INSURANCE JOURNAL

THE NATIONAL PROPERTY CASUALTY MAGAZINE

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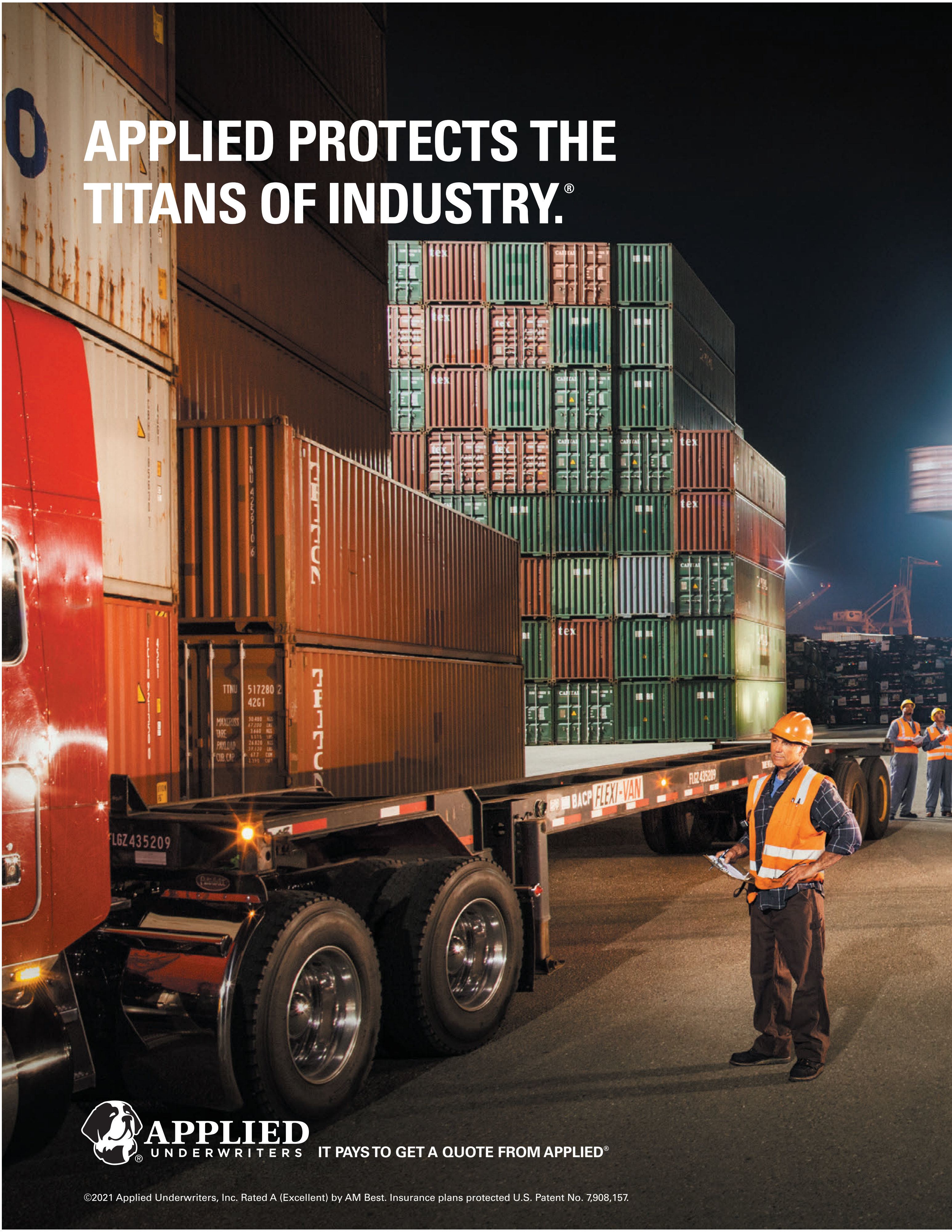
Agency Salary Survey:

Satisfaction Rises, Compensation Falls

Agencies Kept Employees Happy Through Disruption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THE
HARTFORD

Opening Note

Write the Editor: awells@insurancejournal.com

P/C Insurers' Net Income for 9 Months Fell 27% on Impact of Catastrophes

In the first nine months of 2020, net income for the U.S. property/casualty insurance industry dropped 27.5% to $35.1 billion and net underwriting gains declined to $0.3 billion, from $5.4 billion a year earlier as the industry dealt with the effects of the COVID-19 pandemic and an historic catastrophe season.

A report from data firm Verisk and the American Property Casualty Insurance Association (APCIA), shows the deterioration in underwriting results was due, in part, to the losses and loss adjustment expenses from catastrophes, which more than doubled to $47.1 billion for nine-months 2020 from $21.5 billion in the same nine-month period a year earlier.

2020 set a record for the number of U.S. catastrophic events. The 2020 catastrophes included 19 events with at least $1 billion in direct insured losses in the U.S. (17 in the first nine months), including the first riot and civil disorder event to exceed that threshold.

The U.S. recorded one of the largest deteriorations on the Verisk Maplecroft Civil Unrest Index over the past year – increasing from the 91st riskiest jurisdiction by the second quarter of 2020 to the 34th. The index assesses the risk of disruption to business caused by various forms of civil unrest – from protests to violent mass demonstrations and rioting.

Auto insurers benefited from the reduced driving activity due to the pandemic during the first nine months of 2020, with the pure loss ratio for auto insurance improving to 56.6% from 65% compared to the same period in the previous year. Many auto insurers provided partial premium refunds to current policyholders and adjusted their rates. Verisk's ISO estimates that insurers provided approximately $11 billion in direct premium refunds and renewal credits to policyholders.

Policyholders' surplus rose $16 billion to $863.3 billion as of Sept. 30, 2020, from $847.3 billion as of Dec. 31, 2019, driven by growth in the stock market.

The report said while it might take time before the insured losses directly attributable to pandemic can be reliably estimated, the impact on premiums was immediate. Due to the economic disruption, consumers and businesses deferred and canceled large purchases and capital investments, which led to reduced premium activity. The written direct premium growth slowed to 2.3% for the first nine months of 2020 compared to 4.8% in the same time period in 2019.

2020 set a record for the number of U.S. catastrophic events.

Robert Gordon, APCIA senior vice president, policy, research and international, said analysts expect commercial lines insurers to face significant reductions in premiums due to audits that reflect reduced revenues and payrolls. "The industry continues to face the strong headwinds of unknown but potentially severe future COVID-19 related losses and long-term claims," Gordon said.

COVID-19 vaccines should help the economic recovery going forward but many questions remain. "The beginning of COVID-19 vaccination efforts has provided some hope for people in the United States and across the globe," said Neil Spector, president of ISO at Verisk. "But the U.S. economy and the insurance industry still face many challenges which will depend on our progress in ending the pandemic."

Andrea Wells
Editor-in-Chief

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Diversity, Resilience, Innovation Among Altmaier's Priorities as NAIC President

By Amy O'Connor

Florida's top insurance regulator has a busy year ahead, and it won't just include overseeing his own state's insurance market, one of the most dynamic and complicated insurance markets in the world. Rather, for the next year, Insurance Commissioner David Altmaier has another job as president of the National Association of Insurance Commissioners. It's a job he says he is ready for after serving as president-elect behind former NAIC President and South Carolina Insurance Director Ray Farmer, with whom he has a shared understanding based on leading insurance markets in catastrophe-prone states.

Altmaier was appointed commissioner of the Florida Office of Insurance Regulation (OIR) in 2016. He joined the department 2008 and has served in several roles, including as chief analyst of the Property and Casualty Financial Oversight unit and deputy commissioner of Property and Casualty Insurance. He previously worked as an insurance agent with an agency in Kentucky.

Altmaier talked with Insurance Journal about his priorities leading the NAIC, including carrying on Farmer's NAIC work on cyber risk and the newly developed Committee on Race & Insurance, as well as climate change and insurance innovation. The following interview with Altmaier has

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Growth Potential
NO SALES CAPS!
1' 4"
1' 3"
1' 2"
1' 1"
1'
11"
10"
9"
8"
7"
6"
5"
4"
10/20
7/19
2/18
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Figures

$525,000

The estimated fire damage to six school buses that burned at a Racine County, Wisconsin, depot on Feb. 2. Officials said the blaze at the Thomas Bus Service lot in the Town of Burlington was ignited by an electrical problem and was not suspicious in nature.

$13 Billion

That's how much California's largest utilities company said that it will spend to reduce the risk of wildfires following the worst fire season in modern state history and a string of blazes that were blamed on their equipment. Pacific Gas & Electric, Southern California Edison, San Diego Gas & Electric and some smaller utilities filed state-required annual wildfire mitigation plans with California's Public Utilities Commission.

Declarations

Voters' Will

"We're hopeful this will send a strong signal to special interests to stop trying to undermine the will of voters."

— Jim Pyatt, a Modesto retiree who drives for Uber, hailed a California Supreme Court ruling rejecting a lawsuit to overturn a ballot measure that makes app-based ridesharing and delivery drivers independent contractors instead of employees eligible for benefits and job protections.

Closing Time

"Public health and safety concerns is a rational basis for regulating how and when people gather to dine and drink alcoholic beverages in commercial establishments."

— Pulaski County (Arkansas) Circuit Judge Wendell Griffen, dismissing a lawsuit challenging the temporary, coronavirus pandemic-related, state-ordered early closing time for bars and restaurants. Griffen said the rational basis for the early closing time is "obvious" given the number of people who have died from COVID-19 nationally and in the state. The lawsuit had argued Gov. Asa Hutchinson and state officials did not have authority to order bars and restaurants to close by 11 p.m.

Flood Resilience

"As we put all those pieces together, they kind of improve our flood resilience and therefore we become a little less risky for the insurance companies, which makes it easier for the insurance policies to be issued at a lower rate."

— Cedar Rapids, Iowa, Development Services Manager Ken DeKeyser says the city's efforts to make it more flood resilient have paid off in lower flood insurance rates. The Cedar River flooded over 10 square miles of the city in 2008. Since then, the city has participated in the National Flood Insurance Program's Community Rating System, constructed a permanent flood control system, and increased public awareness of flood insurance and flood hazards, among other things.

$7.92 Billion

The amount of surplus lines premium recorded by the Surplus Lines Stamping Office of Texas (SLTX) in 2020, up 14% from the $6.95 billion recorded in 2019. The state has experienced a 139% growth in surplus lines since 2010, when premium totals reached $3.31 billion, according to SLTX.

$215,000

After a lengthy investigation, deputies of the Maryland State Fire Marshal's Office charged a Caroline County woman for intentionally setting fire to her house, which caused this amount in estimated damages. The fire was reported to 911 by a passer-by around 5 a.m. on June 15, 2020. The house was completely destroyed.

Cybercrime Tactics

"People should understand that this problem is not going away. ... Cybercriminals are simply shifting their tactics to find a new way to attack businesses and consumers."

— Identity Theft Resource Center President and CEO Eva Velasquez, referring to an ITRC report showing that in 2020, cyber criminals shifted away from stealing individual consumers' information to focus on bigger, more profitable attacks on businesses. Ransomware and phishing attacks are now the preferred form of data theft because they require less effort and generate bigger payouts. The ITRC found that the number of U.S. data breaches fell 19% in 2020 to 1,108. The number of individual victims of such cybercrimes fell 66% compared with the year prior.

ITRC
IDENTITY THEFT
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Impacting the Bottom Line

"Insurance fraud not only hits the bottom line of insurance companies, it also hits the pocketbooks of consumers through higher premiums."

— New York State Department of Financial Services (DFS) Superintendent Linda Lacewell said in a press relase after two businesses and their owners were charged with fraud against the New York State Insurance Fund (NYSIF). Manuel Sanchez and his business, Lagos Construction, have been charged with grand larceny and other crimes for allegedly failing to pay insurance premiums of more than $2 million for workers' compensation insurance covering employees. Rosa Rodriguez, and her company, Encinos Construction, have also been charged with grand larceny for allegedly concealing $3 million in revenue during their audits with NYSIF and allegedly defrauding the fund of more than $460,000 in insurance premiums.

Rate Disagreement

"We are not in agreement with the Rate Bureau's proposed increase filed in December. I want to make sure that the process is transparent and that consumers' interests are protected while making sure our insurance companies remain healthy so they can pay claims."

— North Carolina Insurance Commissioner Mike Causey comments on an 18.7% dwelling rate increase proposed by the North Carolina Rate Bureau, which represents property insurers in the state. A hearing on the proposal will take place Jan. 18, 2022, unless NCDOI and NCRB negotiate a settlement before then. The last NCRB dwelling rate increase filing was in 2019 and resulted in a settlement of 4%, which took effect July 1, 2020.

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been edited for clarity and brevity.

Insurance Journal: What are your priorities for NAIC and what effect will the new Congress have on those?

David Altmaier: A lot of them are going to look very familiar to people that have been following the organization for a while. We're certainly going to continue work on our Special Committee on Race and Insurance and our executive level task force on climate and resiliency, and long-term care is another good example of some classic hits from the prior year I think we are going to continue through 2021. But we're looking forward to finishing up some of the planning discussions that we have and then engaging with our stakeholders around the country on some really pivotal issues for consumers.

IJ: What is the direction of the Race Insurance Committee that was formed last year amid the Black Lives Matter movement?

Altmaier: We expect that those reports are going to highlight some areas across our lines of business as well as across the industry and regulatory agencies about areas that we can spend our time on in 2021 to make a difference.

IJ: What insurance sectors could make a difference in increasing diversity in the industry?

Altmaier: [The work streams] have spent a lot of time engaging with a number of industry stakeholders and consumer stakeholders and everybody in between to really understand which lines of business can have some areas that we can work on. I think that's one of the pivotal things that we're looking forward to receiving from the work stream so that we can establish some constructive and meaningful pathways forward on addressing some of those things.

IJ: Why is this work so important right now?

Altmaier: Over the summer, we started to have conversations amongst the membership about some of the things that were

David Altmaier shares his thoughts about serving as president of the NAIC with Insurance Journal's Amy O'Connor. View the complete interview on IJTV: https://www.insurancejournal.tv/videos/19061/.

happening around the country and a lot of the unrest that we were seeing. It really became very evident that members of the NAIC found it so incredibly important for us to spend some time working on this issue and ... if any of these kinds of things existed with the insurance industry, within the insurance industry or within regulatory agencies even, that we were proactively working to identify those things and address those things. And so this has been a very member driven initiative.

IJ: Have you had much response from the industry on this issue so far?

Altmaier: We have. I think the industry we found as we got into these discussions, the industry had almost simultaneously started their own conversations about this. As we got into the work streams and started to engage with the industry and they really came to the table with some thoughts and some ideas. ... It's one of those committees that we didn't have to really look too far for people that were interested in coming and sharing their thoughts and ideas with us on this issue, and it's been pretty encouraging to see the level of dialogue has taken place on this.

IJ: Being from Florida, you are quite familiar with natural catastrophes and the importance of mitigation and resilience. What are your goals around that with the NAIC this year?

Altmaier: This has been an important work stream as you said for us here in Florida, just given our propensity for hurricanes and many of my colleagues in the Southeastern zone have found it to be critical for them, as well. We've had some ongoing work at the NAIC on the C committee side — that's our Property and Casualty Committee. I had the opportunity to chair the Catastrophe Working Group for a while and was able to accomplish some pretty good work there. But over the past several years, we've seen that catastrophes come in all sorts of shapes and sizes not just hurricanes in 2021 really underscored that for everyone.

We had catastrophes in all four corners of the country, from wildfires in the West to hurricanes in the Southeast to derechos in the Midwest, and so we really wanted to elevate this work stream at the NAIC so that it got the attention that it deserved. And, that we were taking into consideration how can we make our communities and our insurance markets more resilient ... [and] minimize the amount of disruption that consumers face as a result of dealing with the insurance side of things. I think as we work on some of the work streams that are under the climate

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SIAA 2020 IN REVIEW

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resiliency task force, those will be the kinds of things that we look to accomplish. So this is one I'm really excited about.

IJ: Another topic that was of great importance to former NAIC President and South Carolina Insurance Director Ray Farmer was cyber risk. He spearheaded the committee for NAIC and worked on cyber model legislation for states to use. Is that something you will continue to work on?
Altmaier: Absolutely, and that work stream has kind of morphed in a couple of different ways. Director Farmer really did some great work with the Cybersecurity model law. That's really kind of at the implementation phase and so now we're counting on state regulators around the country to start working on adopting that in state houses. We do expect this to be a topic of discussion in D.C., as well. We'll be working to liaise with congressional leaders on this issue ... and explaining the importance of state insurance regulators and the role that we play in this area.

But it's also picked up steam on the innovation and technology side, as well.

IJ: Do you envision more of a state-by-state role with cyber legislation or it becoming federal law?
Altmaier: We are hoping that we can pass consistent laws [on cyber] around the country in the state houses. That's one of the main reasons why we adopted the model law so that we can do that consistently and I think that we have demonstrated in the past on key issues that we're able to leave those kinds of things up to the states while at the same time, maintaining consistency across jurisdictions so that carriers know the playing field and they know the rules and regulations, and they can count on that being somewhat consistent throughout the states. But one of the things that we have to make sure that we're doing is not only talking the talk but also walking the walk, showing the federal folks that this is something that we're capable of doing and interested in doing and doing quite well.

