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WEST REGION

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THE NATIONAL PROPERTY CASUALTY MAGAZINE

IT'S TIME AGAIN FOR TERRORISM INSURANCE

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2013 PREMIUM FINANCE DIRECTORY

2013 SUPER REGIONAL P/C INSURERS™

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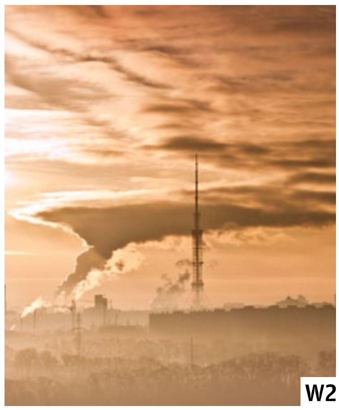
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Opening Note

Apologies Necessary

Doctors do it. Kindergarteners do it. Should insurers do it? Despite the prevalence of apologies in our society — think Lance Armstrong, Tiger Woods, Mel Gibson and Bill Clinton — the idea of offering an apology as a result of a claim is rarely considered in the insurance industry.

"By and large, our industry never makes an apology," said Christopher W. Martin, founder partner of the Texas-based law firm of Martin, Disiere, Jefferson & Wisdom, who spoke at a recent panel discussion on the subject at the PLRB national conference held in Boston, Mass.

He said that's because, historically, insurers assess blame by examining the actions of the insured and claimant, evaluating contributory negligence and determining whether other parties are at fault.

If it's somebody else's fault — like the builder or manufacturer — according to Martin, the industry tends to stop the evaluation at that point.

Jeffrey A. Mills, director of claims operations for Ameriprise, said there are 37 states with statutes that provide protection or act as an "apology shield," and that many in the industry aren't aware the apology protection statutes exist.

Insurers should consider apologies as an option or strategy during resolution of a claim.

Martin said insurers should consider apologies as an option or strategy during resolution of a case, especially in states considered "safe harbors for certain apologies."

"If someone following an accident makes certain kinds of apologies, it cannot be used against them in a court of law," Martin said. However, an apology that includes a statement of negligence or conduct is admissible. Martin offered an example, "I didn't see the red light, I'm sorry."

There are benefits to offering an apology, too, the experts said. The emotion tied to a claim tends to drive an unreasonable demand, Mills said. Consider an injury that results in a life-changing event. An apology can potentially reduce the likelihood of a lawsuit being filed and result in reduced defense costs and damages. Plus, an apology can decrease the chances of a bad faith claim being filed.

Maybe an apology for bad claim handling or bad agency customer service would result in a retained customer and happier outcome? Such manners may even lead to a better reputation for the entire insurance industry.

Both Mills and Martin say the industry and carriers should consider apologies in some claims situations and lawsuits, and that there is a science behind the apology, especially during trial. And timing is important.

Think again before avoiding apologies to customers in your agency. The right apology contains remorse, responsibility, repair and reform. A simple gesture of empathy may save a lost customer, avoid a potential error and omissions claim or just make someone feel better.

Andrea Wells
Editor-in-Chief

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News & Markets

U.S. P/C Industry Posts $33.5B 2012 Income Despite Huge Catastrophe Losses of $32B

U.S. property/casualty insurers absorbed net insured catastrophe losses of more than $32 billion last year, but still managed to post $33.5 billion in net income in the aggregate — in part because catastrophe losses were lower than in 2011.

Analysts commenting on the year-end financial results published jointly by ISO, the Property Casualty Insurers Association of America and the Insurance Information Institute, also said the growth in net written premiums (or 4.3 percent in 2012, compared to 3.4 percent in 2011) and a lower level of non-catastrophe losses in 2012 helped boost the bottom line from the $19.5 billion total reported for 2011.

The overall rate of return was still anemic compared to long-term historical averages, according to Michael R. Murray, ISO assistant vice president for financial analysis, who reported that the results for 2012 represent a 5.9 percent overall rate of return.

This is 3 points short of the 8.9 percent average rate of return for the 54 years from the start of ISO's annual data in 1959 to 2012, Murray said in a statement.

Murray added that with given current levels of investment yields, financial leverage, and tax rates, ISO estimates that the overall industry combined ratio — which came in at 103.2 for 2012 — would have to improve by an additional 4.6 points (to 98.6) for insurers to earn their long-term average rate of return."

