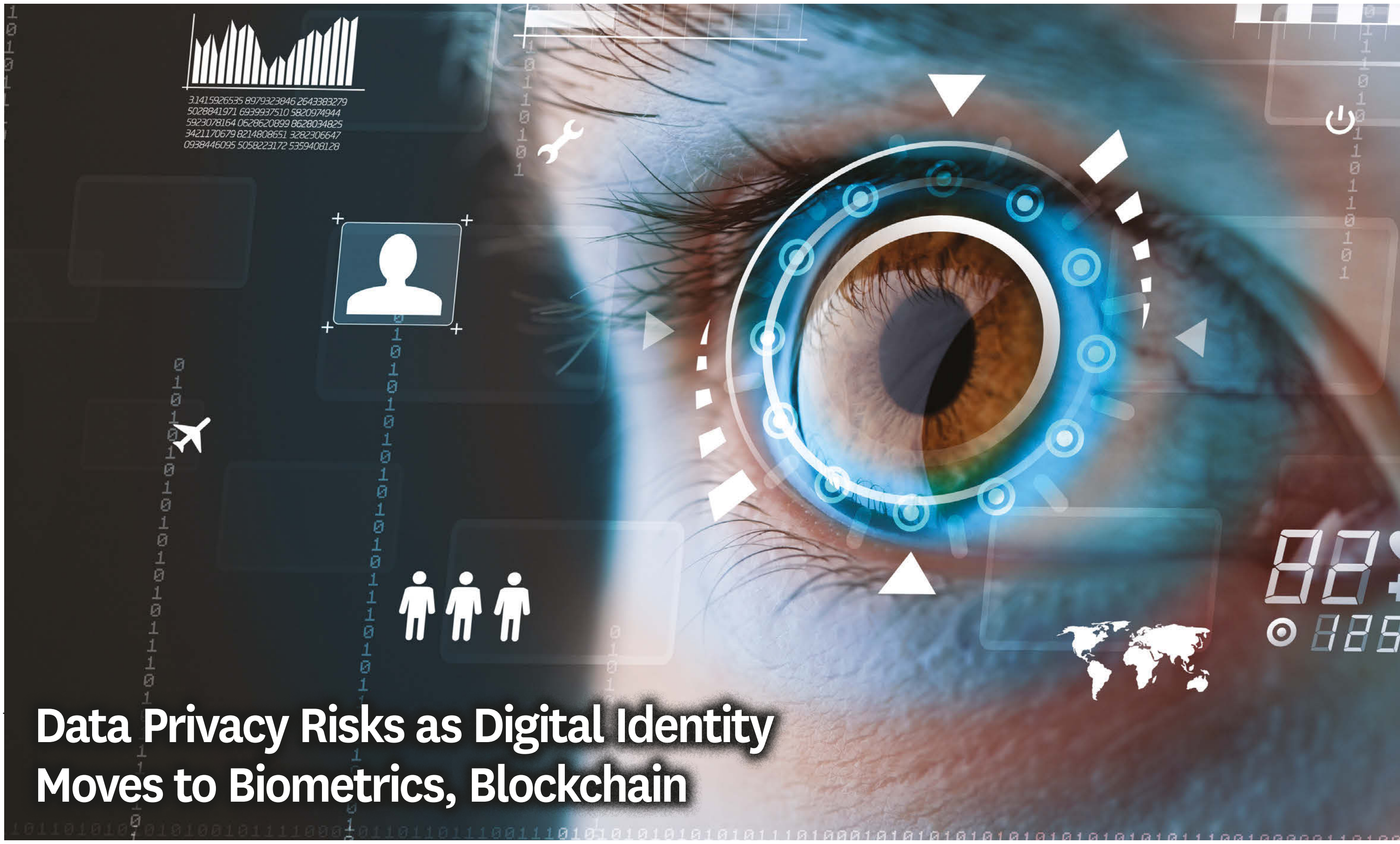
Market share of stand-alone and package cyber coverage in 2017 showed the leaders to be Chubb Limited (15 percent direct market share); and American International Group Inc. (11 percent direct market share) and XL Group (9 percent direct market share). AIG remains the largest stand-alone cyber writer.

In its report on the cyber insurance market in 2015, when the market was $1 billion in direct written premium, Fitch also found American International Group, Chubb and XL Group led the market.

For 2016, when insurers wrote $1.35 billion in cyber business, Fitch ranked American International Group, XL Group and Chubb as the top three writers.

Berkshire Hathaway is not among the leading writers and that's just fine with its chairman, Warren Buffett. This month at Berkshire's annual meeting, Buffett said he believes the risk is unknown.

"I don't think we or anybody else really knows what they're doing when writing cyber" insurance, he said. "We don't want to be a pioneer on this." IJ



Data Privacy Risks as Digital Identity Moves to Biometrics, Blockchain

By Elizabeth Blosfield

A retail store's ability to authenticate customers by scanning their unique ear or retinal patterns may seem like something out of a sci-fi movie, but this type of identification technology isn't fictional.

It's called biometric authentication, and it has grown in popularity as traditional username and password systems for identity protection have led to flaws in data privacy and security.

"Biometrics means moving away from [passwords and personal identification numbers] and using human-related characteristics, because physiological and behavioral patterns are unique to you as an individual and can be used as a better identifier," Shiraz Saeed, practice leader in Starr Companies' cyber risk division, said during a panel discussion at the 2018 PLUS Cyber Symposium held in Chicago, Ill.

Biometric authentication can include systems such as Apple Pay's touch ID, Apple's thumbprint technology, Microsoft Windows 10 and Apple facial recognition technology or even recorded typing rhythm or rhythm of voice.

Shiraz Saeed

However, in attempts to achieve greater security, could information privacy become an even bigger issue?

"We're moving quickly to a point where law enforcement and the private sector will be able to identify us no matter where we go and no matter how anonymous we try to be," Saeed said.

This comes as digital identity, or the way personal information is stored and secured in order to verify someone, has in the past largely related to the use of usernames, passwords, social security numbers and PINs, which can be cracked or stolen.

"Right now, in a world where everybody has lots of usernames and passwords, I read a statistic recently that says roughly 80 or more percent of folks use the same password over and over again," said Ross Nodurft, vice president and risk management leader at One World Identity, during the panel discussion.

Biometrics Risks

One current concept to improve this is the use of biometrics, added panel moderator David Cole, partner at Freeman Mathis & Gary.

David Cole

As one example, Saeed explained that he recently called his bank to do a transaction, and the bank informed him it would record his voice to use as a personal identifier going forward.