IJ: What have you learned as Florida's regulator that you will bring to this role?
Altmaier: One of the things that has been so critical as Florida's Insurance Commissioner is just communication. As we have worked on a variety of different issues over the years, making sure that we are looping in as many stakeholders as we can get our hands on, so that we have a solid understanding of everyone's viewpoints so that as we move forward on particular items, we are fully aware of the ramifications of the decisions that we're making and who those are impacting. It'll be no exception at the NAIC as we undertake so many critical work streams, ensuring that we're inviting as many viewpoints at the table as possible and allowing everybody to transparently share their viewpoints on certain issues and make us all aware of what we're getting into and the benefits of those things and the consequences. At the end of the day, as regulators, we can make consumer driven and data driven decisions that promote solid and stable markets for consumers to rely on.

IJ: One of the criticisms of insurers is how they communicate with customers — how they put out information and a lack of transparency. Is that something you want to work on?
Altmaier: We've been encouraging that a lot in Florida and we'll continue to do that at the NAIC. We've had a lot of Floridians going through the claims process for the first time and we have really seen how important it is for the industry to really over-communicate with their consumers about the claims process — what happens next, what the adjuster's role is and when they're going to come and when they're going to call. ... A lot of the anxiety that we have seen on the consumer side when they go through that process is really due to just a lack of communication from the insurance carriers about what they're going to see next.

We've been stressing for a while now to the companies that once you think that you've communicated enough with your consumer, call them several more times after that, just to make sure that they are very well aware of what's coming next. We've seen that play a huge role in consumer satisfaction. We'll continue to look for opportunities of improving not just industry communication but for us as well as regulators, making sure we're telling consumers our story and how we're looking out for them.

IJ: What have you learned from other NAIC leaders?
Altmaier: So much. It's hard to really even begin to quantify how much I've learned from my colleagues around the country and that's one of the things that I've cherished the most about my involvements with the NAIC. ... You usually don't have to look very far for a commissioner that has experienced the same challenge or a similar challenge [in their states] that they've worked through. The guidance and direction that they might be able to provide us been really insightful and I've certainly appreciated the comradery of the Southeastern zone. IJ

People

National

Jaime Tamayo is returning to **MAPFRE North America** to be CEO, a post he relinquished in 2016 after eight years to become CEO of international operations for the insurer. In his return, Tamayo is succeeding his successor, **Alfredo Castelo**, as president and CEO of Massachusetts-based MAPFRE North America. Castelo has been named chief business and clients officer for MAPFRE Group and will also have oversight responsibility for MAPFRE's Eurasia region.


Jaime Tamayo

Tamayo will be joined by **Jose Manuel Corral**, who has assumed the newly-created position of chief operating officer at MAPFRE USA. Corral, who most recently served as MAPFRE Group's chief business and clients officer in Spain, will oversee MAPFRE USA's day-to-day insurance operations. Since joining the company in 1993, Tamayo has held a number of executive positions at MAPFRE in the U.S., Spain and Puerto Rico. Under his previous leadership at MAPFRE USA, the company solidified its market position in Massachusetts, where MAPFRE is the largest auto, homeowners and commercial auto insurer. He also led the transformation of MAPFRE's U.S. distribution channels, including the company's entry into the digital arena. Corral also joined MAPFRE in 1993 and has served in several executive positions including deputy general director of business at MAPFRE in Spain; regional director of business and clients for the company's Iberia regional area; and deputy general director of the corporate business, clients and innovation area. The moves are part of a global realignment of its management teams in key regions that MAPFRE announced in September.


Jose Manuel Corral

East

Markel Corporation has hired **Trevor Gandy** as managing director for Talent, Diversity and Inclusion, effective January 1, 2021. In this new role, Gandy will further shape the company's diversity, equity and inclusion strategy for its global workforce. He will work closely with the company's human resources leadership team and its global Diversity and Inclusion Steering Committee on the continued development of employee awareness programs, training and education opportunities, recruitment outreach programs and strategic partnerships. Gandy reports to Sue Davies, chief human resources officer. Gandy has 25 years of management experience in the areas of diversity and inclusion (D&I), human resources, talent acquisition and leadership development. He has been a consultant for Markel's D&I initiatives since 2020. Before joining Markel, he was the founder and president of TréGan Consulting, where he helped companies promote and leverage the business value of D&I. He also previously served as principal of Diversity and Inclusion at Amazon and chief diversity officer at Chubb Insurance. Markel Corporation is a Richmond, Va.-headquartered financial holding company serving a variety of niche markets. The company's principal business markets and underwrites specialty insurance products.

The board of directors for **Union Mutual Insurance Company** voted at their December meeting to appoint **Philip Lambert** to be the company's vice president of Information Technology and Operations. Lambert started with the company in the beginning of January. Lambert will be based in the company's Latham, N.Y., office and joins just before the retirement of Executive Vice President Gary Ouellette, who will be retiring June 1, 2021. Lambert has almost 20 years of experience in the insurance industry. He is former owner of Roundhill Express LLC, an insurance broker offering habitational insurance in the greater New York City area. The Union Mutual of Vermont Companies, founded in 1874, is a property/casualty insurance group consisting of Union Mutual Fire Insurance and New England Guaranty Insurance Company Inc., both based in Montpelier, Vt.; and Community Mutual Insurance Company, based in Latham, N.Y.


Phil Lambert

Southeast

U.S. Administrator Claims has promoted **Michael Goff** to senior director to lead all claim operations. In addition to this promotion, the company has also hired **Greg Whalen** to be director of General Liability and Property Claims. Formerly the director of new programs at Appalachian Underwriters, Inc., Goff has more than 15 years of experience management in insurance and product development. His former roles include senior vice president and vice president/director of Marketing and Product Development of an insurance broker. Whalen comes to the company with more than 25 years in the insurance industry, including as director of Risk Management and Safety and senior workers' compensation adjuster for other insurance entities, as well as commercial chain businesses. U.S. Administrator Claims manages, adjusts and controls insurance claims filed against the workers' compensation and commercial general liability policies of multiple carriers across the country.

Atlanta-based **INSUREtrust** has added **Patrick Waldrep** as an account manager in Georgia. Before joining INSUREtrust, Waldrep worked as a sales manager for State Farm, where he was responsible for growing and servicing all aspects of the agent's book, including gathering submission documents, rating the exposure, onboarding new clients and issuing binders for auto, home, commercial, life and bank policies. INSUREtrust, located in the Atlanta metro area, is a national insurance wholesaler focused on insurance for emerging risks generated with using the internet, such as


Patrick Waldrep

privacy and security breaches for more than 23 years.

South Central

Appalachian Underwriters Inc. (AUI) added **Dustin Hickman** to its brokerage department as a casualty broker in Dallas. Hickman joins the AUI organization as part of the Energy Practice Group, specializing in heavy casualty accounts including the oil and gas business. Prior to joining AUI, Hickman was on a casualty team working for another wholesaler with a similar focus. Hickman holds professional designations related to surplus lines insurance as an associate in surplus lines insurance (ASLI) and the energy business as an energy risk insurance specialist (ERIS). Appalachian Underwriters Inc. is a full-service managing general agency and wholesale insurance brokerage.

McKinney, Texas-based **BevCap Management LLC** (BevCap), a program manager for both casualty and medical stop loss captive insurance companies in multiple domiciles, appointed **John Kirke** as president of BevCap's Healthcare Division. Kirke joins BevCap Management with a career of healthcare benefits experience ranging from sales at a national health insurance company to leadership at a top 25 national broker, leading clients and teams in self-insured healthcare programs through captive insurance companies. BevCap Management is a multi-line, national insurance program manager with a focus on alternative risk structures.

John Kirke

Midwest

Provision Insurance Group, an independent insurance agency headquartered in Bingham Farms, Mich., named **Chris Irvine** as its chief financial officer and a member of its executive leadership team. Irvine previously served as director of Finance and Operations for Teamworks, a software platform for elite athletics, where he played a role in optimizing the company's systems and workflows. Prior to that, Irvine was part of the founding team at Homepoint, the Ann Arbor-based mortgage company now originating more than $50 billion annually. He worked across the organization during its first five years, most recently serving as the managing director of Business Operations. Provision Insurance Group provides personal and commercial insurance.

Ryan Specialty Group LLC (RSG), based in Chicago, added **John Zern** as president and CEO of Ryan Specialty Benefits. Zern will lead the development of Ryan Specialty Benefits, which focuses on wholesale benefits brokerage and managing general underwriting capabilities to serve the needs of the retail brokerage community. Zern has employee benefits and insurance experience. He served as CEO of Global Health Solutions and CEO of North America Commercial Risk and Health Solutions for Aon. For more than 30 years, Zern has advised clients on health and risk strategies, working closely with insurance leaders to build solutions addressing some of the biggest challenges facing employers.

Ismat Aziz

Ismat Aziz has joined insurer **Kemper Corp.** as chief human resources officer (CHRO) and chief administrative officer, based in Chicago. Aziz will be responsible for Kemper's compensation and benefits, talent acquisition, talent management, employee relations and learning and development. She will also have oversight for diversity, equity and inclusion, communications, branding and corporate philanthropy. Aziz has more than 25 years of HR experience, most recently serving at U.S. Bank as chief advocacy officer and prior to that as chief human resources officer (CHRO), where she was responsible for the human capital strategy including talent acquisition and development, performance management, compensation and benefits and employee relations. Her previous roles include as CHRO for Sprint, CHRO for Sam's Club and senior HR roles at Sears Canada Inc. and MDS Pharmaceuticals. Aziz will take on the CHRO role from Christine Mullins, who previously announced her retirement. After their transition, Mullins will remain at Kemper on special projects.

West

Calabasas, Calif.-based **Topa Insurance Co.** has promoted **Jamie Kim** to controller and vice president of accounting. Kim will be responsible for representing the company and the finance department on strategic projects, reinsurance reporting and leading the accounts payable, accounting and treasury departments. She will also continue to lead the company's statutory and GAAP reporting. Kim joined the company in 2017 as assistant vice president and controller. Topa is a wholly owned subsidiary of Topa Insurance Group, an insurance holding company based in Calabasas. Topa provides insurance products through the wholesale markets.

Jamie Kim

Distinguished Programs has added **George Arrizabalaga** to the sales team as a regional sales executive for Southern California. Arrizabalaga will work with agents and brokers throughout Southern California to choose insurance programs for clients across the range of specialized products and services offered through Distinguished Programs. He will be based in San Diego and operate remotely. He has more than 10 years of experience in workers' compensation and commercial insurance. He was previously a field sales manager for Nationwide in Southern California. He was a reserve district manager for Farmers Insurance and Financial Services before that. Distinguished Programs is a national insurance program manager providing specialized insurance programs to brokers and agents with specific expertise in real estate, community associations, hotels and restaurants. IJ

George Arrizabalaga

Business Moves

National

Applied Underwriters, Centauri Insurance

Applied Underwriters has completed its acquisition of Centauri Specialty Insurance Co. and Centauri National Insurance Co., based in Sarasota, Florida.

Florida, Louisiana and Texas regulators have approved the transaction.

The Centauri companies sell home and commercial property/casualty insurance through independent agents and brokers in Alabama, Florida, Hawaii, Louisiana, Massachusetts, Mississippi, North Carolina, Oklahoma, South Carolina and Texas. They also offer private flood insurance in Florida, Hawaii and South Carolina.

Applied Underwriters acquired Centauri Specialty Managers on March 31, 2020 from its primary shareholder AXA/XL, and third party administrator Siebels-Bruce.

As part its purchase of CSM, Applied Underwriters also had an option to buy the Centauri holding company's two insurance carriers Centauri Specialty Insurance Co. and Centauri National Insurance Co., a deal it has now completed.

Headquartered in Omaha, Nebraska, Applied operates throughout the U.S., UK, and EU.

StonePoint, Insight, Corelogic

Property data and analytics firm CoreLogic has agreed to be acquired by two private equity firms for about $6 billion.

Funds managed by Stone Point Capital and Insight Partners are set to snatch up all outstanding shares of CoreLogic for $80 per share.

CoreLogic's board of directors unanimously approved the transaction. Plans call for closing the transaction in the 2021 second quarter, pending shareholder and regulatory approvals and other closing conditions.

The agreed upon price reflects a 51 percent premium to CoreLogic's share price on June 25, 2020, which was around the time it initially met with other investors to discuss an unsolicited bid to take the California-based real estate data company private.

CoreLogic's customers include insurance carriers, financial institutions and government agencies.

Plans call for financing the transaction through a combination of committed equity financing provided by funds managed by Stone Point Capital and Insight Partners, as well as committed debt financing provided by J.P. Morgan Securities LLC.

East

Curley Associates, Robert L. Haley Agency Inc.

Curley Associates, an insurance agency based in Sanford, Maine, has acquired Robert L. Haley Agency Inc. of Gray, Maine.

According to Curley, the Gray location will remain open at this time with key staff in place.

Curley Associates offers personal and business insurance solutions while serving the states of Maine and New Hampshire.

Curley Associates is a member agency of the Satellite Agency Network Group Inc., an alliance of independent insurance agencies in the Northeast. Robert L. Haley Agency Inc. was a SAN member agency for more than 10 years prior to the acquisition.

The Hilb Group LLC, Moran, Moran, & Dauphin Inc.

The Hilb Group LLC has acquired New York-based Moran, Moran, & Dauphin Inc.

MMDI primarily provides property/casualty insurance products mostly for personal lines, with concentrations in homeowners and personal auto.

As a part of the transaction, the MMDI leadership team of Anthony Moran and Ryan Dauphin, along with their associates, will join THG's tri-state operations and continue to work out of their existing location in Auburn, N.Y.

THG is a property/casualty and employee benefits insurance brokerage and advisory firm headquartered in Richmond, Va. It is a portfolio company of The Carlyle Group, a global investment firm.

Risk Strategies, FBA National

Risk Strategies, a privately held, national insurance brokerage and risk management firm, has acquired FBA National, a specialist in developing employee benefits solutions that align with an organization's goals and workforce needs. FBA National was represented by MidCap Advisors in the transaction.

Headquartered in Garden City, N.Y., FBA National tailors fringe benefit packages for clients seeking compliance with wage parity, living wage and other similar regulatory structures.

This acquisition adds to existing expertise in core home health care benefits programs gained by Risk Strategies in its 2016 purchase of Long Island, N.Y.-based TSG Financial.

As FBA has expanded, it has added property and casualty lines to its offerings to meet the additional needs of its client base.

Risk Strategies offers risk management advice as well as insurance and reinsurance placement for property/casualty, health care and employee benefits risks.

The Hilb Group LLC, William H. Connolly & Co. LLC

The Hilb Group LLC has acquired New Jersey-based William H. Connolly & Co. LLC.

WHC is currently owned and run by William H. Connolly Jr. WHC operates as an insurance and risk management brokerage, providing primarily property/casualty insurance products to a variety of businesses, healthcare organizations, educational institutions, professional firms, not-for-profit and social service agencies, individuals and families.

As a part of the transaction, William H. Connolly Jr. and his associates will join THG's tri-state operations, will be doing business as William H. Connolly & Co. and will continue to work out of their existing location in Montclair, N.J.

THG is a property/casualty and employee benefits insurance brokerage and advisory firm headquartered in Richmond, Va. It is a portfolio company of The Carlyle Group, a global investment firm.

Midwest

High Street Insurance Partners, Vested Risk Strategies

High Street Insurance Partners, an insurance brokerage platform of the private equity firm, Huron Capital, has acquired Vested Risk Strategies Inc., based in Hillsdale, Michigan.

Vested specializes in alternative risk financing arrangements including captive insurance programs.

HSIP, an ExecFactor platform, is headquartered Traverse City, Michigan.

Based in Detroit, Huron Capital is a private equity firm with a long history of growing lower middle-market companies.

South Central

Higginbotham, Vaughan Insurance Group

Higginbotham, an independent insurance firm based in Fort Worth, Texas, and Vaughan Insurance Group, a commercial insurance firm in Tulsa, Oklahoma, have merged operations.

This gives Higginbotham a second location in Oklahoma, where it opened its first out-of-state office in Oklahoma City in 2017. Higginbotham now has offices in nine states.

Higginbotham partnered with Vaughan Insurance Group to help expand and continue building its practice in Oklahoma. Vaughan Insurance Group's team will collaborate with Higginbotham's existing Oklahoma City office to broaden its products and services.

Vaughan Insurance Group serves 850 commercial accounts with a concentration in member association professional liability insurance, oil and gas insurance, and construction surety.

David Vaughan was named a managing director of the merged entity. He will continue leading the Tulsa operation now known as Vaughan Insurance Group, A Higginbotham Company. Vaughn, along with Higginbotham-Oklahoma Managing Directors Gray Holden and Chris Lavigne, will work to build the combined firm's presence in Oklahoma.

Texan Insurance, Suzanne Brown Agency

Texan Insurance has acquired Houston-based Suzanne Brown Agency LLC in an all-cash transaction.

Suzanne Brown Agency is an independent insurance agency that specializes in personal and commercial insurance needs.

Suzanne Brown and her 11-member staff will join Texan Insurance and will continue to work out of their existing location in the Houston Energy Corridor.

This acquisition is Texan's third in three years and brings its total employee count to over 50.

Texan Insurance is a family owned and operated insurance agency serving greater Houston.

Southeast

Colonial Claims, Premier Adjusting and Catastrophe Services

Colonial Claims LLC, a nationwide independent insurance claims service companies, has acquired Tampa area business Premier Adjusting and Catastrophe Services Inc., a first and third-party claims handler for residential and commercial losses.

Premier's core team of 12 employees - including Eileen O'Brien and Brian Auger - and more than 20 contract desk adjusters will continue to serve their customers out of the Oldsmar, Fla., office.