According to the ISO/PCI report, the P/C industry's 5.9 percent rate of return for 2012 was the net result of negative rates of return for mortgage and financial guaranty (M&FG) insurers and single-digit rates of return for other insurers.

ISO estimates that M&FG insurers' rate of return on average surplus improved to negative 9.3 percent for 2012 from negative 48 percent for 2011. Excluding M&FG insurers, the industry's rate of return rose to 6.2 percent in 2012 from 4.7 percent in 2011.

"Once again, mortgage and financial guaranty insurers suffered disproportionate losses on underwriting," said Murray. "

Losses Decline

The industry report noted that for the industry overall a 2.8 percent decline in net incurred losses and loss adjustment expenses was a key contributor to a 4.9-point improvement in the combined ratio — to 103.2 in 2012 from 108.1 in 2011.

The loss and loss expense decline was largely driven by a drop in catastrophe losses, with ISO estimating that private insurers' net losses from catastrophes fell $5.9 billion — to $32.1 billion in 2012 from $38 billion in 2011.

Non-cat losses and loss adjustment expenses also dropped, falling $3.7 billion, or 1.2 percent, to $302.9 billion in 2012 from $306.6 billion in 2011.

U.S. insurers' $32.1 billion in net losses and loss expenses from catastrophes in 2012 is primarily attributable to catastrophes that struck the United States. The report notes that U.S. insurers' net losses from catastrophes overseas dropped to near nil in 2012 from between $4.5 billion and $6.5 billion in 2011.

Within the United States, according to ISO's Property Claim Services (PCS) unit, based on the information available as of April 23, 2012 catastrophes caused $35 billion in direct insured property losses (before reinsurance recoveries) for all insurers (including residual market insurers, foreign insurers, and reinsurers, but excluding the National Flood Insurance Program and ocean marine losses) — up $1.3 billion compared with the $33.6 billion in direct insured losses caused by catastrophes striking the United States in 2011 and $11 billion more than the $23.9 billion average for direct catastrophe losses during the past 10 years.

Underwriting results for 2012 benefited from $10.2 billion in favorable prior-year loss and loss expense reserve development. The $10.2 billion in favorable reserve development in 2012 follows $11 billion of favorable development in 2011.

In a written commentary released in conjunction with the ISO/PCI report, Robert Hartwig, president of the Insurance Information Institute noted that "stronger top line growth is also now a consistent and meaningful contributor to improved profitability."

Noting that the jump in net written premiums — 4.3 percent in 2012 — was nearly a full point above the 3.4 percent gain recorded in 2011, Hartwig noted that the 2012 figure represents "the strongest growth so far recorded in the post-crisis era." Net written premiums in 2012 expanded at their fastest pace in nearly a decade, he said.

"Persistently low interest rates, of course, remain a challenge for the industry, with net investment income slipping by $2.3 billion or 4.1 percent in 2012," Hartwig added. IJ

Declarations

Home Maintenance

"Making sure things are in good working order this spring can make a big difference in home safety, as well as insurance matters."

— Pennsylvania Insurance Commissioner Michael Consedine on home maintenance. Consedine said homeowners starting their spring cleaning projects should also give a thought to insurance. He recommends taking the time for minor fixes now.

Available for Purchase

"I am not aware of any carriers that don't offer terrorism coverage if the policyholder wants to purchase it. It depends on whether the policyholder purchased some form of terrorism coverage or whether they have not opted for that coverage and left their policy subject to the terrorism exclusion."

— Steven Nassi, a partner at the New York City-based insurance law firm Nelson Levine de Luca & Hamilton, discusses terrorism insurance coverage in the wake of the Boston Marathon bombings. The definitions of terrorism under various insurance policies are not uniform, and if a business policy has a terrorism exclusion, it most often applies to any causes of loss or any claims under the multi-coverage policy.

Dinner and a Movie

"The average flood insurance policy costs about $50 per month, so for roughly the cost of dinner and a movie, consumers can protect themselves against disaster."

— Doug Whiteman, insurance analyst at Bankrate.com, says most homeowners don't purchase flood insurance even though they know that a standard homeowner's insurance policy doesn't cover flood damage. The Insurance Information Institute has found that only 13 percent of homeowners have a separate flood insurance policy. Whiteman calls it "a classic 'do as I say, not as I do' situation."