"At first, you think, 'Oh wow. That's cool

‘There are real world incidents of biometric data being stolen, harvested and put into big data pools that can be drawn upon.’

because my voice is unique to me,’” he said. “But that inherently becomes the first flaw, because is that a unique thing? It’s public, actually.”

He explained that if an individual’s retinas are being scanned somewhere, or if someone can get a copy of another person’s ear pattern or fingerprint, in reality, it isn’t private like a password or a PIN.

He added that in order to understand biometrics from a regulatory or insurance perspective, it needs to be viewed as private information no different from someone’s name or address.

“The question is: What is the long-term impact of this?” he said. “If you lose your password, you can make a new one quickly. If someone steals your retinal scan, how do you get that back? That’s a question now that we’re talking about from a legal perspective about scanning and emotional distress.”

He gave another example in which many years ago, news outlets reported a man in Malaysia had his thumb chopped off by thieves attempting to get around his Mercedes’ thumbprint scan in order to steal his vehicle.

“Just think about that and the impact and ramifications on your insurance policy because this is now the cause of action,” Saeed said. “Ultimately, private information was stolen; it’s just off of his thumb rather than a server.”

Nodurft pointed back to the OPM hack, in which the social security numbers of 21.5 million people were stolen from government background investigation databases, according to NPR.

“In addition to that, many fingerprints were stolen off of OPM’s files,” he said. “So there are real world incidents of biometric data being stolen, harvested and put into big data pools that can be drawn upon.”

One way to combat this is through the use of multimodal biometrics, in which more than one biometric solution is used to authenticate individuals, he added.

“If you need my fingerprint, then you need to scan my ear, then you need to scan my iris, that’s a lot more work,” Nodurft said. “The idea of layering all of these attributes on top of each other is one of the ways that the technology industry is progressing and trying to tackle the identity crisis.”

That said, Saeed added that just like every technology, he believes it’s a double-edged sword.

“…there’s technology involved, and with every technology, there’s some sort of error,” he said. “We have to be careful about how much of that information we want to be released and what limitations we have to put on government and the corporate sector to protect ourselves from exploitation.”

Current Regulatory Framework

Indeed, one risk factor for insurance companies with the use of biometrics is an impending onslaught of regulations to try to address the challenges, Cole said. Some laws already in place require businesses or entities collecting biometric information to provide notice to each person about what they’re collecting, how it will be used and how long it will be stored. These businesses and entities also have to obtain written consent and adhere to rules regarding the destruction of the data.

In fact, Illinois was the first state to implement a law regarding biometric data with its Biometric Information Privacy Act, which imposes specific fines and penalties related to the storage and use of that information. Currently, there are three state laws that have been passed to address the collection and use of biometrics in Illinois, Texas and Washington.

‘We’re moving quickly to a point where law enforcement and the private sector will be able to identify us no matter where we go and no matter how anonymous we try to be.’

While Texas’ and Washington’s laws are enforceable by the Attorney General, Illinois provided a private cause of action under its statute for biometrics laws.

“Under the Illinois law, we’ve seen dozens of class action lawsuits filed against businesses for not properly obtaining consent,” Cole said.

He gave one example of a group of restaurants that were using time clocks for employees to clock in and out of work with their thumbprint.

“That was a collection of biometric data for which the plaintiffs alleged that the company had not properly obtained their consent or provided the necessary disclosures,” he said. “I also do employment law, so I know these sort of time systems are a common thing, and it would be easy to trip up and make those kind of mistakes if you’re not aware of the rules of compliance

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with these laws."

Other regulations currently in place involving biometric data include the Genetic Information Nondiscrimination Act, an employment discrimination statute that's enforced by the Equal Employment Opportunity Commission and regulates the collection and storage of genetic information by employers. It requires employers to maintain that information in confidence in a separate file, and it cannot be disclosed unless for law enforcement purposes.

The Family Educational and Privacy Rights Act also has restrictions on the disclosure of biometric information that schools and educational institutions may have on their students.

"Most recently, what we're seeing are the state data breach notification laws incorporating biometric data into the definition of personally identifiable information (PII)," Cole said. "Originally, these statutes were written in a way that said PII includes your name in combination with your social security number, date of birth or government ID or account number."

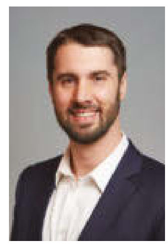
Peter Miller

As biometric data continues to be implemented as a way of authenticating others to gain access to their information, it is now becoming a part of PII. This means that if an individual's identity is compromised by way of biometric data, it triggers a notice obligation in the same manner as a social security number being hacked or stolen out of a business' or entity's system.

Blockchain Solution?

In addition to biometrics, another proposed solution for storing and securing data regarding digital identification is blockchain technology.

Blockchain consists of a series of blocks of data, with a secure key established as the only key that will unlock each block, explained Peter L. Miller, president and CEO of The Institutes, during the panel discussion. The use of a different key won't work, and the key becomes invalid if there are attempts to change components of the block.

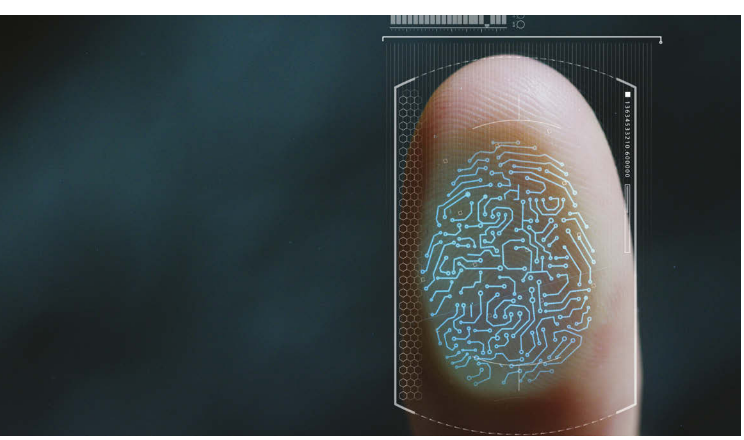


Ross Nodurft

"That means it's pretty difficult to hack a blockchain, because [everyone involved in the blockchain] has a copy of the key and would all know," Miller said, adding that while bitcoin is the first use case for blockchain and is considered public, he believes the way businesses will utilize this technology in the future is through a hybrid blockchain.

In a hybrid blockchain, everyone involved in the network knows everyone else, each participant has to be admitted to the network, the rules are well-established and the truth of the information is set through a consensus algorithm so that data can be shared with confidence, he said.

"We believe in it so much that we created an alliance of insurance organizations, which is really to bring blockchain technology to our industry through a consortium," he said. "Banks have started one, and you'll hear about blockchain consortiums starting, because blockchain is simply about sharing data."