The companies will work together to service any type of property, liability, specialty and catastrophe claims nationwide.

Colonial is based in Dunedin, Fla., and Lexington, Ky.

Arthur J. Gallagher, Air-Sur

Arthur J. Gallagher & Co. has acquired Ormond Beach, Fla.-based Air-Sur, Inc.

Air-Sur is a retail insurance broker serving clients in the aviation and aerospace industry.

Thomas K. Coughlin and his associates will continue to operate from their current location under the direction of Scott Firestone, head of Gallagher's Southwest region retail property/casualty brokerage operations.

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

The company has operations in 49 countries and offers client service capabilities in more than 150 countries around the world through a network of correspondent brokers and consultants.

West

Heffernan, Micor

Heffernan Insurance Brokers has acquired Micor Insurance Brokers in San Jose, Calif.

The Micor San Jose office is Heffernan's 10th California location.

Corrie Foos, president of Micor, and his team, joined Heffernan.

Foos has more than 45 years of experience in the insurance industry.

Before joining Heffernan, Micor was a part of the cluster Archway Insurance Brokers.

Heffernan is an independent insurance brokerage headquartered in Walnut Creek, Calif.

It Could Have Been Worse.

COVID-19's Impact on Workers' Compensation

By Andrew G. Simpson

While it obviously presented challenges, 2020 is looking like it may not have been such a bad year for workers' compensation insurers and insureds after all.

Insurers took in less premium but paid fewer claims. They managed to achieve one of the lowest combined ratios in history. An increasing number of workers were able to be treated via telemedicine, meaning they did not have to travel. Injured workers, including COVID-claimants, appear to have received their medical care without much delay. And the vast majority of COVID-19 claimants needed only limited treatment.

On the down side, 2020 may have seen a return of opioid over-prescribing.

Experts from the industry's data and rating organization, the National Council on Compensation Insurance (NCCI), recently shared their preliminary analysis of 2020 claims data. In a virtual roundtable, COVID-19 and Workers Compensation: Data and Insights, Donna Glenn, chief actuary at NCCI, was joined by colleagues Len Herk, executive director and senior economist; Raji Chadarevian, director of medical regulations and informatics; and Vicky Mayen, director and actuary, to discuss what early workers' compensation data reveal about the nature of COVID-19 claims, medical care, claimants and costs to date.

Some highlights of the year include:

- The pandemic has "put gas on a fire that was already burning," that is, workers' compensation loss costs have been on a downward trend for years and expense ratios have been climbing.
- The percentage of COVID-19 claims among all workers' compensation paid claims has varied greatly among states and occupations, as has the decrease in non-COVID claims, according to research from the Workers Compensation Research Institute (WCRI).
- While at least 17 states have passed laws or issued orders that expanded access to workers' compensation benefits for employees who contract COVID-19, many of those directives are creating new exposure for only a sliver of the workforce, new research by the WCRI shows.
- Although the nation's focus may have shifted to the coronavirus pandemic, the opioid crisis not only remains a challenge, but also may have worsened due to COVID-19, according to speakers at a forum sponsored by the American Property Casualty Insurance Association and the U.S. Chamber of Commerce.
- Written premium for the full calendar year of 2020 is expected to be the lowest since 2012.

NCCI looked at results through the third quarter of 2020 and extended those through the end of the year. NCCI uses data from private carriers and state funds in 41 jurisdictions but its data does not include many public entities such as first responders or health care entities including hospitals and nursing homes that are largely self-insured. The NCCI figures are calendar year and do not reflect the full costs of treating COVID-19 or other health conditions with long-term effects.

Overall for 2020, NCCI projects an 8% decline in premium to $38.6 billion, the lowest since 2014. That is accompanied by a 7.6% decline in losses and a favorable 86% calendar year combined ratio.

COVID-19 Claims

Worker claims due to COVID-19 have ranged from no symptoms to critical care, hospitalizations and, unfortunately, fatalities in some cases.

The overall COVID-19 claims picture is by no means dire. "The larger majority of the cases that we see are small and have only required the injured worker to miss work and quarantine or recover at home," reported Chadarevian.

The workers' compensation system typically sees few indemnity-only claims and that has continued. While there have been some indemnity-only claims from the COVID-19 experience, "hospitalization and the use of the intensive care unit are key cost drivers," he said.

While about 80% of the COVID claimants received very limited treatment, 20% of the injured workers were admitted to the hospital, and those have been the costliest and most complicated cases. The typical COVID inpatient stay lasts on average about seven to eight days and costs just under $40,000, Chadarevian said.

"The most severe cases are ones where the injured worker needed to be in an intensive care unit for at least parts of their hospital stay," he said. Overall ICU cases, which make up just under 20% of the hospitalized workers, last about 12 days on average and they cost just over $62,000.

There have been some extreme cases where workers were hospitalized for an extended period of time leading to costs far above the average. There has been one situation where an "injured worker was there for multiple months and the total costs exceeded a couple of billion dollars."

The data reveal some demographics on those workers who filed COVID-19 claims. The large majority, almost 70%, are women. These claimants are also generally older than the typical injured worker, with a large share age 55 years and older.

Also, injured workers who contracted COVID-19 and required medical treatment were more likely to have comorbidities such as hypertension and chronic pulmonary disorder, Chadarevian said.

"This provides some perspective, but we recognize that this is not the whole story," he cautioned.

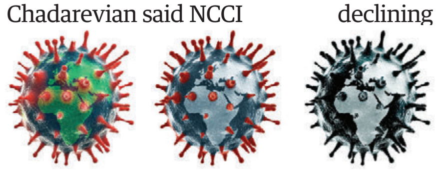
Glenn said that COVID-19 claims are predominantly among frontline workers including first responders, healthcare and other essential workers. However, she said, teachers are another class of workers that's has been "significantly" impacted.

"They are the ones that are showing up earlier in the data," Glenn said, affirming Chadarevian's observation that many of those hospitalized also are older with comorbidities.

Medical Care

While the workers' compensation industry may be slow to hop aboard the latest healthcare trends, the pandemic has accelerated its use of telemedicine in what panelists suggested could be a lasting change.

Chadarevian said NCCI



medical data shows that the share of active claims with at least one telemedicine service has increased from "almost nothing" at less than a third of a percent before 2020 to approximately 14% in the second quarter of 2020. The usage varies by state from about 5% in Arkansas to more than 30% in Maine.

The most notable increase in telemedicine in workers' compensation has been for evaluation and management, things that are done in office visits, at almost 12%. There has also been an increase of 10% in the use of telemedicine for psychological evaluations.

While some have been concerned about delays in medical treatments for injured workers due to the pandemic, NCCI said its early analysis shows only minimal delays.

At the same time, the share of active claims with either major or minor surgery remained steady (between 12% and 13%) over the last two years and into the second quarter of 2020, with no apparent delay in procedures performed. There is, however, some preliminary indication that the mix of surgeries may have changed, according to Chadarevian.

There is a "potentially troubling trend" in prescribing patterns, Chadarevian continued. The drug share of medical costs started to climb in 2020 back to levels not seen in a couple of years. "This seems to be partly driven by opioid experience. The use of opioids had been declining at roughly 3% per quarter since 2018, but in 2020, the use of opioids started increasing," he said.

In the second quarter, opioid utilization was up 10%.

"This is a signal of what I would call a very concerning trend," said Glenn.

At the same time, Insurance Journal has reported some are concerned that quarantine and social distancing have disrupted treatment and recovery services for those battling addiction who may also be more susceptible to COVID-19 than other workers.

NCCI also said active medical claims with at least one medical service or encounter in the workers' compensation system went down in the second quarter by 15%. New claims in the second quarter decreased about 26%, but even activity on older claims dropped about 9%. This was a time when many businesses were closed or had restricted activity.

"There's clearly more to it and the story will continue to develop with additional data," he said.

Loss Data

While workers' comp incurred loss data can vary from quarter to quarter, the change in the second quarter last year with its lockdowns and virus spread was even more dramatic.

According to Mayen, for private carriers countrywide, direct incurred loss increased by almost 9% in the first three months of 2020 compared to the first three months of 2019. Then they "decreased drastically" in the second quarter, bringing the cumulative incurred loss change through second quarter to about negative 8%.

An NCCI survey last fall of large private workers' comp carriers suggested that decreases in non-COVID loss dollars appear to have more than offset increases directly attributable to COVID. Mayen said these NCCI survey results are consistent with the decline in incurred loss as observed during the second quarter of 2020. Since the second quarter drop, after which the economy began to show signs of recovery, cumulative changes through third quarter 2020 appear to have stabilized at negative 7.6%.

Mayen estimated that given the reductions in both the losses and premium and assuming that expense ratios will remain at the same level as 2019, the industry will have an 86% combined ratio for workers' comp calendar year 2020. That, she said, would be the third lowest combined ratio in history and the seventh consecutive year of underwriting gains. IJ

Closer Look: Agribusiness

5 Questions to Ask Customers Considering a Family Farm Business

By Patrick Wraight

According to a March 2020 article by the Agricultural Marketing Resource Center, agritourism operations in the U.S. generated more than $700 million in sales in 2012. People are taking their family farms and (alongside farming) making them destinations for people who don't live on farms to come and enjoy some of their leisure time and spend some of their leisure cash.

Farmers are doing this for several reasons, including generating some additional revenue, exposing people to another way of life (many city people will pay to see what life is like on a farm), and teaching children about modern agriculture and animal husbandry.

I have a friend that has operated a family farm for many years, and they are planning to open their farm to people who want to come and pick some strawberries. This isn't a new way to generate revenue (and get someone else to do the harvesting), where I grew up, we would take annual trips to go pick grapes at a local vineyard. Think about it. You have a product that you want to get out to the public, and you can invite the public to come pay you for your product and the joy of helping you make your product ready for them. It's a real win-win-win, especially when Grandma makes her grape pie.

There's more to it than just a "you-pick" plot of land. Agritourism can include pumpkin patches, corn mazes, hayrides, tours and more. As insurance professionals, we have an opportunity to help local family farms as they venture into this business. One way that we can help them is by asking them some good questions that will help them to think through their risks and potentially help them keep their insurance reasonable, or at least help them to consider whether or not they really want to do this.

Sometimes, people just have a vague idea that they want to try something new. Let's plant a crop that people will like to pick. Let's stock the pond out back and let people come fishing. Let's let people ride horses or milk cows. It's possible that it's just an idea for them, but if you can help them to narrow down the idea, they will have a better idea what their idea really means to them.

Here are five questions we can ask a family farmer that is planning on getting into agritourism.

What activities are you planning on?

Let's take for example a small family farm that has had a couple of family friends ask them if they could hold their weddings at their really cool looking barn. Now they think that they can make some money as an event venue. That lets you start asking them questions that they didn't think about.

Are they planning only to have the wedding? What about the reception? Will they serve alcohol? Will there be dancing and can that quaint old cool looking barn handle it all? You get the point. Asking about the activities allows the client to think through all of the things that they want to do and more importantly, all of the things that they don't want to do.

Where will the people be on your property?

Since we're talking about that family farm that has that perfect little wedding venue spot, we could assume that their customers will only go there, right? Well, that's another item to think through because you may not be aware of it, but farms are really cool places.

'Agritourism can include pumpkin patches, corn mazes, hayrides, tours and more. As insurance professionals, we have an opportunity to help local family farms as they venture into this business.'

They are bound to have buildings that they don't want people in. There is the equipment building next door to the really cute barn where they store the tractors that they use for the real farming. They also have that one tractor that has been torn apart since last spring and they mean to finish fixing the engine but haven't gotten to it because they are farming and hosting weddings. They don't want the flower boy in that building.

Don't forget about the other part of the barn where they store the chairs and other wedding related property. They don't want people in there, do they? Maybe they want the clients to help with the set up and tear down, but then again, maybe not.

There's one other issue in the barn. There's still a hay loft that has hay and there's a ladder up into it that an investigative person (like a six-year-old and her three cousins) might find and choose to explore. Certainly, the farmers don't want them up there, right?

That begs the next question.

How are you planning to limit access to the parts of your property that are off limits?

Once they've identified the areas that they want to keep people in, it's important to have a conversation about how they keep people where they want them. That might be as simple as signs and fences or as complicated as posting people in key areas to make sure that the customers are guided into the proper area.

It has to be addressed because identifying an issue without identifying ways to solve the issue is not actually helpful, especially to the client who is looking for ways to help their family improve their situation.

This may not be a simple solution or conversation, but it's another one meant to get the client thinking about what might happen. The more potential risks that they identify on the front end, the more open their eyes are before they advertise their wedding venue.

Who is going to be there when your customers are on premises?

The farmer might look at you and say, "well, we plan to be there," and that's probably the best answer, but is it possible that they might need more than that?

If they choose to do more than provide the venue, they will certainly need more people. They will be hiring guides to help people into the location. They may hire servers and bartenders for the reception. They may hire photographers and videographers. Of course, they may also contract all of that out, but this still doesn't answer the question, who will be there when the customers are there?

The client needs to be aware that they will need certain staffing, no matter what parts of the wedding they are furnishing. They will need to have someone there that they trust to handle things when something goes wrong (not if). Whether they are there or not, they cannot be everywhere on premises. There need to be people there who are empowered to make sure that the customers have a great time while staying safe and respecting the boundaries of the venue.

They also need to be people who can be around people without losing their temper or making a scene when someone steps out of line. They need to be people who are trained to make a tough situation easier. They need to know the art of calming everyone down when tempers flare and if something goes awry at a wedding, tempers can flare.

Whether the local family farm becomes a premium wedding venue, a hunt club, or a place for kids to learn about farms while they play and explore, these farmers will need help entering the agri-tourism space and who better to help them than someone who knows good insurance questions to ask? IJ

Wraight is director of Insurance Journal's Academy of Insurance. Email: pwraight@ijacademy.com.

Protecting Seasonal Ag Workers with a Non-Routine Work Program

By Gina Ekstam

During a routine trip to dump grain into a dump pit, a driver became concerned about the amount of dust rising from the pit. To investigate, he removed both the primary and secondary pit grates – a task that was not a routine part of this job. As he was preparing to replace the secondary grate, he tripped over the primary grate and fell into the pit, causing injuries to his head, neck, shoulders and knees.

In a short amount of time, more than $200,000 in claims were paid or in reserves.

In this example, the worker is a seasoned, full-time employee performing non-routine work. If an accident like this can happen to a seasoned, full-time worker, consider the risk non-routine work poses for the thousands of seasonal agricultural workers in the U.S.

According to the National Center for Farmworker Health, there are about 2.5 million to 3 million agricultural workers in the U.S. Eighty-four percent are seasonal workers. They are essential to U.S. agriculture – hired to plant, cultivate and harvest crops during peak production.

Agriculture is among the most hazardous industries, with about 100 workers injured every day and a fatality rate of 20.4 deaths per 100,000 workers, according to The National Institute for Occupational Safety and Health (NIOSH).

The nature of temporary, seasonal work means that workers have little to no experience performing necessary tasks, or they forget how to perform a task or how to use specialized equipment. This non-routine work puts them at risk for serious injury.

In the event of an OSHA investigation, employers should be prepared – through documented files – to answer the following questions:

- Do workers perform this kind of work routinely?
- How are workers informed of the potential hazards of the work?
- Are workers trained on how to protect themselves from potential hazards?

Defining Non-Routine Work

Each agribusiness operation may define non-routine work differently. For example, the definition could even be :"any work that is not conducted on at least a quarterly basis by the persons assigned the task."

Jobs and tasks that are not performed on a regular basis or are being performed for the first time are considered non-routine work.

Non-routine work includes tasks that are:

- Performed infrequently;
- Outside of normal duties;
- Do not have a documented procedure;
- Performed differently from the documented procedure;
- Have never been performed before.

Any work that meets the definition of "non-routine" must go through a job hazard analysis.

Developing a Non-Routine Work Program

A job hazard analysis, the first step in developing a non-routine work program, is an active approach to workplace safety. Defined by OSHA as a process of "carefully studying and recording each step of a job, identifying existing or potential job hazards (both safety and health), and determining the best way to perform the job to reduce or eliminate these hazards."

The hazard analysis involves five steps:

1. Select and prioritize the job to be analyzed. Non-routine work should be a top priority due to higher incident rates. Employers should also consider accident frequency, accident severity and repeated exposure to a hazard.

2. Separate the jobs into basic steps or tasks. Gather as much information as possible during a job site walk-through. Use photos and notes to document working conditions, equipment, supplies and chemicals. Use this information to identify all the steps required to complete the task, as well as the hazards and safety controls associated with the work.

3. Identify the hazards within each step. For each step identified, ask the following questions to determine if a hazard exists:

- Can the worker forcefully strike against anything?
- Can anything move and hit the worker abruptly or forcefully?
- Can the work come in contact with electrically charged equipment?
- Can any part of the body be caught between something moving and something stationary or between two moving objects?
- Can the worker slip or trip on anything that would result in a fall?
- Can the worker fall from one level or another?
- Can the worker be injured while lifting, pulling, pushing, twisting, reaching, bending, or another motion resulting in a sprain or strain?
- Can the worker be exposed to excessive noise, vibration, extreme temperatures, poor air circulation, toxic gases, airborne dust/fumes or hazardous chemicals?
- Can the worker be engulfed or entrapped by material?

4. Control each hazard. Once all hazards are identified, it's important to evaluate each one to eliminate or reduce the potential hazard. Consider the following control measures:

- Can the hazard be physically removed or replaced?
- Is it possible to isolate people from the hazard?
- Is there a way to change how the work is completed?
- Is personal protective equipment available to protect workers?