Dangerous Stuff

"We see it every day, people not paying attention. … That stuff is so dangerous. We cannot emphasize enough just how important it is that you just keep your eyes on the roadway."

— Oklahoma Democratic State Rep. Curtis McDaniel, comments on the failure of legislation that would ban texting while driving in his state to advance in the Oklahoma House. McDaniel vowed he would continue trying to get the proposal passed this session, "and the next session, and the next session."

Comforting Words Not Evidence

"The trial court had determined that Dr. Smith was faced with a distressed patient who was upset and made a statement that was designed to comfort his patient. … This is precisely the type of evidence that (the medical apology statute) was designed to exclude as evidence of liability in a medical-malpractice case."

— Justice Judith Ann Lanzinger, writing for the majority of the Ohio Supreme Court, which ruled that sympathetic statements by a doctor over a patient's unexpected medical outcome can't be admitted as evidence in medical malpractice cases.

XYZ

"We want to be out of the business of determining gender at our DMVs."

— California Division of Motor Vehicles administrator Alan Frew said his agency now agrees with the American Liberties Union, that the agency went too far in requiring transgender drivers wishing to change the sex designation on their driver's licenses to provide a note from a surgeon signifying the individual "had undergone a complete surgical change of gender."

Figures

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The number of small earthquakes recorded in central Oklahoma over a span of one week in mid-April. The quakes, 10 of which occurred on one day, ranged from magnitude 2.8 to 4.3 and were more annoying than threatening. A magnitude 5.6 temblor on Nov. 5, 2011, was the strongest ever recorded in the state and was preceded by a 4.7 magnitude foreshock and aftershocks of 4.0.

$7.7 Million

The amount a California jury awarded to the parents of a woman diagnosed with schizophrenia who died during a scuffle with her caregivers. Lauren Arcady, 33, died in 2010 during a struggle with her caregivers. Arcady had moved into her own house in Santa Maria about 150 miles north of Los Angeles after living in a state-run facility for people with developmental disabilities. Two caregivers were hired to stay with her during the day.

$4.56 Million

The amount that Zurich American Insurance has agreed to refund to policyholders of its New York statutory disability insurance policies because the insurer failed to spend at least 60 percent of total premiums on claims — as required under law. The money is being refunded to some 73,000 policyholders.

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premium
$680 million
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News & Markets

Most Carriers Provide Training on Selling Online: Survey

A two-thirds majority of independent insurance agents say their carriers are providing them with training and consulting on how to use their agency websites to increase sales, a new survey reveals.

The annual survey of agents on their attitudes regarding carriers — on a wide range of issues —found that carrier-provided training on driving sales through the agency website is now as common as direct sales training for staff.

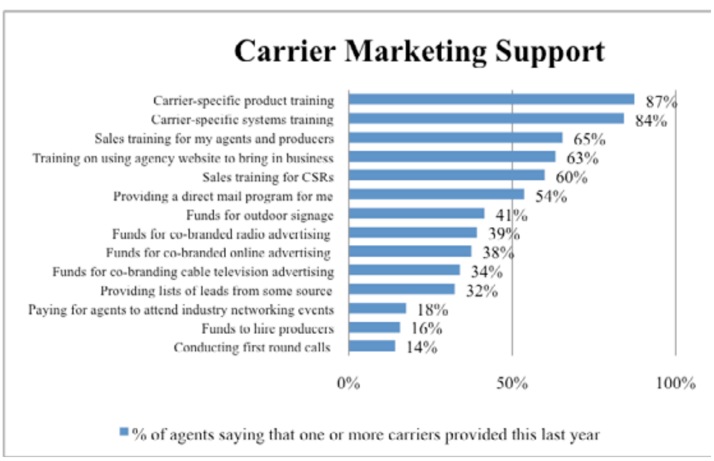
The new survey of more than 1,200 agents is under way by Channel Harvest Research and is sponsored by *Insurance Journal*.

About 63 percent of agents report training and consulting support on using the web to drive sales, compared with 65 percent who report receiving sales training for agents and producers and 60 percent who report sales training for their CSRs. These training programs trail only carrier-specific systems and product training among the types of support agents were asked about.

But carriers also are investing in helping agents generate business both online and offline, including co-branded online advertising, direct mail and cold calling, radio advertising, and even co-branded cable television ads.