That said, Nodurft cautioned companies to be careful with blockchain.

"One reason you have to be careful is because garbage in, and garbage out. You are going to build up an identity that's either private or it's wrong," he said. "So you have to be careful about what's going in during the initial creation and verification when using blockchain for identity."

He explained that if an entity wants to create a currency or identity through a private blockchain with controlled permissions about who can see information on the distributed ledger, there is a risk of corruption at the onset.

A distributed ledger is a database held and updated by each participant in a large network, rather than through one central authority.

"While there is quality of consensus-based rules and distributed sharing of information, there's also the risk of people who own it corrupting the blockchain before you even get started," he said.

However, he stated he believes there are good use cases for blockchain, whether through identity, financial transactions or contracts.

"I think where we're headed is being able to securely own who you are, interact with a trusted entity on the other side, and do so in a way that your data is secure throughout," he said. "I think blockchain fits in with the ability to have those trusted interactions across large ecosystems with large groups of people in a way that is verifiable."

He added that this technology can lead to more efficient workers in the economy as ecommerce is driving more people online, and it is underpinned by two basic levers: the identity of the person interacting at the beginning and end of the transaction, which can be a corporation or an individual, and the data that person is using, which is either being transferred, stored, owned or housed.

"I'm not completely anti-use of these distributed ledger technologies, I'm just cautious about when and where they're used. They're not the end-all-be-all of technology solutions," he cautioned. "Just go in with eyes wide open." IJ

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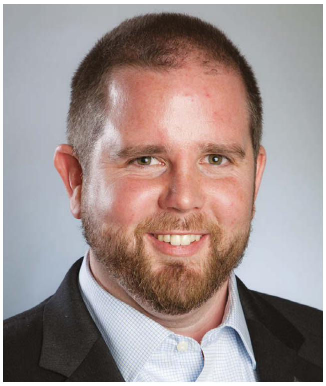
Idea Exchange

Debunking the 3 Cyber Risk Myths for Small and Medium-Sized Businesses



By Steven Billings

Cyber losses at large companies make the headlines. Hacks at Target, Equifax, JP Morgan Chase, Sony, and Anthem are well-known. While certainly painful experiences for them and their customers, these events are not likely to put these firms out of business thanks to their extensive IT departments, financial resources and cyber insurance programs helping to cushion the blow.

Cyber risks are no less prevalent for small and medium-sized entities (SMEs). Firms of all sizes are getting hit to the tune of $1.3 billion in 2016, according to the FBI. Yet in stark contrast, it's likely there is inadequate (if any) coverage provided to SMEs by existing business insurance policies. Without the safety nets of their large-firm counterparts, the exposure is potentially catastrophic, if not existential. Research conducted by the National Cyber Security Alliance found the following:

- Every 40 seconds, a company is attacked with ransomware.
- Almost 50 percent of small businesses have experienced a cyber attack.
- As many as 60 percent of hacked small and medium-sized businesses go out of business within six months.

Recent ransomware attacks, such as WannaCry, mean that SMEs are starting to get the message. Global insurance giant Allianz noted growing visibility and focus on cyber risk in its 2018 Risk Barometer survey. But Vinko Markovina of Allianz sounded a cautionary note: "Awareness is growing... but many SMEs still underestimate their exposure and are not prepared for, or are able to respond to, an incident. This can be a fatal mistake."

There is also increasing recognition of the value of cyber risk insurance. The 2017 Council of Insurance Agents & Brokers' Cyber Insurance Market Watch Survey noted 32 percent of surveyed companies purchased cyber coverage, up from 24 percent the year prior. This is a significant jump in firms buying coverage. However, two-thirds of companies are still not buying it. Why not? There are three pervasive myths that often prevent SMEs from including this important coverage in their business insurance portfolios.

Myth 1: 'We are too small to be a target.'

According to Jeff Bardin, chief intelligence officer of cyber risk consulting firm Treadstone71, "[Forty] percent of cyberattacks are aimed at companies with 500 employees or less." Common sources of big claims for SMEs include a lack of encryption tools on laptops and mobile devices, rogue employees, fraudulent invoices,

continued on page 26

continued from page 25

unsecured customer protected data and ransomware attacks.

The impacts of these cyberattacks include lost customers, distracted staff, reputational harm, fines and damages, and expenses for forensics, remediation, notification, credit monitoring and legal defense and/or settlements.

Myth 2: 'Our exposure is not that great.'

Believing their IT operations are uncomplicated, low tech and unattractive to cyber attackers, many SMEs are unaware of the extensive threats they face. Hackers see a valuable source of easily accessible data.

To intensify matters, the cyber-risk environment is dynamic. Cyber criminals are constantly exploring new hacking techniques. Emerging exposures and vulnerabilities continue to evolve from the increasing utilization of social media, cloud computing, the internet of things (IoT) and artificial intelligence.

There are two categories of cyber risk exposures:

- Third-party exposures include the liability a business has to others due to an unlawful breach of its network, transmission of malicious code (e.g., a virus), a denial of service attack or the theft and subsequent criminal use of confidential data on individuals' or proprietary-firms' secrets.
- First-party exposures include losses the business incurs when an event causes damage or malfunction to its equipment or that of a supplier or customer, extra expenses to minimize the duration of a loss, costs to replace destroyed data, as well as the financial losses due to cyber extortion or computer fraud.

Myth 3: 'Our existing insurance coverage protects us.'

Many SMEs get lulled into a false sense of confidence that they already have cyber protection in their traditional general liability, property, crime and/or directors and officers liability policies.

Although there may be some coverage in their existing business policies, SMEs must beware of the following:

- Coverage, if any, is limited. These policies were not designed to respond to cyber attacks.
- Coverage is disappearing: Underwriters are increasingly carving cyber coverage out of conventional policies in favor of cyber-specific policies — the modest coverage some policies have today may be gone at the next renewal.

A Roadmap for Navigating the Cyber Market

There are several challenges SMEs must keep in mind as they venture into this complex marketplace.

First, it is a relatively new risk environment, with more than 60 different insurance companies offering cyber coverage.

Second, insurers use "non-standard" policy forms, meaning policy terms and conditions can vary widely from carrier to carrier.

As many as 60 percent of hacked small and medium-sized businesses go out of business within six months.

Finally, underwriter pricing methodologies are "all over the map." There is minimal consistency in premiums. It is critically important that company leadership invests sufficient time to understand both the range of risks and solutions.

The following systematic client and broker team-based approach is recommended:

Step 1 – Assessment

Gain an understanding of the nature and extent of the risks facing the company. Solicit input from key stakeholders, such as finance, IT, sales and legal, and run hypothetical claim scenarios. With this information in hand, determine where there is or isn't coverage from existing insurance policies.