5. Revisit and revise the analysis. A hazard analysis is only effective if it is reviewed regularly or after an accident occurs. This important step helps find hazards that may have been missed in an earlier analysis. It also helps to determine whether new procedures or protective measures are needed.

When the hazard analysis is complete, the next step is the development of a formal, written documentation detailing plan procedures and hazard control measures. A safe operating procedure manual should establish a logical order of each task necessary to perform the work. For each task, detail the actions required to eliminate, control or reduce hazards.

The final step in creating a formal non-routine work program is employee training. Instruct employees on proper procedures, describe the hazards associated with each step, and explain what measures are required to eliminate, reduce or control exposure. Document all training completed, including names and signatures of the instructor and participants.

Ongoing review of the non-routine work program helps improve processes and worker safety. Conduct frequent inspections of the tasks and safety controls and be sure to document everything.

Make Safety a Priority

Risk is inherent in many situations. It is important to remember that when risk exceeds what we plan for, we must step back and re-evaluate our actions/behavior. This is a continuous process that requires employees at all levels to be engaged and working together to create a safe workplace.

OSHA's Hazard Communication Standard describes the requirements for non-routine tasks:

- Provide workers with written documentation describing the task-related hazards, in language workers understand.
- Provide specialized training on protective controls.
- Test worker understanding of the information before the non-routine task is performed.

From the first interview, it should be clear that safety is a priority. Complying with OSHA's Standard means that employers should provide new workers clear and detailed instruction on:

- How to safely perform the work they are hired to do (even if it seems a task needs no instruction);
- How to operate the tools, machinery and safety equipment required to perform their work; and
- What personal protective equipment (PPE) must be worn, and how to correctly wear it.

Every job comes with a set of risks. Employees should understand the hazards, know what steps to take to avoid them, and understand what steps to take if an incident occurs. Further, workers should feel comfortable speaking up about any safety concerns they have.

Seasonal workers are at a higher risk for injury. In addition to receiving proper training, these workers should not deviate from the work they are hired to do.

Conclusion

In fields and factories across the country, seasonal workers work long hours, stooping, climbing, carrying heavy loads, handling pesticides and operating specialized equipment to produce and harvest the crops that feed our families.

In the grain pit example, AssuredPartners consultants engaged the client in an active investigation dialog to detail what happened, why it happened, and how to prevent it from happening again. This critical discussion led to the creation of a formal non-routine work program with specific instruction on how to safely complete tasks, along with ongoing employee training and communication.

It is the employer's responsibility to provide a safe work environment and the necessary training for all employees. Specific attention to non-routine work is an essential component for every agribusiness operation. IJ

Ekstam is managing director, agribusiness vertical leader at AssuredPartners.

My New Markets

Environmental for Real Estate
Market Detail: New Empire Group's (www.newempiregroup.com) RECOVER is a storage tank and site pollution program for commercial real estate exposures, including condominium associations, cooperatives, community associations, and apartment buildings. The RECOVER program addresses risks with bodily injury, property damage, and clean-up expenses arising from the release of contaminants for those buildings that qualify. Coverage includes $50 million program aggregate and a quick quote and bind process. Coverage Highlights Include: underground and aboveground tank spills; contingent transportation coverage; illicit abandonment coverage; coverage provided for claims and remediation costs; on-site cleanup of new conditions (excluding lead or asbestos); third-party claims for on-site bodily injury for asbestos and/or lead; third-party claims for off-site cleanup resulting from new conditions (excluding lead or asbestos). Underground tanks more than 25 years old are not eligible for coverage.
Available limits: As needed
Carrier: Unable to disclose, admitted
States: Calif., Conn., Dela., D.C., Ga., Ind., Maine, Mass., N.H., N.J., N.Y., Ohio, R.I., Vt., Va., W. Va., and Wisc.
Contact: Alberto Barros at 866-431-8100 or e-mail: albertob@newempiregroup.com

Historic Properties
Market Detail: Zurich's Historic Properties (www.zurichna.com) program offers insurance coverage to qualified properties that are listed on the National Register of Historic Places or a state or local register. Coverages offered include: Property - historic replacement cost, guaranteed cost, cash value option; general liability; historical tax credit recapture; business income; liquor liability; and commercial auto.
Available limits: As needed
Carrier: Zuric
States: All states except Hawaii
Contact: Marketing Dept. at 800-382-2150 or e-mail: usz.zpm@zurichna.com

Homeowners
Market Detail: Orion180 (www.orion180.com) is a homeowners insurance provider using technology to serve independent insurance agents in the Southeastern United States. The insurance product has an A- A.M. Best rating.
Available limits: As needed
Carrier: Unable to disclose
States: Ala., Miss., N.C., and S.C.
Contact: McKenna Gregg at 321-372-4366 or e-mail: mgregg@orion180.com

Difference in Conditions (DIC) Endorsement
Market Detail: Pacific Specialty Insurance Co. (www.pacificspecialty.com) will consider anyone who doesn't qualify for an HO-3, DP-2 or Mobile Home policy because of brush, forested areas, protection classes 9 or 10 or proximity to brush. Dwelling located in or near brush areas, forested areas, or any areas of increased fire hazard (native brush must be cleared 500 feet from the premises) are eligible. HO-3, manufactured and DP-3 policy dwellings with a fireline score higher than three and/or located in Protection Class 9 or 10 are unacceptable unless DIC is applied and the following conditions exist: A California FAIR Plan or equivalent policy is concurrently in-force for the same premises.
Available limits: As needed
Carrier: Unable to disclose, admitted
States: Calif. Only
Contact: Customer service at 800-303-5000 or e-mail: questions@pacificspecialty.com

Errors & Omissions (E&O) Insurance For Insurance Agents
Market Detail: National Association of Professional Agents (www.napa-benefits.org) offers E&O insurance for insurance agents. Coverage features include: Coverage starts at $27.42 per month; coverage options for life, accident & health; annuities; variable products and mutual funds; and optional property and casualty. Coverage is available from admitted carrier. Instant proof of E&O insurance available; zero-dollar deductible. NAPA offers free continuing education coverage. Can apply for policy online.
Available limits: As needed
Carrier: CNA, BCS, Zurich and Prosurance, admitted coverage available
States: All states
Contact: Matt Casella at 800-282-1831 or e-mail: matt_casella@ajg.com

Luxury Real Estate
Market Detail: Berkley Luxury Real Estate Specialists (www.berkleyluxurygroup.com), a division of Berkley Luxury Group offers commercial property casualty insurance for luxury cooperatives, condominiums, class A office buildings and rental properties. Will write high rise buildings (up to 40 stories); mid-rise buildings (six to 20 stories); three-to-six story buildings without elevator (walk up style); and classic brownstone residences.
Available limits: Maximum $150 million
Carrier: Admiral Indemnity Co., admitted
States: D.C., Ga., Ill., Mass., Md., Minn., N.J., N.Y., Pa., and Va.
Contact: Debra Merlo at 201-518-2545 or e-mail: dmerlo@berkleyluxurygroup.com IJ

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California Surplus Lines Weathered Pandemic, Wildfires, Civil Unrest

By Don Jergler

In a year marred by a pandemic, massive Western U.S. wildfires, civil unrest, and a contentious election, California's surplus lines market "didn't miss a beat."

That was the message from Ben McKay, CEO and executive director of the Surplus Line Association of California, who said surplus lines premiums in 2020 in California grew 22.7%, while the surplus lines item count grew 8%, despite the pandemic that gripped the world.

The disparity in premium and item growth points to a potential hardening market, McKay added.

He was speaking during the group's annual meeting held virtually in early February.

Other speakers included: SLA-Cal Chair Terri Moran, chief underwriting officer of Paul Hanson Partners - Specialty Insurance Solutions; Robert Hartwig, with the Risk and Uncertainty Management Center at the University of South Carolina; Tim Chaix, with R.E. Chaix and Associates, the SLA-Cal education committee chair; and Hank Haldeman, with Worldwide Facilities LLC, the legislative committee chair.

The SLA-Cal serves as the statutory surplus line advisory organization to the California Department of Insurance and facilitates the state's capacity to monitor and direct surplus line brokers' placements of insurance with eligible surplus line insurers.

All officers and board members serving last year were reelected for this year during the meeting.

Why did surplus lines in California prosper instead of losing ground during the COVID-19 crisis?

For one thing, lines that were hit early by stay-at-home orders included personal auto, and workers' compensation, which are primarily admitted markets.

In fact, the pandemic actually boosted surplus lines in certain areas. Premiums were up in communications and networks, municipalities, utilities, food delivery and medical. Lines that experienced a downturn included retail, ridesharing, services and hospitality, and entertainment. In other words, areas that are a large share of the state's surplus lines industry grew, while smaller areas were the one's hit hardest, according to McKay.

"What if there was no COVID?" was another question analysts at the SLA-Cal tackled.

It could have been an even better year for the state's surplus lines industry, it turns out.

"We probably lost out on about 6.3% of growth," McKay said.

Despite COVID, massive California wildfires and civil unrest, things will continue to look up in surplus lines, he said, giving his bottom line going forward: "The market's hardening, consolidating, growing."

Hartwig, the former economist and president of the Insurance Information Institute, offered an overview during the meeting of the nation's property/casualty market.

"We did take a hit during COVID," Hartwig said.

SLA-Cal Officers and Board Members for 2021

Officers:

- Terri Moran, Chair—Paul Hanson Partners
- Janet Beaver, Vice Chair—Tokio Marine-HCC Casualty Group
- Rich Gobler, Secretary/Treasurer—Burns & Wilcox
- Robert Gilbert, Past Chair—Markel West Insurance Services

Members:

- Tim Chaix, R.E. Chaix and Associates
- James Faley, Vela Insurance Services LLC
- Hank Haldeman, Worldwide Facilities LLC
- Jason Howard, CRC Group
- Pam Quilici, Crouse and Associates Insurance Services of Northern California LLC
- Charles Rosson, Ryan Specialty Group
- Kathy Schroeder, Sierra Specialty Insurance Services Inc.
- Terrence Villar, AmWINS Insurance Brokerage of California
- John Washington, Arch Insurance Group

Capacity fell by 9% during first quarter of 2020, but it has made its way back up.

"It's all but certain we ended 2020 with record policyholder surplus," Hartwig said.

He said he believes profitability will "take a bit of a hit," with an expecting a drop, but "not precipitously so."

Return on equity is expected to be around 4% to 4.5% for 2020, down 3-3.5 points from the prior year, according to him.

> **'In the next several years, in a lot of ways I think we'll see an enormous amount of innovation in the P/C industry to address these risks.'**

The numbers from the pandemic here nowhere near as bad they could have been.

Hartwig credited that to a number of things, including an economic recovery that's proceeding quicker than anticipated, a rapid financial market recovery, massive government stimulus, worse case virus outcomes avoided, the record pace of vaccine development leading to an optimistic outlook on the future, employers doing a good job protecting workers from exposures, numerous states not repeating Spring lockdowns, and litigation outcomes favoring insurers.

"The economic consequences are massive; they're ongoing," he said, adding that only a fraction of the estimated $9 trillion in global losses associated with COVID are expected to have been underwritten and covered by the insurance and reinsurance sectors.

That includes business interruption risks, which early on were "questionable" as to whether they would be found to be insured.

"These large-scale pandemic risks, such as business continuity risks measured across the entire economy, are not generally insurable," Hartwig said.

In fact, he sees some opportunity for the insurance industry, including the E&S space, to develop products based on new risks that were revealed during the pandemic, in areas like event cancellation, travel and tourism, and supply chain related issues.

"In the next several years, in a lot of ways I think we'll see an enormous amount of innovation in the P/C industry to address these risks," he said.

Moran talked about the SLA-Cal as an organization, which last year raised the stamping fee, paid down debt, including retiring pension liabilities, transitioning employees to a work-at-home status, and "shoring up the ship, getting the house in order."

She said revenues for the year were $24.5 million, $4 million ahead of the $20 million budget, and expenses were $17.9 million, coming in at $250,000 below budget. IJ

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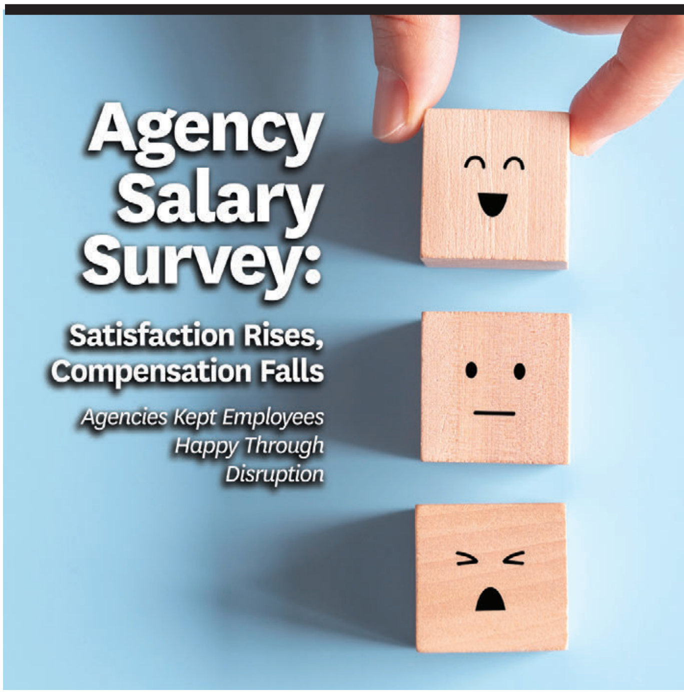
Special Report: Agency Salary Survey



By Andrea Wells

Independent insurance agencies not only managed to survive through the 2020 economic downturn and pandemic, but also managed to keep their employees happy through all of the year's disruption.

In Insurance Journal's annual Agency Salary Survey, employees reported the highest levels of satisfaction with their agency compensation in years.

They were satisfied despite the fact that most agency employees received less compensation in 2020 than the prior year.

According to the survey, which polled nearly 800 agency owners and employees across all states, the average Agency Compensation Satisfaction Index was higher in all three categories – management/owner/principal, producer/sales, and support staff/CSR/account executives. Satisfaction ranked the highest in the past five years, according to the survey results. So while average total pay fell for nearly all agency personnel, except producers, satisfaction over agency compensation in general actually increased in 2020. *(See page 32)*

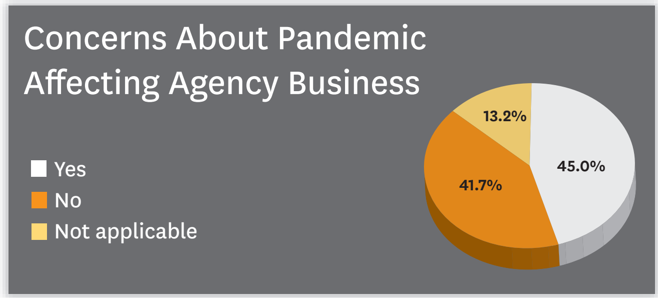
Agencies and their employees have been holding their own, says Al Diamond, president of Agency Consulting Group based in Cherry Hill, N.J. Agency owners know now is not the time to reduce staff.

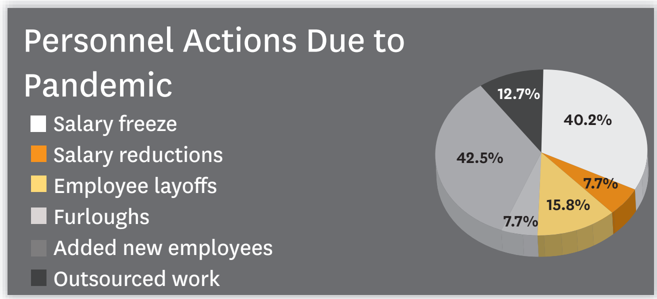
"If they have good, competent people, agency owners are going to do whatever is necessary to retain them in expectation that the pandemic will go away and the agency will start growing again," he said. "There are agencies that are using this time to get rid of deadwood," Diamond said. But agency owners know the value of good, competent people and how difficult they are to find.

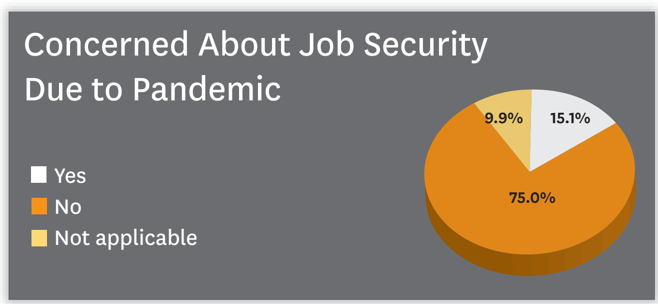
Employees are grateful, he said. "They feel they're lucky to have a job," he said.