54% of agents report that at least one carrier provides their agency with direct mail support.

The most common form of direct marketing spend appears to be direct mail, with 54 percent of agents reporting that at least one of their carriers is providing them with direct mail support that drives business to the agent. About four in 10 agents report some level of co-branded radio and online advertising support. One in three reports financial support for co-branded cable TV advertising. And about 14 percent of agents say carriers are running programs to generate agent leads from first-level cold calling to prospects.



The study, "2013 Survey of Agent-Carrier Relationships," is the sixth in a series examining independent agents' views on marketplace issues. The survey is sponsored by *Insurance Journal* and conducted by Channel Harvest Research.

Information cited in this article is based on preliminary data; final survey results could differ slightly.

For information on obtaining the survey, contact John Campbell at john@channelharvest.com or 202-363-2069, or visit www.channelharvest.com. IJ


SEPTEMBER 16TH, 8:45 A.M.
THE SMOKE CLEARS AND A PROMISE IS KEPT
IN AN INSTANT,
ANTHONY POULOUS HELPS A CLIENT SEE HIS FUTURE MORE CLEARLY
One of Anthony's clients lost a major supplier to a fire, sparking concerns about cash flows, inventory levels and the short-term health of his client's business. Fortunately, with the help of CNA, Anthony had already prepared his client for potential supply chain risks, outlining a plan that would ultimately reduce the haze of his client's uncertainty. Way to think ahead, Anthony.
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Business Moves

K2 Insurance, Aegis Security

San Diego, Calif.-based K2 Insurance Services acquired Aegis Security Inc. in Harrisburg, Penn. Terms of the acquisition were not disclosed.

Aegis Security specializes in insurance for manufactured homes, motorcycles, travel trailers, select-value dwellings and other specialty insurance products.

With the acquisition, K2 comprises a specialty insurance franchise that is expected to generate approximately $165 million of gross written premiums in 2013.

K2 Insurance Services was formed in 2011 in partnership with investment firm Endeavour Capital to acquire managing general agencies and specialty underwriters to create a franchise in the insurance program market.

Eastern Insurance Holdings

Eastern Insurance Holdings Inc. has opened a Gulf South regional office in support of subsidiary Eastern Alliance Insurance Group (EAIG), a domestic casualty insurance group specializing in workers' compensation insurance.

EAIG's Gulf South regional office will provide workers' comp insurance products and services to policyholders in Mississippi, Alabama, Arkansas, and Louisiana. The office is located in Madison, Miss.

The office is fully staffed with underwriting, marketing, claims and risk management professionals. Since July 2012, Steven Weeks has served as regional business executive for the Gulf South territory.

Founded in 1997, EAIG is a specialty underwriter of workers' compensation products and services for businesses and organizations in the Mid-Atlantic, Southeast, Midwest and Gulf South regions of the United States. EAIG is a member of the publicly-held Eastern Insurance Holdings Inc. family of companies, with offices in Lancaster and Wexford, Pa.; Charlotte, N.C.; Carmel, Ind.; Franklin, Tenn.; Richmond, Va.; and Madison, Miss.

EIHI operates through its subsidiaries a domestic casualty insurance group specializing in workers' compensation products and services and a segregated portfolio cell reinsurance business.

McGowan, Governmental Underwriters

The McGowan Cos., based in Fairview Park, Ohio, has purchased the assets of Governmental Underwriters of America Inc. (GUA). Effective immediately, GUA will begin operating under the newly formed McGowan Governmental Underwriters (MGU) brand.

Founded in 2006, GUA provides public entity insurance to municipalities and school districts.

The formation of the McGowan Governmental Underwriters brand consolidates all of McGowan's public entity operations into one facility. This operation will be headed by Terrence B. Phelan, as its president. David Gosiewski has been named senior vice president of the newly-formed company.

All GUA brokers will receive automatic appointments with McGowan and its full range of products and capabilities.

MGU's umbrella products are available in all 50 states, while MGU's package products initially will be available in Ohio and Pennsylvania, with more states coming online soon.

The Hilb Group, EPH

The Hilb Group announced the acquisition of Engle, Paxson & Hawthorne Insurance Services (EPH) of Leesburg, Va. The transaction was effective April 1.