Step 2 – Understand What Cyber Coverages Are Available in the Marketplace

Get to know the details and nuances of the large menu of third-party and first-party coverages and support services that carriers are offering.

Step 3 – Insurance Program Design and Marketing

Determine what mix of third- and first-party coverages are needed to close any uncovered gaps. Coverages can be selected or "packaged" on an a-la-carte basis to create programs tailored to each organization's unique operations and a marketing strategy can be developed to target the appropriate insurers for the broker to approach.

Step 4 – Evaluate Carrier Proposals

The broker will negotiate with the carriers and present detailed comparisons of options. Key provisions they will review with the buyer include selected coverage parts, coverage triggers, who is insured, limits/sub-limits, deductibles, premiums, definitions, exclusions, defense provisions and carrier-support resources.

Step 5 – Placement

If a decision is made to proceed, the broker will bind the program.

Step 6 – Ongoing Monitoring

Many carriers offer value-added risk-management services to assist their insureds in reducing susceptibility to claims, access outside security experts and lawyers and provide employee loss-avoidance educational materials. Keep current on cyber risk exposures and trends.

Hackers are constantly seeking new victims and ways to target them. SMEs that fall into one or more of these three myths are at greater risk of becoming victims.

Working through the process – assessing company risks, becoming a cyber insurance "student," designing a tailored program and evaluating and then selecting an effective insurance solution – takes effort. However, this investment in front-end pre-planning will prove to take a fraction of the time, energy and financial exposure required to respond to a cyber event. It could well mean the difference between survival or losing the business. IJ ***Share this article with a colleague.*** **IJMAG.COM/0521CY**

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Near National P/C Carriers Identified for 2018

By Barry J. Koestler II

This year marks the 12th year of the Demotech Company Classification System, which was established in the Feb. 12, 2007 issue of Insurance Journal. The system categorizes insurers into one of 11 categories based on an analysis of data reported by the companies to the National Association of Insurance Commissioners.

The 11 categories that comprise the classification system are Nationals, Near Nationals, Super Regionals, Regionals, State Specialists, Coverage Specialists, Strategic Subsidiaries, Risk Retention Groups, Surplus Lines Carriers, Reinsurers and companies with less than $1 million in direct premium written. A company can be assigned to only one category in the Demotech Company Classification System. Therefore, a company not designated as a Near National is assigned another classification, perhaps National, Super Regional, Regional, or State Specialist.

To determine the companies for the 2018 Near National list, these specific, objective qualifying criteria and thresholds, evaluated as of Dec. 31, 2017, were used:

- More than $1 million of direct premium written in each of at least 35 states;
- Policyholders' surplus of at least $100 million;
- $100 million or more of direct premium;
- $50 million or more of net premium;
- No line of business greater or equal to 90 percent of direct premium volume;
- No state greater or equal to 90 percent of direct premium volume;
- No surplus lines carriers, risk retention groups, or reinsurers;
- Does not qualify as a National (more than $1 million of direct premium written in each of at least 45 states, $250 million or more of surplus, net premium written, and direct premium written).

To develop the list of Near Nationals, Demotech reviewed 2,559 individual property/casualty insurance companies and assigned them to a category in the Demotech Company Classification System. Only 60 insurers met the criteria to be designated a Near National for 2018.

When analyzing the companies classified as Near Nationals for 2018, several interesting items were observed. Of the 60 individual carriers classified as Near Nationals for 2018, 43 were also identified as Near Nationals for 2017 and 2016. Twelve of the companies have been Near Nationals since the introduction of Demotech's classification system in 2007. The vast majority, 51 of the 60 companies, are stock companies. All but three of the Near Nationals are members of a property/casualty insurance group, with six each from Travelers Group and Berkshire Hathaway, four each from Chubb and Hartford Fire & Casualty, and three each from Horace Mann and XL America. No other group had more than two Near Nationals for 2018.

By count, the 60 Near Nationals comprised just over 2 percent of the 2,559 carriers that were reviewed; however, they wrote approximately 7.6 percent of the 2017 direct premium reported by the P/C insurance industry. The Near Nationals also represented approximately 19.4 percent of the P/C industry's reported policyholders' surplus at year-end 2017. Clearly, this level of financial presence demonstrates the importance of the Near Nationals. They are critical to the smooth functioning of the P/C insurance market.

In reviewing the 2017 direct premium written by the Near Nationals, there were only five states in which all 60 Near Nationals wrote at least $1 million: Arizona, Colorado, Georgia, Pennsylvania, and Wisconsin. The 2017 direct premium written was distributed evenly between auto, commercial multi-peril/other liability, homeowners/property, and all other lines including workers' compensation.

Near Nationals may be small in number, however, the 60 carriers comprising the Near Nationals for 2018 are substantial insurers, critically important to the P/C insurance industry, as demonstrated by their significant market share and impressive balance sheets. This remarkably stable group of carriers remains capable of honoring meritorious claims and providing active markets for agents.

It is important to reiterate that the Demotech Company Classification System is an objective stratification of the companies that comprise the industry based on their business models. It is not equivalent to or suggestive of ratings

Line of Business	Near National 2017 Direct Premium Written (000s omitted)	Percentage of Near National Total Direct Premium Written
Auto	$12,898,327	26.6%
Commercial Multi-Peril/Other Liability	$11,485,915	23.7%
Homeowners/Property	$12,220,703	25.2%
Workers' Compensation	$7,956,793	16.4%
All Other Lines	$3,853,083	8.0%
TOTAL	$48,414,821	100.0%

of the individual insurers. Inclusion on the list of Near Nationals does not imply that a company is superior to companies that were not included in that classification. IJ

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Koestler II is the chief ratings officer of Demotech Inc., a financial analysis firm specializing in evaluating the financial stability of regional and specialty insurers. Website: www.demotech.com.