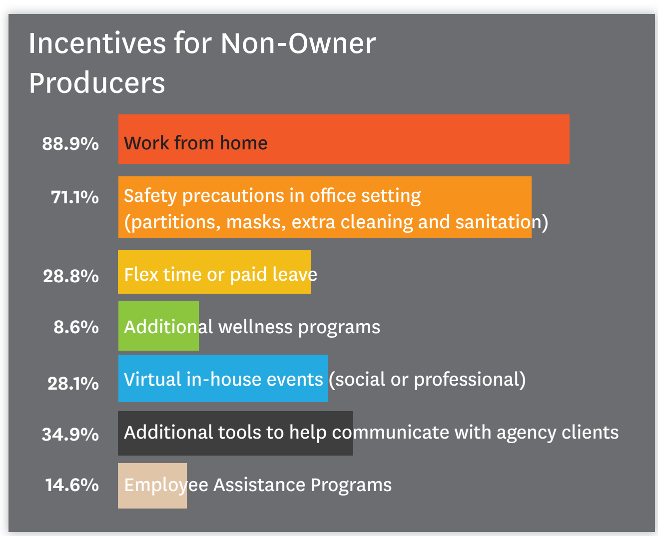
Agency employees see first-hand how clients are struggling with the effects of

Insurance Journal's Agency Salary Survey Survey collected nearly 800 responses from agency owners and employees nationwide via an online survey in January and early February 2021. Demotech Inc., Insurance Journal's official research partner, assisted with analysis of this year's survey results. For more information, contact Andrea Wells at: awells@insurancejournal.com.









the pandemic in industries such as hospitality, restaurants and entertainment, and they try to help them reduce their insurance costs as much as possible, Diamond says. "It's a difficult time for all of those small businesses and so it's the agency staff that sees this," he said. "They're not going anywhere."

According to the survey, agency employees were mostly satisfied with how their own agency responded to COVID, too. On a scale of 1-to-5, agency employees ranked their own agency's response to the pandemic at a 4.17, with 5 being most satisfied and 1 being least satisfied.

The accommodations provided to employees due to the pandemic included:

- Work from home options (88.9%)
- Added safety precautions such as partitions, masks and extra cleaning (71.1%)
- Flex time or paid leave (28.8%)
- Additional wellness programs (8.6%)
- Virtual in-house events (28.1%)
- Additional tools to help communicate with agency clients (34.9%)
- Employee Assistance Programs (14.6%)

Close to half of all agencies responding to this year's survey implemented salary freezes (40.2%) due to constraints from the pandemic; however just 7.7% reported implementing salary reductions or furloughs, while 15.8% reported employee layoffs. Despite the challenges, 42.5% reported adding new employees during the pandemic.

While nearly half of the survey respondents (45.0%) said they are concerned how the pandemic will affect their agency's business in the future, just 15.1% said they are concerned about job security due to the pandemic.

Chris Burand, founder and owner of Burand & Associates LLC based in Pueblo, Colo., says that for agencies that have managed personnel issues well during the pandemic, it comes down to leadership.

"I have some clients that have just nailed it and their employees are so appreciative."

Remote work options have helped employees as they struggle with managing remote schooling or helping aging family members. But Burand said for many it's been a win-win for everybody. The agency hasn't had to increase wages and the staff are saving money and managing family issues such as remote schooling. "So for some employees remote work has been a godsend and those employees are saying, 'I'm never going to leave this agency.'"

Some agencies may not have had the right leadership, or the right structure, or training, or maybe they didn't have the right hardware, or have lost employees, Burand says. "And it wasn't a matter of paying more money." In his view, it's been more about the agency leadership, and how that leadership managed what is likely one of the most difficult years ever for independent agencies.

The changes in how agencies operated through the pandemic and still do today are likely permanent.

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Average Agency Salary Adjustment

	2020	2019	2018	2017
Management/Agency Owner/Agency Principal	3.1%	3.8%	3.8%	5.3%
Producer/Sales	3.3%	4.5%	4.2%	3.5%
Support Staff/CSR/Account Executive	2.1%	3.0%	3.1%	3.3%

Average Agency Total Income Change*

	2020	2019	2018	2017
Management/Agency Owner/Agency Principal	5.0%	6.0%	5.5%	6.3%
Producer/Sales	8.4%	5.9%	6.0%	6.2%
Support Staff/CSR/Account Executive	2.3%	3.6%	2.9%	3.9%

*Includes all income changes in year

Agency Compensation Satisfaction Index*

	2020	2019	2018	2017
Management/Agency Owner/Agency Principal	3.88	3.63	3.67	3.70
Producer/Sales	3.47	3.24	3.31	3.23
Support Staff/CSR/Account Executive	3.25	3.02	3.12	3.08

*5 = Most Satisfied; 1 = Least Satisfied

Average Agency Salaries by Region

	Manager/Owner	Producers	Staff
East	$189,138	$93,516	$69,916
Midwest	$149,946	$74,333	$94,450
South Central	$166,165	$140,000	$62,984
Southeast	$114,122	$63,118	$60,940
West	$152,516	$64,775	$74,684

Average CSR Salaries by Region

	Account Exec/ Commercial Lines CSR	Account Exec/ Personal lines CSR	Support Staff
East	$72,842	$61,674	$63,900
Midwest	$69,555	$55,929	$68,100
South Central	$65,112	$51,698	$63,033
Southeast	$67,070	$50,080	$55,795
West	$79,008	$43,950	$78,520

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"I think many agencies will never go back to the way they operated in the past," says Tony Caldwell, co-founder, chairman and CEO of OAA.

"Talent acquisition is rapidly becoming, or is already, the number one issue for agencies and high-quality employees, particularly younger ones, are and will insist on workplace flexibility. In addition, offering virtual work will allow agencies to recruit more broadly, in geographic terms, and this will in turn force agencies who might not want to offer that kind of work to do so to be competitive."

Mary Newgard, partner and senior search consultant for Capstone Search Group, a national recruiting firm dedicated to the insurance industry, agrees.

"I think what agencies will find is that the ability to retain talent and to attract new talent and being able to put the remote characteristic right out there on their jobs, behooves them in two ways," she said.

"You'll get a deeper talent pool, and you won't have to pay way above market value to get it."

"Given the competition for talent that will only increase, agencies have no option to reduce compensation and now remote work will be necessary to offer to attract talent as well," Caldwell added. "There are many agency employees though who prefer to work in an office environment and so what will likely develop is flexibility where employees work both from the office and home, some work remotely and some work solely in the office."

It's important for agencies not to view remote work as a lesser opportunity, Caldwell says, claiming it actually offers many advantages and the potential for fixed cost reductions for rent, insurance and other expenses.

The key management issues in return for remote work are managing productivity and sustaining culture, Caldwell said. "Technology has plenty of solutions for the first and regular communication (which can be done in virtual as well as in person) is the key to the second."

According to Caldwell, with respect to compensation, he expects that average salaries will increase, particularly as the U.S. moves out of the

Average CSR Salaries

Account Exec/Commercial Lines CSR	$75,893
Account Exec/Personal Lines CSR	$54,103
Support Staff	$65,847

What Strategies Agencies Implemented in 2020

	2020	2019
Cut benefits	0.9%	3.2%
Shift health plan costs to employees	5%	6.0%
Increase benefits	11%	14.0%
Force reduction of employees	7%	3.2%
Postpone hiring	41%	18.4%
Postpone raises	29%	12.4%
Increase hiring	25%	32.0%
Increase compensation	32%	50.4%

What Strategies Agencies Implemented in 2021

	2021	2020
Cut benefits	1.3%	2.0%
Shift health plan costs to employees	4.3%	2.7%
Increase benefits	9.0%	10.5%
Force reduction of employees	3.0%	3.1%
Postpone hiring	21.0%	9.7%
Postpone raises	14.6%	7.4%
Increase hiring	53.7%	49.8%
Increase compensation	41.6%	49.4%

What Benefits Agencies Offer

	2020	2019	2018	2017	2016
Group health insurance	78.6%	79.0%	79.5%	75.4%	75.8%
Health Savings Account	42.3%	42.8%	45.1%	36.5%	35.8%
Dental	60.5%	61.7%	60.6%	56.7%	55.0%
Group life/disability	57.4%	57.3%	60.7%	54.4%	53.7%
401(k)	66.1%	66.8%	69.2%	61.4%	59.4%
Profit Sharing	21.2%	17.5%	20.6%	19.4%	18.1%
IRAs	10.8%	11.1%	11.5%	10.5%	9.9%
Pension Plan	4.8%	4.0%	4.9%	5.3%	6.4%
ESOP	3.5%	2.9%	4.4%	4.8%	3.6%
Stock Options	6.3%	7.0%	6.7%	4.9%	4.8%
Flexible Savings Account	26.8%	28.1%	31.2%	26.7%	25.2%
Education reimbursement	31.4%	26.2%	30.6%	28.2%	32.2%
Childcare/Daycare	4.5%	3.4%	5.3%	3.2%	2.6%
Paid Family Leave	29.6%	25.5%	25.6%	NA	NA
Pet Insurance	5.5%	5.4%	6.7%	NA	NA

recession. "But I also expect that agency efficiencies will be increasing at the same time," he said. "Increasingly, client self-service trends and decreased travel time, among others, should allow both service and salespeople to handle more accounts and more premium."

In the end, he expects this should allow agency compensation to increase without a concurrent decrease to the bottom line.

Nonstop Hiring

Half of all agencies (49.0%) responding to Insurance Journal's Salary Survey reported no changes to staff size in 2020, however nearly one-third (29.7%) reported staff sizes increasing in 2020. Some 45.4% of respondents say they anticipate adding new agency staff in 2021.

Newgard hasn't seen a slowdown in agencies hiring either.

"When the shelter in place began in March, we definitely witnessed firms that were in hiring mode or going to make changes, shutting that down," she said. "If there was going to be a knee-jerk reaction to COVID, it definitely transpired in March and April. But by the time we got into June, the hiring activity had returned," she said. "I think is a really great indication of the strength of the insurance industry and the brokerage market."

Newgard believes the value of remote work will influence compensation going forward. "When agencies are strong and they're generating a lot of revenue, they're okay hiring people and they're okay paying them what they're worth. So one of the biggest changes that I would see coming from last year is this relationship between the idea of a remote workforce and what that means for compensating that remote workforce."

"One of the things that we've seen from agencies and from professionals themselves looking at new career opportunities, is that they were willing to maybe trade a little bit of

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Average Management Salaries

	Average Salary (2020)	Salary (2019)
President/CEO	$197,570	$246,457
Agency Owner/Principal	$161,338	$152,687
Commercial Lines Manager	$160,786	$121,461
Personal Lines Manager	$87,833	$70,000
Office Manager	$84,193	$83,921
Marketing Manager	$67,800	$86,243
Accounting Manager	$88,875	$86,845
Financial Officer	$157,250	NA

Average Producer Salaries by Line

Commercial Producers	$98,717
Personal Producers	$72,125

Average Producer Salaries by Region

	Personal Lines Producers	Commercial Lines Producers
East	$58,796	$107,997
Midwest	$52,000	$85,500
South Central	$163,000	$98,250
Southeast	$52,500	$76,596
West	$53,788	$72,221

Average CSR Salaries by Gender

	Account Exec/ Commercial Lines CSR	Account Exec/ Personal lines CSR	Support Staff
Female	$75,827	$52,324	$60,984
Male	$78,456	$63,637	$75,520

Average Salaries by Gender

	Managers/Owners	Producers	Staff	Industry Average by Gender
Female	$105,306	$62,153	$70,613	$80,833
Male	$177,792	$102,779	$73,665	$153,032
Difference	$72,485	$40,626	$3,052	$72,199
Pay Gap	69%	65%	4%	89%

Average Management Salaries by Gender

	Female	Male	Men Make this % More than Women	Women Occupy this Position this % of the Time
President/CEO	$136,456	$210,705	139%	16%
Agency Owner/Principal	$118,567	$168,920	42%	19%
Financial Officer	$200,000	$143,000	-29%	50%
Commercial Lines Manager	$98,955	$200,285	49%	50%
Personal Lines Manager	$79,750	$110,000	38%	67%
Office Manager	$69,446	$110,000	58%	65%
Accounting Manager	$88,875	N/A	N/A	88%
Marketing Manager	$91,333	$50,000	-45%	83%

continued from page 31

the increase in compensation that they normally would have for somebody more experienced to allow them to work from home. It kind of became a trade-off."

By and large, insurance professionals, especially account managers and client service managers, are willing to take lateral money, Newgard says. "Sometimes, even taking a little bit of a pay cut to get that flexibility of working from home, at a minimum, three days at home, two days in the office."

According to Newgard, many at the account manager level are seeking 100% remote. "And when they bring that stuff up, compensation isn't the number one thing that's going to keep them in their position or attract them to a new one," she said. "It's the location." That option tempers compensation expectations for a lot of people. "And I think we'll continue to see that this year."

Remote work is not working for all independent agencies. Managing staff can be difficult for agencies that may only have one principal and two customer service representatives, says Jeff Holmes, senior vice president and chief operating officer for SIAA. "Many independent agencies that do have a storefront have difficulties managing CSRs remotely," Holmes said.

At the same time, remote work, or flexible work, can help agencies expand their recruiting opportunities, Holmes agrees. "Somebody may be more willing to make a commute two or three days a week, if they live an additional 20 or 30 miles than maybe what they did in the past," he said. "So flexible work options could be something that creates more opportunity to acquire talent in the future."

Holmes says remote working is not for everyone. "We did a survey of our employees within the building – they were put into remote relatively quickly," he said. "While I think we can keep our employees remote long term, the employees have actually expressed the desire to come back, simply because they miss each other. They have fun in the office and it's interesting."

But Holmes agrees with Newgard that "flex schedules and telecommute, allows agencies the ability to look well beyond the geography," he said. "Independent agencies can now draw a wider talent pool and that's a great benefit." IJ

Employee Benefits Satisfaction Index*

	Satisfaction When Offered	Satisfaction Index When Not Offered
Profit Sharing	3.95	3.55
Pension Plan	3.92	3.62
Education reimbursement	3.81	3.55
Group life/disability	3.75	3.47
401(k)	3.68	3.54
IRAs	3.9	3.6
Group health insurance	3.7	3.39
Health Savings Account	3.72	3.57
Stock Options	3.89	3.62
ESOP	3.88	3.63
Dental	3.7	3.52
Flexible Savings Account	3.76	3.59
Child care/Day care	4.15	3.61
Paid Family Leave	3.77	3.58
Pet Insurance	3.72	3.63
None Provided	3.23	3.66

*5 = Most Satisfied; 1 = Least Satisfied

Agency Employee Satisfaction Rises Despite Pay Decreases

Insurance agency personnel on average made a little less money in 2020 but they were more satisfied with their compensation in what was a stressful year.

Satisfaction with compensation rose across the board, according to the 2021 Agency Salary Survey, published annually by Insurance Journal. In fact, the annual Agency Compensation Satisfaction Index was the highest overall score in more than five years.

Changes in overall salary and total income dipped for all categories except one. Producers/sales saw

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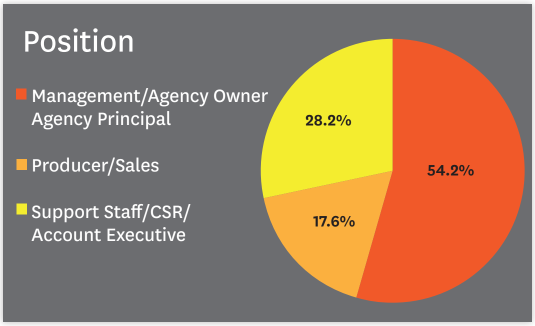
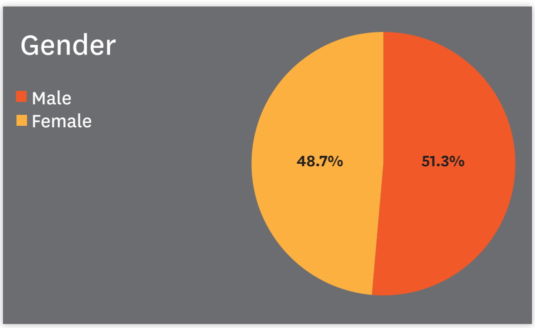
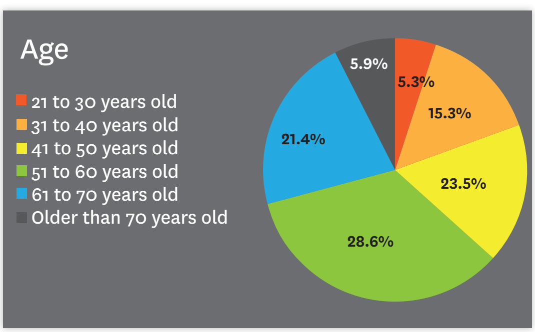
Average Salary and Total Compensation Adjustments by Region

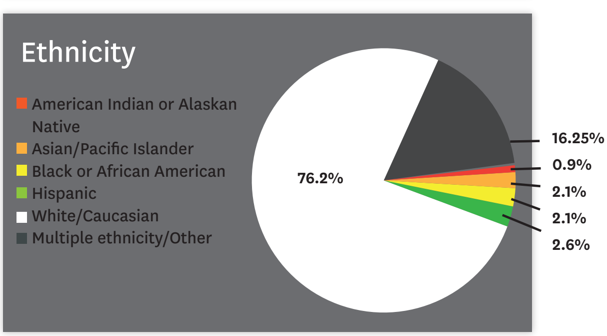
	EAST	MIDWEST	SOUTH CENTRAL	SOUTHEAST	WEST
Average Total Compensation Raise - Staff	4.9%	3.0%	1.0%	1.3%	2.3%
Average Total Compensation Raise - Producer	6.2%	6.7%	6.1%	14.3%	9.6%
Average Total Compensation Raise - Management	3.9%	3.7%	3.9%	6.6%	7.1%
Average Agency Salary Adjustment	3.4%	3.0%	1.3%	3.2%	2.7%
Average Agency Total Compensation Adjustment	4.5%	4.1%	2.9%	6.5%	6.5%
Average No. of Agency Employees	83.1	102.5	129.6	92.7	71.0

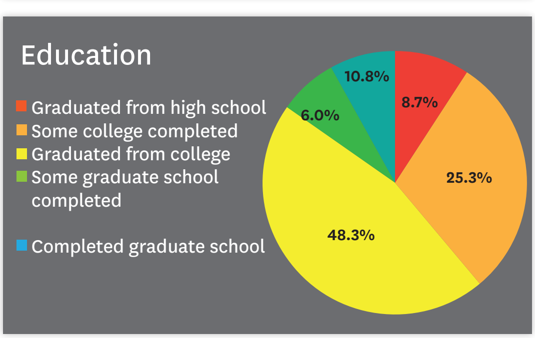
Agency Salary Survey Demographics

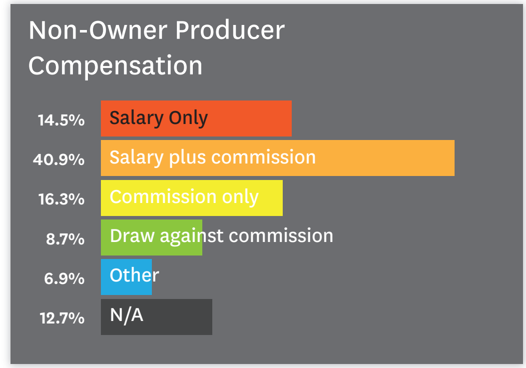


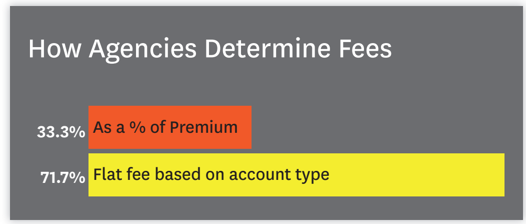


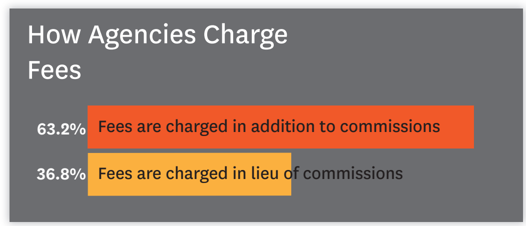


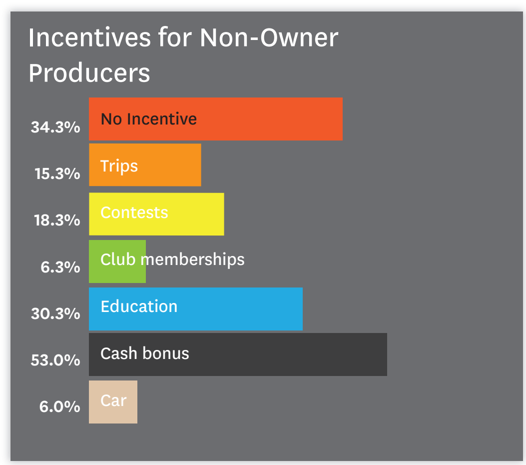


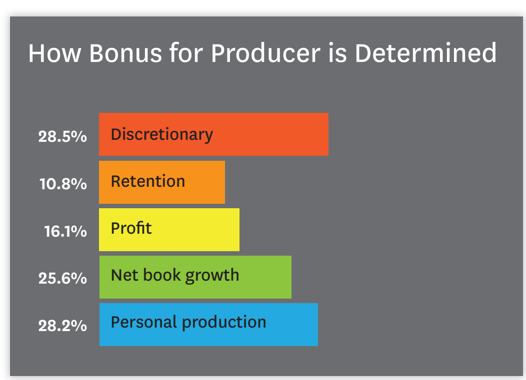






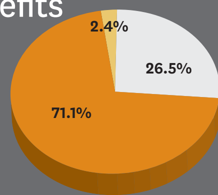






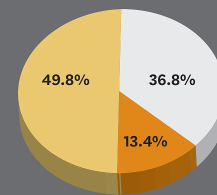
Special Report: Agency Salary Survey

Changes to Employee Benefits Due to Pandemic



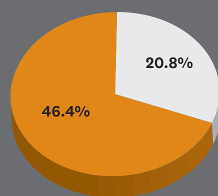
- Yes
- No
- Not Sure

Agency Salary Increases in 2020



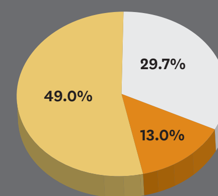
- Higher than 2019
- Lower than 2019
- Same in 2020 compared to 2019

Agency Revenues in 2020 Compared to 2019



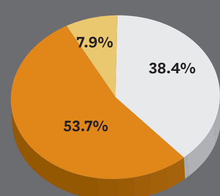
- -1 to -10%
- +1 to +10%

Agency Staff Size in 2020



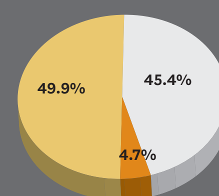
- Increase
- Decrease
- Stayed the same

Agency Annual Cost of Living Increase



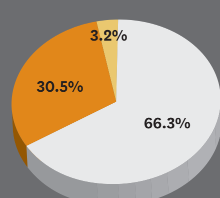
- Yes
- No
- Not Sure

Anticipated Agency Staff Size in 2021



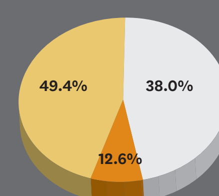
- Increase
- Decrease
- Stay the same

Agency Gives Year End Bonus



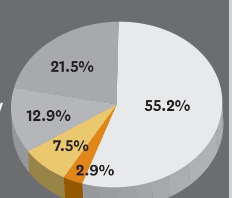
- Yes
- No
- Not Sure

Producer Commissions in 2020



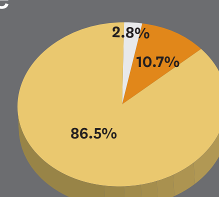
- Increase
- Decrease
- Stayed the same in 2020 compared to 2019

What Employees Receive Year End Bonus



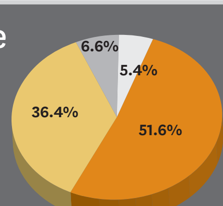
- All agency staff
- Management and sales producers only
- Management, plus all support staff (CSRs)
- Other Options
- N/A

Agencies' Plans to Change Commission Structure



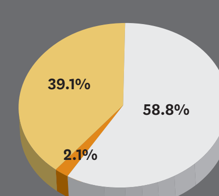
- Changed in 2020
- Will change in 2021
- No changes

Agencies' Plans to Change Payroll Expense in 2021



- Reduce payroll expense
- Increase payroll expense
- Keep the same
- Not sure

Producer Compensation and Fees



- Producer receives % of fee
- Producer receives all of fee
- Producer doesn't receive fee

continued from page 32

an increase in total income change, the only category where income increased.

Satisfaction over compensation rose to 3.53 overall in 2020 from 3.35 overall in 2019, based on a scale of 1-to-5 where “5” equaled “most satisfied.” *(See Agency Compensation Satisfaction Index chart.)*

- Management/agency owners/agency principals reported a compensation satisfaction score of 3.88 in the 2021 survey, up slightly from 3.63 in the 2020 survey.
- Producers/sales reported satisfaction of 3.47 in the 2021 survey, up from 3.24 in the 2020 survey.
- And support staff/CSR/account executives reported a satisfaction score of 3.25 in the 2021 survey, up from 3.02 in the 2020 survey.

In keeping with survey results of previous years, the score for overall satisfaction was higher when agencies offered employee benefits, both hard benefits (such has group health, dental, etc.) and soft benefits. *(See Employee Benefit Satisfaction Index chart.)*

Employee benefit satisfaction ranked highest in the survey when agencies offered added benefits such as an education reimbursement (3.81), profit sharing (3.95), Employee Stock Ownership Plans (3.88), and childcare/daycare (4.15). The 2021 survey found that in all employee benefit categories queried, employees showed more satisfaction with overall compensation when those benefits were offered.

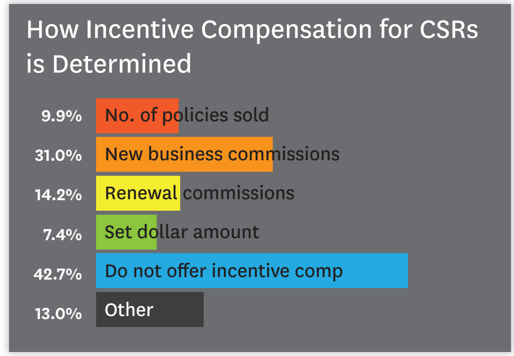
As noted, the survey revealed a slight downward trend in total compensation for most agency positions. Producers were the only category to show raises in total compensation in 2021.

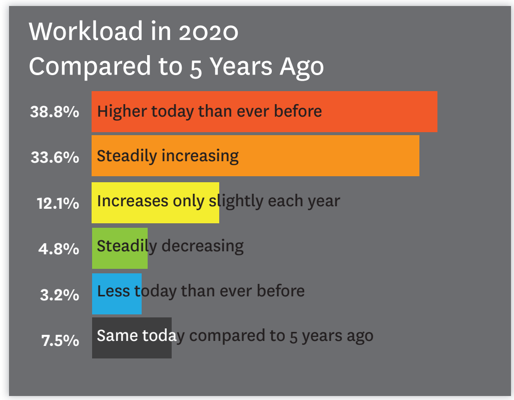
According to the 2021 Agency Salary Survey, based on nearly 800 responses nationwide, total income changes, which includes salary plus additional compensation such as profit sharing, bonuses and other income, were:

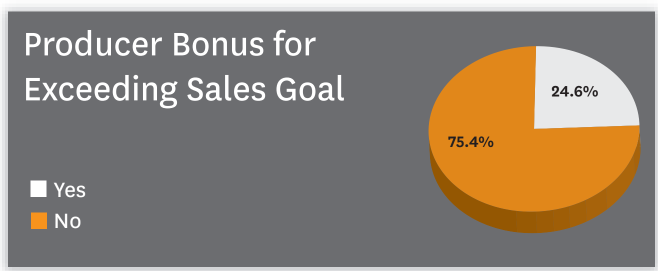
- Agency owners, principals and management reported a small decrease in total income for 2020, which revealed a 5.0% increase in total income, compared to a 6.0% increase in total income for 2019.
- Producers/sales total income revealed a 8.4% increase for 2020, compared to a 5.9% increase in 2019.
- Agency support staff total income dropped the most in average to a 2.3% increase for 2020, compared to 3.6% percent increase in 2019.

Salaries only (excluding bonus and incentive income), rose again in 2021 but at a slower rate than the previous year, according to this year’s survey results:

- Salaries for agency owners, principals and management rose 3.1% in 2021 compared to 3.8% in both 2019 and 2018.
- Producers/sales reported average increases in salary of 3.3% in 2020 compared to 4.5% in 2019 and 4.2% in 2018.
- Salaries for agency support staff went up just 2.1% in 2020 compared to a 3.0% on average increase in 2019, which was slightly lower than the 3.1% raise in 2018.







Evolving Compensation Practices
to Meet Changing Employee Needs

Hiring managers have had to transform many of their standard activities and procedures to accommodate today's primarily virtual environment. From adapting interview processes to be effective and efficient over Zoom calls to confidently making a final offer to someone they've never met, most have risen to the challenge and expanded their comfort zones. At the same time, the desired skills for certain positions have shifted and, in many cases, what individuals are looking for in a role and a company has changed as well.

By JoJo Harris

In order to attract and retain top employees in the evolving environment, hiring managers and human resources professionals should also be taking a fresh look at how they approach compensation. According to the Bureau of Labor Statistics, insurance industry wages rose in 2020, despite the pandemic. However, while monetary compensation will always be important, a holistic total rewards programs that best meets the needs of current and potential staff will set insurers apart as an employer of choice.

Start with the Basics

Although monetary compensation won't usually stand on its own, it is important to ensure what you're offering is fair and at market value. Competitive benefits, salaries and bonus structures set the foundation for a strong overall compensation package. However, once monetary compensation and benefits are established, consider the broader scope of total rewards, which may include professional development, resources for mental and physical wellness, recognition programs and flexible hours. Money will be important in getting individuals in the door; however, additional rewards and an engaging company culture will make your organization stand out and be key elements in retention.

Focus on Unique Needs

There is a broad range of what people value in an employer, and these elements can drastically shift depending on the individual. Think of each element of your total rewards program as having its own spectrum. Perhaps on one end of the salary spectrum, there is an individual who is willing to put in 70 hours a week in return for a high salary. On the other end, there's someone who values less demanding work and is willing to sacrifice money in order to achieve this. The same may go for schedule and location flexibility. One individual may enjoy going into an office and working traditional hours, while another may value being able to complete work at home in the evenings and have mornings free. Most people will fall somewhere in the middle. These spectrums apply to a number of different areas, and they all work together to create a package that is meaningful and relevant to an individual's unique needs. The key is to be able to define the parameters of each spectrum internally and then adjust the levers as needed.

Understand Motivators

Similar to the spectrums noted above, the allure of what you're offering employees is completely dependent on what they value. Refrain from making assumptions based on your own preferences, the preferences of others on your team or even common generational preferences. Be

direct in asking individuals what energizes and motivates them. Invite conversations around how you can enhance their experience and then find a way to deliver on what they share.

For instance, if someone is motivated by new projects and responsibilities, simply giving them more money won't ultimately fulfill their root need. At the same time, things like childcare assistance and commuter benefits may be extremely valuable for parents who plan to return to the physical office. However, those same benefits will have no value to individuals without young children who will work remotely long-term. These personal motivators may also change over time. Ask managers to formally meet with staff on a regular basis and stay attuned to their needs and preferences.

Build Connections

A sense of camaraderie is often a universal motivator, although the best way to cultivate these connections may vary. It takes strategic energy to make sure every employee feels like a part of the team and company, even more so when everyone is working from separate offices. Provide ways for staff to stay involved and informed. Especially in times of change, transparent and frequent conversations about how things are going within the organization can help ease uncertainty. Pull people in every day and make conscious efforts to connect, even about non-work-related topics. Ask for opinions and suggestions and make sure individuals know they are a valued part of the organization, no matter their level or role.

Communicate Less Tangible Rewards

Especially in today's unique work environment, employees are juggling more than perhaps ever before. Support in terms of flexible hours, access to mental health resources and updated technology carries increased weight. Development opportunities, specific performance review checkpoints, virtual team-building activities and mentorship programs are often among additional, less tangible benefits. Make these tools and opportunities known and communicate them as offerings within your total rewards package. Consider also reevaluating your employee recognition programs to ensure they're impactful in the virtual environment. Understand the types of recognition that resonate best with each employee. Even small tokens of appreciation such as public acknowledgement during meetings, handwritten thank you notes, and gift cards can go a long way.

Continually Innovate

Creating an effective total rewards package is a marathon, not a sprint. Each year, you may tweak your benefits a bit. If you're aiming to evolve areas more directly linked to company culture, know that culture shifts can be slow moving, and keep taking steps in the right direction.

Openly ask for feedback from employees and act on what they share. Be open and creative. Even organizations that were progressive prior to the pandemic have been redefining how they can best meet the current needs of their employees. We're experiencing a fast-moving and non-traditional working world and total rewards packages should be non-traditional and fluid.

While base salaries and bonuses may be a large part of getting top employees in the door, it's the less tangible rewards that will keep them with the organization. Focus on how you can best meet the shifting needs of your employees and continually ask for feedback. Remember, if employees or prospects don't value something, they won't see it as a reward. By taking a strategic and innovative approach, you'll be able to motivate and energize employees, while growing them within the organization and building long-term working relationships. IJ

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E&O Risks to Agents Extend to Cyber

By Tom Wetzel

Agents are bracing for errors and omissions (E&O) claims stemming from the pandemic when insureds discover they carry inadequate coverage or none at all. Regrettably, agents likely face a similar scenario in cyber coverage unless they take steps to prevent it.

"Make no mistake, cybercrime is on the rise, sharply," says Lisa Doherty, a founder and CEO of Business Risk Partners. "We have not yet seen E&O claims stemming from cybercrime, but we certainly expect it soon and have taken steps to address it, including new standalone coverage now in development that meets this serious need. Understandably, the pandemic has dominated the headlines for some time, however mitigating cybercrime, including making adequate coverages available, is absolutely critical."

Cybercrime has been well-publicized as has many attack techniques, including ransomware, funds transfer fraud, spoofing and phishing. What is new are two challenges agents must address to protect themselves and their clients.

First, consumers distrust how businesses protect data and are more than willing to penalize those same businesses when they fail to do so.

Second, agencies must better understand the rapidly growing cybercrime threats and the need to alert clients to take these threats seriously and guide them to better mitigate them. Put simply, insureds who are hacked or whose data is otherwise compromised will file claims if they discover they are either seriously underinsured or not insured at all.

Pew Research Center conducted a major survey in 2019 on online privacy and security and reported that 52% of U.S. adults said they decided recently not to use a product or service because they were worried about how much personal information would be collected about them.

Responses varied based on whether they experienced a data breach. Sixty-four percent of respondents who said someone attempted to open a line of credit or apply for a loan using their name were more likely to decline using a product or service as compared with 51% who would decline otherwise.

Similarly, 63% of respondents who said someone took over their social media or email account without their permission would decline using a product or service while only 51% of those who did not experience a hack would decline.

Agents have told me many of their clients do not ask about cyber insurance coverage, and they do not push the issue. Business owners, regardless of size, should understand the consequences of a data breach to accurately assess their risk. Small businesses especially believe that they are too small to be a target.