2018 Near National P/C Insurers

Company Name	2018 Demotech Company Classification	2017 Demotech Company Classification	2016 Demotech Company Classification	2015 Demotech Company Classification	2014 Demotech Company Classification
American Home Assurance Co.	Near National	Near National	Near National	Strategic Subsidiary	Super Regional
American National Property and Casualty Co.	Near National	Near National	Near National	Near National	Near National
AmGUARD Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Aspen American Insurance Co.	Near National	Near National	Super Regional	Super Regional	Strategic Subsidiary
Bankers Standard Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
BCS Insurance Co.	Near National	Near National	Near National	Near National	Near National
Berkley Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
Berkshire Hathaway Homestate Insurance Co.	Near National	Near National	Near National	Near National	Near National
Berkshire Hathaway Specialty Insurance Co.	Near National	Near National	Super Regional	Strategic Subsidiary	Coverage Specialist
Brotherhood Mutual Insurance Co.	Near National	Near National	Near National	Near National	Near National
Charter Oak Fire Insurance Co.	Near National	Near National	National	National	Near National
Employers Insurance Co. of Wausau	Near National	Near National	Near National	Near National	Near National
Employers Mutual Casualty Co.	Near National	Near National	Near National	Near National	Near National
Endurance American Insurance Co.	Near National	Near National	Super Regional	Super Regional	Super Regional
Federated Rural Electric Insurance Exchange	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Federated Service Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Near National
General Casualty Co. of Wisconsin	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Great Northern Insurance Co.	Near National	National	National	National	National
Great West Casualty Co.	Near National	Near National	Near National	Near National	Near National
Greenwich Insurance Co.	Near National	Near National	Near National	Near National	Near National
GuideOne Mutual Insurance Co.	Near National	Near National	Near National	Near National	Near National
Hartford Insurance Co. of the Midwest	Near National	Near National	Near National	Near National	Strategic Subsidiary
Horace Mann Insurance Co.	Near National	Near National	Near National	Near National	Near National
Horace Mann Property & Casualty Insurance Co.	Near National	Near National	Near National	Super Regional	Super Regional
Hudson Insurance Co.	Near National	Near National	Near National	Near National	Near National
IDS Property Casualty Insurance Co.	Near National	Near National	Near National	Near National	Near National
Indemnity Insurance Co. of North America	Near National	Near National	Near National	Near National	Near National
Integon National Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Jewelers Mutual Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional
Markel American Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
Mid-Century Insurance Co.	Near National	Near National	Near National	Super Regional	Super Regional
National Indemnity Co.	Near National	Near National	Near National	Near National	Super Regional
National Liability & Fire Insurance Co.	Near National	Near National	Near National	Near National	Super Regional
Navigators Insurance Co.	Near National	Near National	Near National	Near National	National
New York Marine and General Insurance Co.	Near National	Near National	Near National	Near National	Near National
Northland Insurance Co.	Near National	Near National	Near National	Near National	Near National
Pacific Indemnity Co.	Near National	Near National	Near National	Near National	Near National
Pennsylvania Lumbermens Mutual Insurance Co.	Near National	Super Regional	Near National	Super Regional	Super Regional
Pennsylvania Manufacturers' Association Insurance Co.	Near National	Near National	Near National	Near National	Near National
Pharmacists Mutual Insurance Co.	Near National	Super Regional	Super Regional	Regional	Regional
Praetorian Insurance Co.	Near National	Near National	Near National	Near National	Near National
Privilege Underwriters Reciprocal Exchange	Near National	Near National	Regional	Regional	Regional
Property and Casualty Insurance Co. of Hartford	Near National	Near National	Near National	Near National	Regional
Protective Insurance Co.	Near National	Near National	Near National	Near National	Near National
Safeco Insurance Co. of America	Near National	National	National	National	National
Securian Casualty Co.	Near National	Near National	Super Regional	Super Regional	Super Regional
Sentry Insurance a Mutual Co.	Near National	Near National	Near National	Near National	Near National
Sentry Select Insurance Co.	Near National	Near National	Near National	Near National	Near National
Sompo America Insurance Co.	Near National	Near National	Near National	Near National	Near National
Teachers Insurance Co.	Near National	Near National	Near National	Near National	Near National
Tokio Marine America Insurance Co.	Near National	Near National	Near National	Near National	Near National
Travelers Casualty and Surety Co.	Near National	Near National	Near National	Near National	Near National
Travelers Home and Marine Insurance Co.	Near National	Near National	Near National	Near National	Near National
Travelers Indemnity Co. of America	Near National	Near National	Near National	Near National	Near National
Travelers Property Casualty Co. of America	Near National	Near National	Near National	Near National	Near National
Trumbull Insurance Co.	Near National	Strategic Subsidiary	Strategic Subsidiary	Strategic Subsidiary	Regional
Twin City Fire Insurance Co.	Near National	Near National	Near National	Near National	Near National
United States Liability Insurance Co.	Near National	Near National	Near National	Near National	Near National
XL Insurance America Inc.	Near National	Near National	Near National	Near National	Near National
XL Specialty Insurance Co.	Near National	Near National	Near National	Near National	Near National

Data Source:The National Association of Insurance Commissioners, Kansas City, Mo., by permission. Information derived from an SNL product. The NAIC and SNL do not endorse any analysis or conclusion based upon the use of its data.

Channel Harvest Survey: Where Do Carriers Fall Short of Agent Expectations?

There appears to be a misalignment between carrier performance and independent agents' expectations in both personal and commercial lines. These are selected findings of "Agent Voices 2018," a soon-to-be-released report based on a survey of the nation's independent agents cosponsored by Channel Harvest Research and *Insurance Journal*.

In commercial lines, agents expect high underwriting performance from their leading carriers, the survey found. Yet those same agents score their top carriers well short in that area.

Disconnects also exist in personal lines, where carriers fail to match agents' expectations for competitive pricing, claims responsiveness and claims service quality.

"We see a trend with underwriting performance, as we saw similar disconnects a year ago," said Josh Miller, research director of Channel Harvest. "Commercial-focused agents expect their top carriers to excel in all underwriting areas (responsiveness, appetite and flexibility), yet underwriting was not one of the highest scoring areas." Instead, agents gave their top carriers high marks for financial strength, brand reputation and customer service, Miller said.

In the 2017 Channel Harvest survey, personal lines-focused agents expected and received good claims service from their top carriers, Miller noted. And the story was similar in commercial lines when it comes to underwriting, as agents expected more than they received. "It's not surprising that underwriting is possibly the biggest challenge for commercial lines carriers and their agents in an era of more complex risks," he said. "If you look back a few years, that wasn't the case."

'Commercial-focused agents expect their top carriers to excel in all underwriting areas (responsiveness, appetite and flexibility), yet underwriting was not one of the highest scoring areas.'

Five years ago, Channel Harvest found a near convergence between agent expectations and carrier performance. Commercial lines agents listed financial strength, claims quality and underwriting expertise as most important qualities in a carrier. Their assessment of actual performance was almost identical, with carriers excelling at the same three traits.

Personal lines agents in 2013 placed the most importance on financial strength and claims and reported their top carriers performed well in those areas. They also gave carriers high marks for underwriting, which landed near the bottom of priorities.