"Small businesses are not immune to cyber attacks and data breaches and are often targeted specifically because they often fail to prioritize security." says Paul Lipman, CEO of Bullguard, a cybersecurity firm. "Many small business owners may be inclined to skip cybersecurity. It only takes one attack, however, to bring a business to its knees."

Dara Gibson, a cybersecurity consultant who's worked with insurers and agents, says "cyber coverages are no longer a luxury, but a necessity for small business owners."

She points out that the Federal Trade Commission (FTC) and the National Association of Insurance Commissioners (NAIC) suggest that coverage should include both first-party and third-party protection.

She cautions, however, that coverage is no substitute for the best cyber protection practices, including strong cybersecurity strategies and tools to mitigate the risk. IJ

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The Misnomer of 'Insurance' in Health Insurance

Why Health Insurance Is Not Really Insurance

Insurance is a financial product designed to protect consumers' and businesses' balance sheets. If your house burns down and you have insurance, the insurance company pays to rebuild the asset known as your house. For insurance to be real, the insurance must cover the party(ies) with insurable interest, be paid for by at least one party with insurable interest and must be designed to protect the balance sheet.

By Chris Burand

Standard health insurance fails these tests. The parties protected are not the ones paying the premiums. The policy is not written for the people whose insurable interest, their health, is at risk. This bastardization of insurance came about in the U.S. when the U.S. government froze wages in WWII. Employers needed to provide additional consideration to employees without violating labor laws.

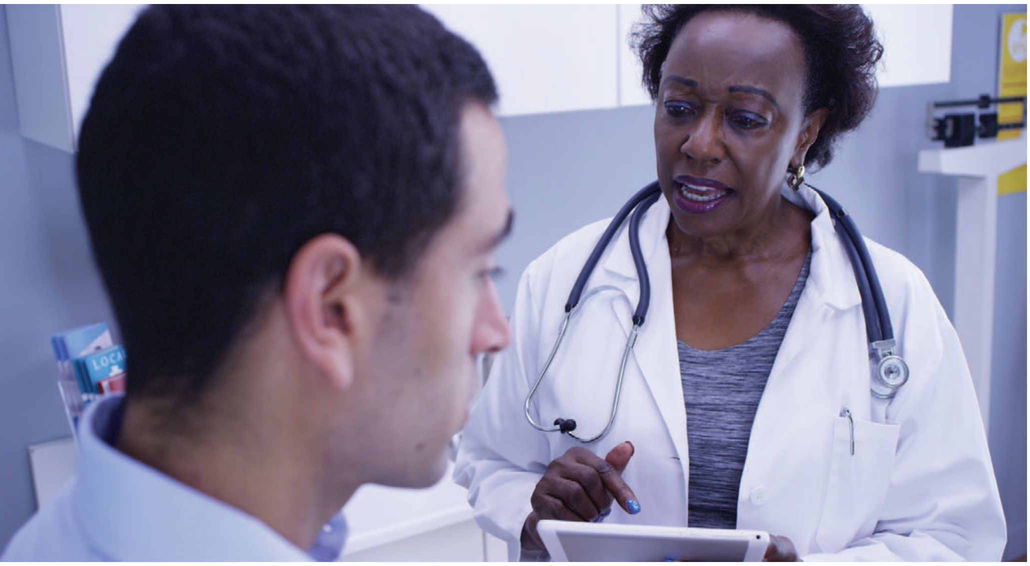
Fully funded health insurance through an employer is really subsidized health coverage. It is not insurance. Naming it "insurance" is what has opened the door to escalating prices and continuous political debate. About the only parties who have true health insurance are those who buy it for themselves or would like to buy it if they could afford it.

Self-funded health plans are a hybrid between true health insurance and employer provided health subsidies. Self-funded health plans do create an insurable interest at the employer level because their balance sheet is put at risk through inadequate funding and regulatory compliance requirements. The party with the insurable interest is paying, usually, the majority of the insurance premium. However, the parties receiving the key benefit remain somewhat removed, resulting in this hybrid model.

One of the reasons agencies and brokers have struggled so much with making cross-sales between benefits and property/casualty (P/C) is because P/C sells true insurance (other than workers' compensation, which is more of an employee benefit like employer provided health "insurance") and the benefits department sells subsidized healthcare. The divisions do not come close enough to sell related products and this is because health "insurance" is not insurance in this space. The mindsets of the people selling and the people buying health subsidies are different from those of people buying and selling true insurance.

When selling health subsidies, one is not selling financial protection of the balance sheet. A seller is simply selling price relative to the varying qualities of subsidy options. The marketplace demands that employers provide employees with certain benefits. Those benefits are health subsidies. The trade-off is between the amount of subsidy provided versus the expense to the employer.

The employer may incur two kinds of expenses. The first is the cost of the premiums. The second is that if they do not provide adequate subsidies, they may not attract or keep the most talented employees. However, if they fail to buy enough coverage, they do not have to pay to rebuild anything overnight as they would if their building burned down. Lots and lots of employers get by providing few benefits and in some models their balance sheet is enhanced. Employer provided health insurance is simply apples to kiwis relative to true insurance.



Self-Funding Health Benefits

One of the problems when agencies migrate into selling self-funding health benefits is that producers do not make the mindful transition to understanding their job now is to protect their clients' balance sheets and to sell a product that provides a subsidy. Thinking that self-funding is just a sexier version of the health subsidy is a good way to eventually violate ERISA laws and ruin a reputation. The loss may not occur for 10 or 20 years, but without tremendous luck, it will happen.

When protecting clients' balance sheets, one must understand balance sheets. No other real possibility exists. Protecting anything successfully without understanding what one is protecting is simply impossible. Insurance agents often do not have any idea what they are protecting and nothing bad happens simply because, most of the time, nothing bad happens to the clients. No one needs insurance until something bad happens.

'Employer provided health insurance is simply apples to kiwis relative to true insurance.'

This is a distinguishing factor with health insurance, too. P/C claims are quite rare relative to any individual. The number is about 0.22 claims per dollar of GDP. However, medical claims are common. Almost everyone has at least one medical event per year even if it is only a checkup, and almost everyone will incur their largest medical spends in the last two to three years of their lives. Therefore, medical claims are far more predictable, and predictability leads to a maintenance plan rather than an insurance plan.

Insurance is for the unpredictable while maintenance is for the predictable.

If selling self-funding, one is protecting the client's balance sheet from both a predictable basis and an unpredictable basis (a series of NICU babies for example all occurring in the same year). This requires more expertise, care and understanding of the client's balance sheet. The stronger a client's balance sheet, the more risk they can take with a resulting decrease in insurance expenses.

The trade-off is between the income statement and the balance sheet.

If a client's balance sheet is weak, they likely need to spend more money on their self-funding program because if they find themselves having to cover too many health subsidies, they may not have the cash to do so if their plan is not designed well.

Understanding self-funding well requires being a true professional agent. Amateurs have no place selling self-funding plans.

A true professional gains two points of advantage that P/C producers sometimes enjoy but regular benefits producers never possess. They can show clients how they are improving the income statement and the balance sheet by showing how the tradeoffs work between the two within the plan design options. This is a great advantage, but one must be very educated, knowledgeable, and possess the communication skills to succeed. Again, only professionals should play in the self-funding world.

If you ever wonder why benefits producers and P/C producers do not talk the same language and why cross-sales do not work well, it is because one is selling insurance and the other is selling subsidies. IJ

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Industry Trends
to Exploit for 2021


By Catherine Oak &


Bill Schoeffler

The insurance industry is so intertwined with the economy and society. Any noticeable change in either will have impacts on the insurance industry. There is nothing like what has occurred with COVID-19, and there is no exact end in sight. It is imperative for agency owners to watch and learn about major trends when they start. The following are the eight key trends that insurance agencies should be tracking for 2021.

COVID-19

With the current rollout of COVID-19 vaccinations, there is some hope that the nation may reopen someday. The pace is slow, and it may be the summer of 2021 through the end of the year before a majority receives vaccines for there to be what is called herd immunity. It's not known when things will really be "normal" again.

Our nation has never experienced anything like these shutdowns, and our insurance industry has also been greatly impacted, not just by people not being able to go into work, but from the impact on the insureds. The key insured industries most affected have been restaurants, entertainment risks, schools and non-profits. Payrolls also have been affected for several other types of agency clients.

If someone gets COVID at work, legislators have now deemed this to be a workers' comp claim, so there is coverage for those employees. This has made employers more cautious about workplace COVID standards and limiting the number of people allowed back to work.

According to the risk management consulting firm Millman, "several states enacted measures to increase the likelihood that workers' compensation coverage would be available as a remedy to essential workers that get COVID. This has created significant exposure for work comp insurers, and great uncertainty for estimating reserves at year-end 2020, and for pricing policies covering 2021 exposures."

What will all other effects be on insurance clients in 2021? It is hard to say.

Natural Disasters and Insurance

Insurance companies tighten their underwriting and raise prices with disasters, whether it is the recent fires in Oregon and California or the hurricanes on the Southeast coast, or tornadoes all over the Midwest and south. There are often non-renewals as well, and legislators don't usually allow this without an adequate amount of time for non-renewal.

Insurance agencies don't have a lot of clout to help resolve this problem at a high level, but they can help their own clients with a few small steps. Educating the client on how they can mitigate risks to fires, floods, hurricanes and tornadoes is very helpful. We also advise agencies to review with the client the limitations of their current coverage and then offer any new options available. People will still need insurance, despite the regular threat of natural disasters. So, agents will need to work with the way the system works now.

The California Fair plan and Lloyd's of London coverage are at times all that is available for homeowners and some property risks in the fire zones, such as wineries in the Napa Valley. Producers need to make sure the insureds know that the limits and coverages are not what they were with preferred carriers, so the agency's E&O exposure and coverage are not at stake. Signatures should be obtained from the insureds that they understand these limitations.

Health Care Act Legislation

Now, after the end of the Trump administration, there is still no major legislative change to the Affordable Care Act (ACA), but some changes did occur. The few executive actions that President

expenses. Changes also impact those agencies that sell health insurance. It is possible that a change to the current system could affect premiums, commission rates and even the ability to sell health insurance.

Insurtechs

The insurance industry seemed like a ripe target for new insurtech startups to disrupt the industry by cutting costs and generating profits for their new ideas. However, it seems the takeover is not quickly happening. The general industry model is time tested, the industry is highly regulated and the key players are well entrenched.

It seems that some insurtech firms are becoming more receptive to working within the systems, including working with agents, rather than finding ways to disrupt the system or eliminate agents.

The role of sales and service staff at insurance agencies was underestimated and consumers desire to speak to a human is still an important service, so insurtech is finding that low-hanging fruit is not easily replaced with an algorithm.

It seems like insurtech will make its way through the industry by improving current technology and developing new technology to handle old problems. For example, carriers are using AI to improving underwriting. Blockchain might be a good solution for claims and fraud detection, as well as to improve the reinsurance process.

Technology will change insurance. But right now, it seems like technology is improving the systems rather than reinventing them. Keep in mind that the use of technology outside of insurance will also impact the insurance industry. The best example would be self-driving cars, where the liability from an accident would shift from the driver to the manufacturer.

It is important to scratch the surface of the new insurtech firms to see if they are revolutionary or evolutionary. So far, it is the latter.

Trump did take eliminated the reimbursement to health insurance companies that President Obama allowed via executive order. Any losses the companies face are no longer subsidized. Thus, the insurance companies increased their rates to cover previous losses in anticipation of these changes. Also, the 40% tax on high-cost employer plans (Cadillac tax) has been pushed out to 2022.

With the Democrats in charge of the House and now Senate, it is hard to predict what will happen. The bottom line is that the major changes brought in by the ACA, such as accepting pre-existing conditions will remain, and only minor changes are likely to occur.

Employers are getting squeezed on the cost of health care. According to PricewaterhouseCoopers, health insurance premiums were expected to rise by 6% in 2020. Companies are taking a hard look at affordable options, such as high deductible health plans, which can be paired with health savings accounts. Telemedicine is also on the rise. This "virtual care" allows employees/patients to consult with a medical provider via a computer, smartphone or tablet, usually at a much lower cost.

First, most agencies offer insurance to their employees. Any changes to the Affordable Care Act or the cost of health care, in general, will affect the firm's employee benefits

Market Conditions

The current path shows a hard market for 2021. Both commercial and personal lines are seeing a hardening of the market. MarketScout reported that composite rates for commercial lines and personal lines rose 7.1% and 6.3%, respectively, in the fourth quarter of 2020.

The commercial lines coverages with the largest average rate increases were umbrella liability, professional lines, and directors and officers (D&O) liability. This might be the result of social inflation, which is increasing litigation, broader definitions of liability, and more plaintiff-friendly litigation. With the increase in ransomware, it is a good bet to expect cyber coverage to see rate increases. Deloitte is predicting that commercial auto rates will increase 8% and 15% due to social inflation and higher repair costs.

For personal lines, homes over $1 million in value had an average rate increase of 8.2%. One of the driving factors is losses due to brush fires in the West and hurricanes in the Southeast. Many of those houses were high-priced. In general, homes in those areas that experienced losses saw 20% to 30% rate increases.

COVID-19 has exacerbated and extended the hard market conditions. Interest rates near zero have drastically cut any

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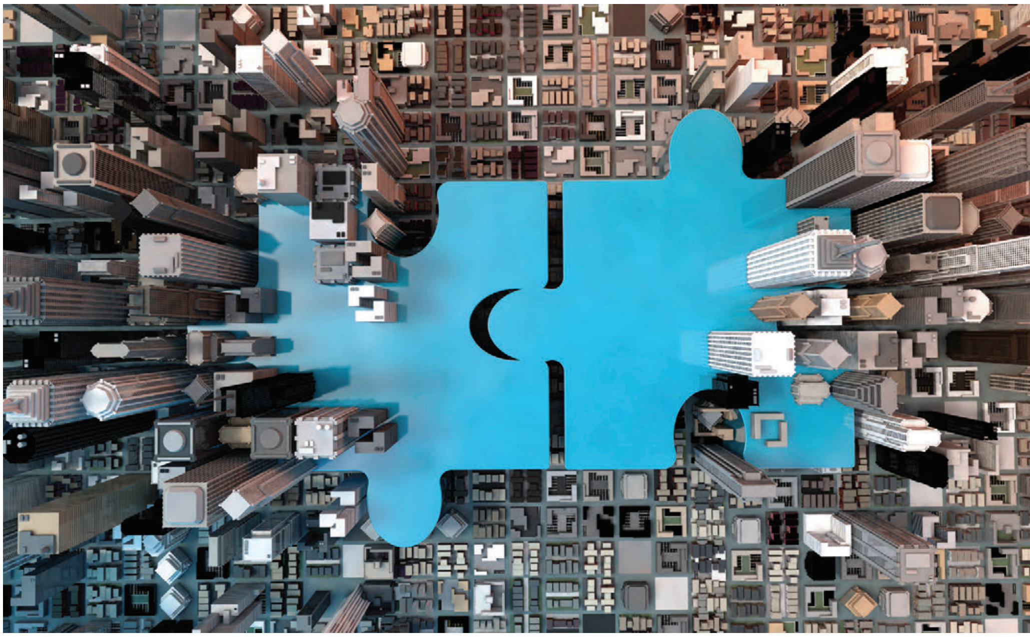
investment return income that insurers have typically made. The industry is seeing significant COVID-related losses in D&O, employment practices liability insurance (EPLI), event cancellation, workers' comp and other lines.

The traditional market cycle was the result of natural disasters, a lag in the correction of pricing, and reinsurance capacity. What seems to be happing now is more of an adjustment for systemic risk. Insurers are having difficulty replacing their capital because claims are getting bigger and coming in faster. At some point, if things work out as they did in the past, the new capital will flow in, and the cycle will move to a soft market. Look past 2021 for that to happen.



2020 M&A Activity, Pricing

Mergers and acquisition (M&A) activity is again expected to continue during 2021, according to discussions with key acquirers. The current prices paid by publicly traded brokers, large regionals, and agencies funded by private equity firms are already extremely high and will likely continue to be high for the valuable, desirable firms. Since the supply is dwindling, the prices may be even higher for those that remain if they fit the profiles of the key buyers today. There will be buyers as long as insurance agencies remain profitable.

In 2020, HUB acquired 65 North American firms with a combined aggregate revenue of more than $200 million. They target producer-focused organizations specializing in key industries, including real estate, construction, hospitality, and healthcare. In 2021, they are looking for organic growth with their acquisitions and are driven to deliver world-class service supported by client-focused resources and technologies.

During a global pandemic, Acrisure continued to have record-setting success. Acrisure completed 110 transactions in 2020, and management expects to do a similar number in 2021. Revenue also increased to over $2.1 billion. Acrisure also completed a transformational transaction with Tulco LLC by acquiring its insurance practice to bring data science, AI, and machine learning capabilities to the insurance brokerage industry.

Assured Partners is very competitive and closed 50 transactions this past year and expect to do the same next year. AssuredPartners is now at $1.7 billion in revenues. They have revenue earn-outs that are very attainable.

Foundation Risk Partners is a new buyer since November of 2017. This past year they made several acquisitions and will continue that trend in 2021. They are very competitive and easy to work with and bring some great synergies to acquired agencies.

Arthur J. Gallagher picked up their pace this year, especially in California. They will be aggressive nationwide and are especially looking for the right people to grow in areas they have not been in before.

Risk Strategies, based in Boston, closed 20 transactions, which was close to their biggest year, and expects to do about the same number in 2021. They are more selective in buying agencies with specific niches, like employee benefits, healthcare, real estate, and transportation agencies.