This year's Channel Harvest survey was conducted between Jan. 4 and March 16. Some 7,000 respondents ranging from principals to producers to CSRs answered 140 questions about personal lines and commercial lines carriers. The survey was designed with input from an advisory panel of carriers including regionals, super-regionals and nationals. Besides weighing in on the most important traits in a carrier, they also offered opinions on agency aggregators, growth and technology.

Commercial Lines		
	Important to agents	Above-average performance
Underwriting responsiveness	93%	74%
Underwriting appetite	93%	65%
Underwriting flexibility	93%	62%
Personal Lines		
	Important to agents	Above-average performance
Competitive pricing	92%	70%
Claims responsiveness	92%	75%
Claims service quality	91%	75%

For more information and to purchase the report as well as the raw data, contact Ellen Wallace, director of industry relations at Channel Harvest Research, at ellen@channel-harvest.com. IJ

7 Questions to Consider When Selling Flood Insurance

By John Dickson

Any agent who has used the National Flood Insurance Program (NFIP) in the past to deliver flood insurance to clients knows all too well that trying to simplify the complexities of flood insurance in the midst of program lapses, regulatory changes and extreme weather events is an important yet arduous undertaking.

With the NFIP debate ongoing, Congress is striving to improve claims standards and make flood insurance more affordable for all Americans. Discussions continue around the development and delivery of dependable, disciplined, reliable private insurance to help more people protect their financial livelihood. The timing is impeccable.

In an industry plagued with constant change and turmoil, people need alternatives. Below are a series of guiding questions to facilitate conversations with clients so you can work together to explore all options for protecting their property and valued possessions.

1.) Does your client need specialized flood insurance coverage?

Consider flood insurance coverage in terms of the specifics of the property and the property owner. Is the client a landlord? Is the client on a fixed income? Is this person holding properties for income-generating purposes? By understanding the needs of clients, agents can more effectively use and configure the suite of flood insurance options available today.

Private flood insurance enables property owners to supplement the NFIP product, providing coverage that homeowners expect from their homeowners policies for exposures such as outdoor property, detached structures, swimming pools and basements.

2.) Does your client have a finished basement or swimming pool?

The NFIP does not cover personal property in basements, so displaced homeowners or homeowners with built-out basements are responsible for these bills. If a storm surge dumps a ton of sand into your client's pool, are they prepared to shoulder the costs of the resulting clean-up? Private options can help and coverage may be available for swimming pool clean-up protection.

3.) Does your client's exposure exceed $250,000?

The value of custom-built homes continues to increase with replacement costs rising well above $250,000, the current limit on government-issued coverage. Now, owners of residential homes have options with higher coverage limits at affordable rates through private flood insurance programs, including both primary and excess programs that write significantly above NFIP limits.

4.) Would your client need assistance for additional living expenses if they experience flood damage?

When weighing coverage options remember that the NFIP does not cover

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Flood

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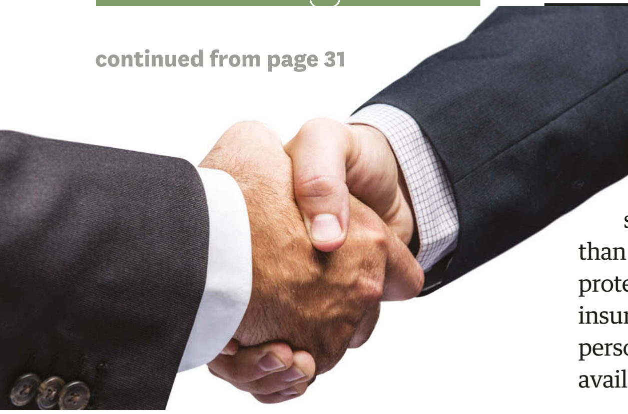

additional living expenses. With a private flood policy, the client can opt to add additional living expense coverage. This valuable coverage helps homeowners that have been displaced as a result of a flood by covering the costs of shelter and meals.

5.) Are your client's personal belongings valued at more than $100,000?

Consider your client's property holdings beyond the physical structures they own. For example, if your client is a landlord or holding income-generating properties, they typically don't need contents coverage. However, some clients may need more coverage than what is available from the NFIP to protect their personal treasures. Private insurance options can include coverage for personal property. Excess options are also available to provide greater protection.

6.) Would your clients prefer a simplified application process?

Speed of delivery and streamlined processes of today's private flood insurance options are increasingly attractive to clients.

The NFS Edge EZ Flood coverage can be quoted by agents typically in less than a minute. Plus, property owners can obtain a quote without an elevation certificate and without providing property photographs.

7.) Would private insurance save your clients money?

Private products are not subject to federal surcharges or reserve fund assessments and may be less expensive to purchase than NFIP flood insurance, particularly for structures not used as primary residences.

Presenting private flood insurance options not only helps your clients make more informed decisions, it enhances the value you bring to your relationship as you work together to help them protect what matters most – their families, homes and treasured possessions. IJ ***Share this article with a colleague.***

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Dickson is president of NFS Edge Insurance Agency, Inc., a subsidiary of Aon National Flood Services (NFS), the largest processor serving insurance companies participating in the NFIP. NFS Edge is part of the Aon Specialty Programs Network.

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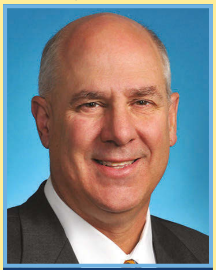
Steve DeCarlo
Chief Executive Officer
AmWINS Group, Inc.

Los Angeles, June 21

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For a complete listing of featured speakers please visit the Regional Forum Speaker pages at: womensconference.iicf.org

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Garage

Market Detail: Atlas General Insurance Services (atlas.us.com) offers garage keepers legal liability, general liability and property coverage for businesses in the automotive industry.
Available limits: Maximum $20 million
Carrier: Unable to disclose, non-admitted
States: All states
Contact: Customer service at 877-66-ATLAS

Labor Professional Liability Insurance Policy

Market Detail: Euclid Specialty Managers' (www.euclidspecialty.com) Labor Professional Liability Insurance Policy is available for international, regional, district council and local unions, as well as joint apprenticeship training committees and funds. The policy is designed to protect officers, directors, board and committee members and other leaders of a labor union or labor non-profit entity against claims arising from: union exposures, including collective bargaining, duty of fair representation and handling grievances; financial management exposures in running a union; employment practices liability, including discrimination, harassment and constructive termination; and personal injury, including libel, slander and invasion of privacy. The Individual Labor Leader Endorsement provides reimbursement of defense costs for union leaders facing allegations of personal profit, fraud and conflict of interest.
Available limits: Maximum $5 million
Carrier: Hudson Insurance Co.
States: All states
Contact: John O'Brien at 440-714-5832 or e-mail: jobrien@euclidspecialty.com