Another privately held broker we work with is Heffernan Insurance Brokers. Their main offices are in Portland, Phoenix, St. Louis, and Philadelphia now, and they are also interested in new regions. They made nine acquisitions in 2020 and plan on doing at least the same number in 2021.

InterWest, based in Sacramento, has averaged two transactions a year over the past four years. Their acquisition strategy seeks programs, talent, new or enhancing a territory, and a good cultural fit. They then look to invest, grow, and offer equity. Two transactions are expected for 2021 unless there are additional good opportunities, mainly in California and Nevada.

BroadStreet Partners, NFP, and new ones called World Insurance Associates, Relation Insurance Services, and Patriot Growth Insurance Services are funded by private equity and venture capitalists. They continue to aggressively solicit and buy independent agencies and have large amounts of capital to pay well.

Private equity firms have been buying up insurance agencies for their investors. This makes a lot of sense because the return on investment is typically 20% to 30% plus, which is greater than most other available investments today.

Despite the pandemic, private equity firms are often still paying typically eight to nine times EBITDA as down payments for a well-run agency. Smaller books are purchased at around five to seven times EBITDA.

In addition, there are usually earn-out

bonuses that can also be significant as a multiple of EBITDA or topline. When the value is translated to a multiple of revenue, this means 2.5 to 3.0 times revenue. Sometimes the down payments require at least 10% to 25% of the acquirer's stock. Most down payments are about 80% of the price, with an earn-out over one to two years, especially now due to COVID.

Peer Acquisitions

There will continue to be a price differential between those that receive offers from the well-funded buyers and those that sell internally or to local competitors. Local peer buyers and internal buyers cannot easily compete at these high prices and multiples since they usually need to pay out of cash flow.

However, some independents prefer not to sell to a much larger, often publicly traded firm. There is often a sense of pressure to produce and write larger accounts.

In addition, producers in these acquired agencies usually have to write commercial lines and benefits accounts that are over $2,500 for some and $5,000 in commission for other acquirers in order to get paid.

On the other hand, there are other acquirers that leave the agency alone, except for providing markets, accounting, and HR support.

They don't even change the seller's name, such as Acrisure, Foundation Risk, and Broadstreet.

Agency Pricing

Sellers today still get prices from other peerindependents in the 1.5 to 2.25 times range, if there is at least close to a 25% to 30% profit margin. As a multiple of EBITDA (earnings before interest and depreciation), these values are in the six to seven times revenue range. In the earn-out portion of the price, the seller is expected to grow the business, not just maintain it. Terms based on future growth should be discounted when determining value based on cash today. So, if an agency receives 1.75 to 2.25 times revenue over time, like three to four years, this is actually a price closer to 1.3 to 1.6 times revenue today.

Internal Perpetuation Can be Difficult

It is often hard for small and medium sized independent agencies to perpetuate internally. The next generation often does not have the management and sales skills set to be able to retire the majority owner. In some cases, there are not perpetuation candidates at all.

The terms for internal purchases are still typically 10% to 25% down, with the buy-out over five to 10 years. The years it is paid out over depends on the agency's cash flow and whether or not the internal buyer has any money of their own. An internal buy-out rarely has an earn-out component, so the value should be conservative, to not jeopardize the internal buyer being able to use the agency's cash flow to pay the loan off over time. Buyers often want the retiring owners to move on after a few years, so then they can manage the firm without their influence and use their compensation and perks.

If an owner sells internally, it is usually for less than the value of an external sale. There is a risk that the internal candidates might not work out, nor do they often have the money to do a buy-out. Often the retiring principal needs to finance the deal for the internal candidate.

Tax Law Changes Likely

With the Democrats now in, there is no guarantee that the lower tax structure that President Trump put in place will continue. For agency owners, this also includes whether or not capital gains will be at their current low federal rate of 15% or is changed to perhaps 40%. Many agencies that were concerned about higher taxes with a new regime, sold in 2020 to avoid this concern. There is also a strong possibility that the state income tax rates are going up, such as in California with the move to over 16%. Personal income taxes, especially in the higher brackets, are predicted to rise substantially because of the stimulus packages that were approved.

Summary

Managing the agency in a way that exploits these trends will then allow the firm to succeed. Being proactive and knowing how current trends will affect the firm is the first step. Agency owners also need to establish business and marketing plans to stay ahead of the competition.

Visit Oak & Associates' new website www.oakandassociates.com for a free download for a Sales and Marketing or Business Planning template, or to listen to two seminars titled "Perpetuation Planning" and "Pay for Performance." IJ

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

LockTen:

Top 10 Total Reward and Human Capital Strategies in 2021

We've learned a lot in the past transformative year. The bottom line is: it's not enough to just be a broker anymore. Organizations expect their broker partner to get creative (and aggressive) when it comes to guiding their total rewards package.

Organizations of all types are beginning to focus forward to their "new normal" and with that comes the opportunity to look for the total reward and human capital strategies certain to be game changers. We asked Lockton thought leaders and clients to share how they're thinking bigger, exploring further and focusing on what really matters.

By Kyle Anthony

1. Hope (is still) not a strategy.

As you look ahead into 2021 and beyond, improving the value and efficiency of your total rewards program is 100% achievable, but it won't be easy. Perhaps no increase to health insurance costs was a win for your organization in 2020. It won't happen on its own unless your organization gets aggressive and develops a plan. Ask yourself: What is the target? What hurdles persist? How are your partners supporting, solving and driving superior outcomes?

2. Blockbuster Video called. Your PPO and HSA are overdue.

Did you know Blockbuster tried to buy Netflix in 2000? Strange, considering today Netflix is worth $200 billion and Blockbuster has one store in Bend, Ore. Blockbuster knew the market was changing but could not respond quickly enough to avoid eventual bankruptcy. Spoiler alert: in 20 years, it's likely the healthcare industry will have a few "Blockbusters" of its own.

The next generation of healthcare solutions are fundamentally different because they align consumers, employers, insurers and healthcare professionals. Organizations have access today to more progressive solutions built to lower cost, improve health outcomes and drive higher patient satisfaction.

3. Raise your hand if you know how much a broker reduces an organization's risk.

For decades, organizations have developed, implemented and managed wellness programs that achieve hazy return on investment (ROI) results. While ROI has been questionable, data show the most effective wellness program results come from simply keeping the 80% of your organization's "healthy" population healthy. That's a great strategy for individuals not using the program, but what is your broker doing about the other 20% actually driving up the cost?

Studies show a shrinking percentage of the population is responsible for the most rapid increase to overall cost. In 2019, less than 4% of those with employer sponsored coverage generated more than 60% of total medical and prescription spend. The success of your ability to deliver a best-in-class risk management strategy must address this changing reality.

4. It's no accident that voluntary benefits can be as important as medical benefits.

Supplemental benefits have become an important part of total reward strategies. By offering critical illness, accident and hospital indemnity coverage, organizations seek to provide employees with an affordable financial safety net that strategically aligns with their healthcare options. Through a more transparent and balanced approach, organizations can maintain coverage levels and reduce employee cost.

If you or your client are a large organization, explore new dividend-based arrangements designed to capture excess margin from the carrier to reinvest back into the total reward program.

5. Times change, needs change. Life and disability strategies should change, too.

When was the last time your broker audited your organization's life and/or disability programs? You're not alone. Many organizations miss out on significant opportunities to reduce cost, enhance coverage and secure subsidy dollars by keeping life and disability coverage an afterthought.

Perhaps you're thinking the "juice isn't worth the squeeze," but you're misinformed. Organizations can achieve significant cost reductions (more than 20%) by optimizing their life and disability programs, even in advance of the renewal date, many times without even changing carriers.

6. Tis the season, to rethink your pharmacy benefits strategy … again!

In 2021, it's projected that just 1% of medications will drive an increase of more than 10% to total pharmacy inflation. This may not come as a surprise if you've been managing your pharmacy strategy. Specialty medications, which account for more than 57% of total drug spend, are increasing at a rate of 10% per year.

With this changing trend, brokers must guide their clients to consider both retail and specialty medical utilization to properly conduct an analysis and/or market review for pharmacy benefits.

7. Leverage (verb): to use something that you already have in order to achieve something new or better.

Between 2016 and 2019, nearly one in four employers had a single claimant cost more than $1 million. Along with opportunities to improve the efficiencies of your purchasing process, organizations are looking closely at risk, which is the ultimate driver of overall plan cost.

Risk is predictable, changeable and avoidable. A broker's ability to execute a best-in-class risk management strategy should incorporate a range of capabilities to manage chronic and complex claims risk. Ask yourself: what leverage does your broker/consultant have to protect you during times of changing market conditions? Unfortunately, scale alone will not drive outcomes.

8. Get back to the future — of compliance.

Change is coming. From Proposition 22 in California to the federal "No Surprises Act," compliance is going to be an exciting area to watch this year. The 117th Congress is already at work assembling efforts to reinstate provisions of the Affordable Care Act while contemplating key initiatives proposed by President Biden.

Organizations cannot afford to wait. New rules, which take effect Jan. 1, 2022, will require thoughtful guidance and new solutions.

9. Remember the three E's: Engage; Educate; Evolve.

Are your employees passionate about the compensation and benefits you provide? If not, it's likely that they don't understand your organization's total reward vision. As an industry, we've made employee engagement incredibly complex when the "why" is rather simple:

- As humans, we're more likely to learn about something if we feel a personal connection.
- As organizations, we provide meaningful compensation and benefit packages to attract the best talent, then to provide for and protect their families.
- The employees (and dependents) who understand the purpose of an organization's compensation and benefits are more likely to find that connection.

Start with a foundation that communicates your organization's employee brand through print, digital and social channels. With that framework, educate your employees through year-round campaigns that drive specific actions. Anchor campaigns around the behaviors your organization needs to drive better behaviors.

10. Resolve to change with the times.

Change is happening all around us, and keeping up means staying relevant. We asked high performance organizations to identify the number one thing they believe leads to superior employee satisfaction, greater efficiency within their own HR departments and more efficient financial outcomes. The most common answer: "LISTEN MORE, TALK LESS."

In 2021, there may be a new normal but there will be normal. With 2020 behind us, workplace culture and competition will again drive talent management strategy. Our best performers admit it takes time to listen intently to employee (and candidate) feedback, but it pays off in the long run. As talent preferences are changing and the workforce becomes more distant, diverse, and discerning, developing an employee-centric north star keeps organizations laser focused on what really matters. IJ

Kyle Anthony is the president of Lockton Ohio, one of the world's largest independently owned insurance firms. Anthony leads his team with a drive to see things differently coupled with a "people first" mindset. He has over 25 years of leadership, sales, client management, analytics and underwriting experience in the human capital, employee benefits, total rewards and risk management fields. For more information visit: www.locktonohio.com.

Idea Exchange: Ask the Insurance Recruiter

How Your Diversity & Inclusion Plan Can Positively Impact Recruiting

Here are the top two statements insurance agencies said to me in 2020:

1. "We need to find top talent."
2. "I want to talk with you about Diversity & Inclusion in our hiring process."

The events of last year spurred many insurance agencies toward a renewed focus on Diversity & Inclusion. Prior to 2020, I sensed most agencies were simply trying to construct a plan, and others admitted it was collecting dust on the shelf. Following the death of George Floyd, calls for racial justice, equity and gender inclusion have spurred agencies to go deeper on the subject. Now their goal is to design a meaningful plan that impacts their business on a daily basis.

Creating a Diversity & Inclusion strategy is one thing. Implementing it in all aspects of your agency is another. A critical part of integration is in the hiring process.

Recruiting is the front-line process that creates brand awareness and engagement. To source, attract, hire and retain top talent, your Diversity & Inclusion program must move to the center stage.

'Creating a Diversity & Inclusion strategy is one thing. Implementing it in all aspects of your agency is another.'

Find Candidates You Want Using Data Analytics

By Mary Newgard

The first thing the Society for Human Resource Management (SHRM) points out in How to Develop a Diversity, Equity & Inclusion Initiative is knowing what you have will build a more diverse workforce. When is the last time you analyzed data in your HRIS or CRM?

- Run reports in your applicant database to see where you fall short on the diversity spectrum. Even a basic system should allow you to filter based on age, gender, race and ethnicity.
- Set goals to proactively increase the number of diversity recruits by position, location and discipline.
- Compare your data to local, state and

federal workforce reports to remain competitive with market hiring trends.

Join Industry-Wide Initiatives to Boost Your Hiring Exposure

Two heads are better than one, right? Well, how about thousands of heads coming together to accomplish the same goal? In their article Diversity & Inclusion In the Insurance Industry, the Insurance Information Institute lists a number of organizations you can join forces with to drive diverse hiring.

- Insurance company partners. Learn more about their diversity programs. Think creatively about joint initiatives to advertise and attract new people to the insurance industry from diverse backgrounds.
- You can't spell community without UNITY. Organizations like The Insurance Industry Charitable Foundation, which holds the annual Women in Insurance Conference, as well as the IIABA have numerous cooperatives that focus on empowerment and representation.

Connect and get involved with their programs, events and ongoing endeavors.

Representation Online and In-Person Matters to Job Seekers

S&P Global Market Intelligence published a series of articles in November 2020 about the insurance industry's lack of diversity.

One S&P Global Market Intelligence article, Female Insurance Leaders Work Against Odds To Open Doors For Other Women, reveals that less than 25% of executives at large insurers are women.

"Historically, you'll look across industries and see that women have been under-represented for a long time," Anita Fox, director of the Michigan Department of Insurance and Financial Services, says in the article. "We've talked about the glass ceiling for a long time."

The consensus among the industry is that representation and promotion are keys to creating diversity, now and for future generations.

- Interviews are an invitation for job seekers to experience your agency's culture. Create on-site itineraries where candidates meet diverse employees and hear diverse voices and perspectives.
- Share your Diversity & Inclusion policy. Give insight into how leaders AND employees create an inclusive and equity-based environment. Highlight ways a new employee can join the conversation and make an impact in future initiatives.
- Cut to the chase with career progression. Its not cliché to talk about the glass ceiling. You work to shatter that along with unconscious bias, systematic racism and other issues that prevent true inclusivity. Give stats on employee retention, career advancement and more.
- Let your light shine on social media. Your CEO should record (rather than write) the agency's Diversity & Inclusion pledge for YouTube. Let all of the aforementioned work (community activism, joint partnerships and more) be displayed online and shared by your employees. IJ

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Advertisers Index

Closing Quote

10 Things Agencies Should Expect from Carriers

By Jodi Kelley

Working for an independent insurance agency can be challenging, and the job is even tougher if an insurer does not share your commitment to customer satisfaction.

In my position as a territory manager for an insurer, I partner with independent insurance agencies every day. The tasks may change, but my focus hinges around the core beliefs I have about what an insurance agency should expect from an insurer partner. Here are 10 things an insurance agency should expect:

1. A focus on the customer. Both agencies and carriers should have a shared commitment to quality customer service. Making customers wait for days or even weeks to get an answer to their questions should not be acceptable. If a customer needs to know something, you should expect to get a prompt response from the insurer.

2. An emphasis on long-term relationships. Successful agency-insurer relationships are built to last. If you are seeing a frequent turnover of insurer contacts and inconsistencies in information, that should be a red flag. For success, it's critical that you have a go-to list of contacts you can count on. Here are some key questions to ask: Will the insurer have a specific manager assigned to help me? And do all agents have access to the product, or are appointments limited?

3. Trust. You should have confidence that the insurer will tell you the truth. This may seem like an overly basic idea, but it's all too common for someone to tell you what they think you want to hear – not what will truly help you serve your customers. An insurer should be able to tell you quickly whether a customer fits the insurer's risk profile, and the insurer should be able to talk to you openly.

4. Easy-to-use technology. An insurer should offer the resources needed to provide automated quotes and information in a timely manner. To quickly assess this, ask questions like these: Does the insurer have a web portal that increases my efficiency? Is information pre-filled on an application where applicable? Can I complete a form without having to print it, sign it and scan it? Can I access the system easily using my phone?

5. Availability when it matters most. If a major storm has just hit, will you be able to reach someone from the company at 3 a.m.? The best insurers are ready for such situations, with contingency plans in place.

6. Transparency. Your insurer contact should be ready to give you updated financial information, whether it's information about year-over-year performance, largest losses or overall financial stability. After all, your credibility is on the line when you recommend an insurance carrier to your customer.

7. Training. While working in an agency, I had access to an amazing niche product but it was extremely difficult to get information about the product. The website was limited to a specific internet browser that wasn't common, there was little training available and brochures lacked current information. Guess how many policies I sold for the company? No surprise: very few.

8. An understanding of your agency's goals. A collaborative insurer partner will quickly get a feel for what your agency is looking to accomplish. How many new customers are you looking to bring on board in 2021? Are there possibilities for shared marketing outreach? And how are you working to keep your customers happy and engaged? The insurer should be asking you these kinds of questions and working to help you reach your goals.

9. Support of professional associations and continuing education. I like a good mascot, but I want to be thought of as an insurance professional. With that in mind, carriers should support specialized seminars and continuing education opportunities that help agents constantly improve in their jobs.

10. A commitment to the community. Does the insurer participate and give back in the communities where it does business? This active community involvement shows the character of who you are doing business with. Insurers who are in it for the long term see the value of contributing to the community, and not just for their brand awareness. A true spirit of giving back comes from wanting to help the customer, and in turn, the areas they live in.

You are probably seeing a common theme to these points. They all relate to how the insurer should make things easier for you as an agent, not harder to do business with. A long-term relationship built on these points will reduce wasted time and help you supply quality coverage for your customers. And that will be a win-win-win for your agency, your insurer and your customer. IJ

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