ATF Proceedings Endorsement

Market Detail: Joseph Chiarello & Co. Inc.'s (www.guninsurance.com) endorsement pays reasonable and necessary "defense costs" in defense of any proceeding (warning conference, revocation hearing, judicial review) coming out of any ATF record keeping or administrative action. Under this endorsement, the carrier will defend insureds up to $25,000.
Available limits: As needed
Carrier: Unable to disclose
States: All states
Contact: Joseph Chiarello at 908-352-4444 or e-mail: info@jcinsco.com

Railroad Industry

Market Detail: United Shortline Insurance Services Inc. (USIS) (www.unitedshortline.com) is exclusively focused on the insurance needs of the short line railroad industry. This growing, ever-changing industry requires a focused insurance manager that understands railroads and their unique characteristics. United Shortline focus' strictly on providing high-quality coverage, claims handling and loss control services that ensure a safe, profitable railroad.
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Contact: Customer service at 800-247-2085

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Market Detail: Ron Rothert Insurance Services (www.ronrothert.com) offers coverage for a range of personal and commercial risks. Acord applications are acceptable. Specialty applications posted on the forms center for those risks that require them. Most personal lines and selected commercial products appear on our rater, the R.O.S.E. The "*" next to a class of business indicates that it can be rated by the agent.
Available limits: As needed
Carrier: Unable to disclose
States: Idaho, Ore., and Wash.
Contact: Customer service at 800-452-7726

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Market Detail: Corporate Risk Services (www.midwestrisk.net) offers access to workers' compensation programs designed for the healthcare industry. Coverage specializes in guaranteed cost, large deductible, excess workers' comp, loss portfolio transfers and novations. Markets offered include: excess WC through Midwest Employers, New York Magic, Safety National and Star Insurance. Large deductible programs through Sentry.
Available limits: As needed
Carrier: Various, admitted
States: Ark., Ariz., Colo., Dela., Ga., Iowa, Ill., Ind., Ks., Ky., La., Md., Mich., Minn., Mo., Miss., N.C., Neb., Okla., Pa., S.C., Tenn., Texas, Utah, Va., and Wisc.
Contact: 800-440-7475 IJ

Why It's Important to Find the Agency's 'Why'

By Catherine Oak and

Rachel Schoeffler

A new book, "Start with Why" by Simon Sinek covered this topic and gave us inspiration for this article.

"When you fill an organization with 'good fits,' those who believe what you believe; success just happens," said Sinek.

Sir Ernest Shackleton who led three expeditions to the Antarctic, including the infamous Endurance voyage back in the early 1900s, surrounded himself with a team of noble and adventurous explorers. On Shackleton's search for the crew for his voyages, he clearly described the type of people he needed when he placed ads in *The New York Times* in 1915. He even noted that a "safe return was doubtful," but he still needed a team of people who would not give up, no matter the circumstances. Despite the disaster with the Endurance when the ship became trapped in ice, Shackleton was able to lead the crew to safety after camping on sea ice until lifeboats arrived.

Moral of the story, when you surround yourself with like-minded individuals, success tends to follow. When employees feel they belong and are important to the organization, they are more motivated to work toward the company's goals. This will guarantee the company's success, as employees will do the job for themselves.

Many companies focus on their organizational structure to address the "how" or "what" their company does, versus finding their "why."

Looking at the key differences between IBM and Apple's organizational structure, Apple continues to be a leader in technology. Steve Jobs gave employees a filter, a context and a higher purpose around which to innovate. Apple employees simply look for ways to bring their cause to life, in as many places as they can, and it works.

"Great companies give their people a sense of purpose or challenge around which to develop ideas, rather than simply instructing them to make a better mousetrap. Companies with a great sense of why tend to ignore the competition. Innovation is invaluable for navigating struggle, easier to weather hard times or even to find opportunity then," said Sinek.

Illuminate the Higher Cause

Employees don't give up if they understand the higher cause. The Wright Brothers, Shackleton and Apple's management all believed they could be the best and they trusted their people to do it.

Another example that Sinek gave in his book was about the story of the two Stonemasons. One man just had a job for the money and chipped away each day in the heat, resenting his job. While the other employee, saw that he was building a cathedral; he saw the big picture. The latter has a sense of purpose and was part of the higher cause. He likely knew he would never see the end product, but he was happy to be a part of its creation.

People working together for a common cause build trust and camaraderie.

People working together for a common cause build trust and camaraderie. Companies with a sense of why are able to inspire their employees. The feelings they bring to work attract other people who are eager to work there as well. Good, inspired employees can be the organization's salespersons for finding new, like-minded employees who also believe in the company's core message and purpose.

If they do bring in new people, they should also be rewarded. From management on down, these employees see that they all need each other in order to be successful.

Wright Brothers vs. Langley

Another example from the book was Samuel Pierpont Langley versus the Wright Brothers, Wilbur and Orville, in their race to create the first airplane.

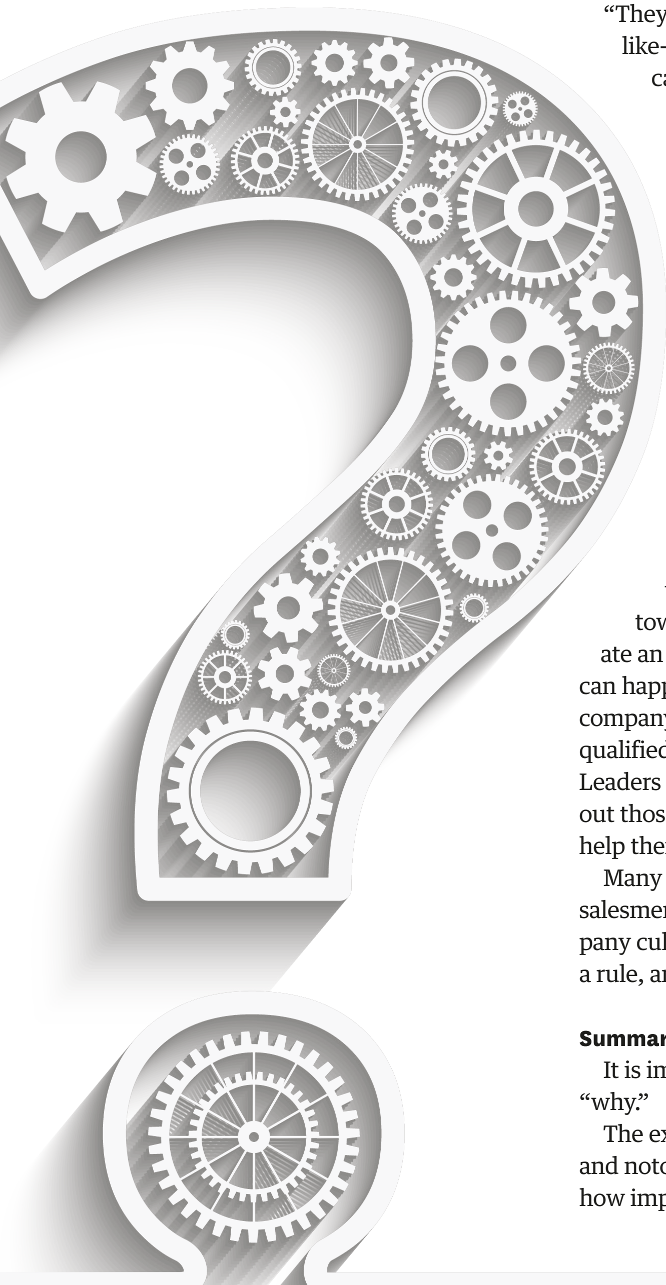
They both were trying to create the same flying machine. They both had a strong work ethic and keen scientific minds. However, the Wright Brothers did not have the same financial support as Langley did, but they did have the inspiration. Langley was more motivated by the desire of fame and wealth he'd receive if successful. The Wright Brothers were motivated, not by wealth and fame, but rather to succeed, which excited those around them and led to others believing in their potential.

While Langley had much more money and was able to hire talent to get him rich and famous, the Wright Brothers had a more authentic and practical purpose for building the airplane. The Wright Brothers started with their "why" while Langley started with the "what."

When the Wright Brothers finally took flight, Langley quit – as he was too keen on being the first and was eventually humiliated for his failure. Langley cared too much about his public image because he was preoccupied with being famous. His ego was ultimately his downfall.

The Wright Brothers inspired a group of people to join them in their pursuit of something bigger than each individual member of the team, much like Shackleton did in his Antarctic expedition.

"They pulled together a team of like-minded people and gave them a cause to pursue to ensure a greater sense of teamwork and camaraderie," said Sinek.



Companies with a sense of 'why' are able to inspire their employees.

Lead the Teams

The average company usually gives their people something to work on, while in contrast, the most innovative organizations give their teams something to work toward. The role of a leader is to create an environment in which great ideas can happen. It is the people inside the company, on the front lines, who are best qualified to find new ways of doing things. Leaders and agency owners need to draw out those great ideas from their people and help them to feel empowered.

Many companies have star employees, salesmen and so on, but few have a company culture that produces great people as a rule, and not an exception.

Summary

It is imperative to find your company's "why."

The examples of all of these companies and notorious people in this article, show how important it is for people to work toward a greater purpose. Agency owners need to inspire their team of employees.

At the next planning meeting, the owners and employees should try working together to find the company's "why." IJ

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Oak is the founder and president of Oak and Associates, an international consulting firm to the insurance industry that specializes in mergers, acquisitions, perpetuation planning, valuations, planning meetings and streamlining operations for insurance agencies. Schoeffler is a financial analyst and junior consultant at the firm. Phone: 707-935-6565. Email: catoak@gmail.com. Website: www.oakandassociates.com.

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Blockchain Technology Presents Privacy Concerns for Insurers

By Theodore P. Augustinos

and Christopher R. Barth

In exploring the use of blockchain technology, the insurance industry must consider the issues and challenges presented by nearly 20-year-old privacy requirements created by the Gramm-Leach-Bliley Act, signed in 1999 by President Clinton.

For the first time since 1933, GLBA allowed insurers and banks to combine, but the Act expressly stated its intention not to usurp the authority of state insurance regulators.

The GLBA treats both banks and insurers as "financial institutions" and imposes consumer privacy protections, obligating financial institutions to safeguard the security and confidentiality of nonpublic personal information. GLBA Section 502 states in relevant part that a "financial institution may not, directly or through an affiliate, disclose to a nonaffiliated third party any nonpublic personal information," subject to certain exceptions. The GLBA defines when a financial institution may disclose such information and mandates notices concerning such disclosures. The requirements to safeguard nonpublic personal information were imposed for the insurance industry by state legislation and regulation adopted to follow NAIC model regulations. Violations of these requirements may result in enforcement actions, and civil and criminal penalties.

In addition to nonpublic personal information provided by consumers, insurers collect confidential and proprietary information from commercial insureds during the underwriting and claims processes. This information is beyond the scope of GLBA privacy requirements but may be of value to the business and ongoing operations of the insured. As a result, some jurisdictions, such as Illinois, have expanded obligations to safeguard information to include restrictions on "collection, use and disclosure of information gathered in connection with insurance transactions by insurance institutions, agents or insurance-support organizations," thereby encompassing both personal and commercial lines. Underwriting and other agreements often impose contractual obligations on insurers to secure commercial information.

Insurers must consider this existing backdrop as they explore the implementation of blockchain.

The technical aspects of blockchain are beyond the scope of this article, but at its heart the technology relies on what is commonly referred to as "distributed ledger technology." DLT) allows participants in the chain to have complete access to information concerning the transaction.

The insurance industry has embraced the development of "smart contracts," which rely on blockchain to expedite claims handling and reduce administrative burdens. The issuance of insurance policies in smart contract form is expected to revolutionize the industry.

Legal, regulatory and contractual obligations requiring the insurance industry to safeguard the security and confidentiality of nonpublic personal information and sensitive commercial information have clear, but often unexplored, implications for the use of DLT.

The deployment of smart contracts based on DLT isn't without risks, many of which are not yet fully known. One can look to the deployment of other technologies like email and websites and the development of related threats like hacking and spam as a potential harbinger of what might follow from the adoption of smart contracts based on DLT.

Some benefits of blockchain – immutability, transparency, and decentralization – also present concomitant risks. For example, if an insurer inadvertently discloses nonpublic personal information subject to GLBA protections over the blockchain, there is no "control-alt-delete" button enabling a do-over. Further, the insurer's remedial efforts will be hampered by the permanency of the disclosure and its widespread distribution.

Blockchain technology will probably revolutionize insurance. In considering DLT applications, however, insurers must be vigilant in anticipating the interaction of humans with the technology to prevent inadvertent disclosures. And the privacy and security regime established by a nearly 20-year-old statute will remain an important part of the equation for insurers as they develop cutting-edge offerings related to DLT. IJ

Barth is a partner in Locke Lord's Chicago office. Augustinos is a member of the Locke Lord Privacy & Cybersecurity Practice Group steering committee and office managing partner of the firm's Hartford office.


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