Founded more than a century ago, EPH serves residents and middle-market business owners in northern Virginia, Washington, D.C., and Maryland. The firm was one of six agencies in the country to receive the "Top Performing Agencies" award from the Independent Insurance Agents and Brokers of America in 2010.

The Hilb Group said this deal comes on the heels of its recent acquisition of Pennoyer Group in nearby Crofton, Md. The Hilb Group CEO Robert J Hilb said his company is continuing to build a strong agency presence in the D.C. metro area.

The Hilb Group was founded in 2009 by Robert H. Hilb, the former founder, CEO and chairman of Hilb, Rogal and Hobbs, and Robert J. Hilb, a former corporate vice president of Hilb, Rogal and Hobbs. The Hilb Group seeks to grow through targeted acquisitions in the middle market insurance brokerage space. The company is headquartered in Richmond, Va., with offices in Virginia, North Carolina, Tennessee, Georgia, Maryland and New York.

Atlas General, South Bay Underwriters

Atlas General Insurance Services in San Diego, Calif. has acquired South Bay Underwriters from Bliss & Glennon, a Redondo Beach-based national managing general agency and surplus lines broker.

The firms said that upon closing of the transaction on May 1, they will form a new unit of Atlas under the name Atlas Specialty Property Division. This new division will be headed by industry veteran John Coleman, who will be based in Atlas' newly-opened Manhattan Beach office.

The Specialty Property Division will focus on difference in conditions insurance, which provides coverage designed to close specific gaps in standard insurance policies for commercial risks. The division will concentrate its efforts on commercial property risks largely comprised of real estate schedules, municipalities, and retail with catastrophic exposed perils. IJ

Closer Look: Liability

The Trademark Problem

It has always been surprising that trademark issues receive so little attention in the insurance community. It's almost as if trademark claims are the dirty little secret of casualty insurance, both on the standard commercial and specialty professional sides of the house.

There is no question that in the marketplace at large, trademark claims are a significant and growing problem. Both the number of trademarks in use and the number of new trademark registrations continue to increase year-over-year. According to statistics maintained by the U.S. Patent and Trademark Office, in the first quarter of 2013 there were 1,867,353 trademarks registered and actively maintained in use, compared with 1,752,599 in Q1 2012. New trademark registrations continue to climb as well — 243,459 in fiscal year 2012 up from 221,090 in 2010.

By Leib Dodell

Trademark-related litigation has continued to escalate as well. There were 18,118 initial claims of trademark infringement over the five-year period from 2003 to 2007 (the most recent year for which data are available), according to the Mitchell Study on Trademark Litigation. This compares with 12,905 claims over the same five-year period 10 years earlier — a 40 percent increase.

The nationwide median cost of taking a trademark case to trial is $300,000, according to the American Intellectual Property Law Association. And this is not just a U.S. problem. In China, for example, one of the fastest growing economies in the world, the average annual increase in trademark litigation between 2002 and 2011 was 39.8 percent.

Despite these numbers, and despite the fact that trademarks are one of the most important pieces of intellectual property that a company can own and one of the key building blocks of commerce generally, the insurance community still hasn't figured out how or where to properly and effectively insure this exposure.

Trademark and CGL

The starting point in any analysis of insurance coverage for trademark claims is the commercial general liability (CGL) policy, and more specifically the "advertising injury" provisions contained in the CGL. Given the prominence of trademarks in our economy and the volume of trademark claims over the past few decades, one would think there would be some clarity as to whether and to what extent trademark infringement claims are covered by the CGL.

Indeed, since trademarks are essential to virtually all advertising — after all, it's difficult to advertise without any way of identifying the source of goods or services — one might expect that trademark infringement would be at the core of an insurance coverage expressly named "advertising injury." Unfortunately, this is not the case. There has been and continues to be tremendous confusion and uncertainty on this issue.

Insurers still haven't figured out how or where to properly insure trademark exposures.

"Advertising injury" was originally introduced to the CGL policy in 1976, and the language has been modified multiple times since then. Many of the published court cases involve the 1986 version of the standard ISO CGL form.

The definition of "advertising injury" in the 1986 ISO form contains two covered offenses that are relevant to the discussion of potential coverage for trademark infringement: "misappropriation of advertising ideas and styles of doing business," and "infringement of copyright, title or slogan." This disastrous language is at the root of much of the uncertainty and confusion regarding trademark coverage.

"Misappropriation" is a recognizable legal concept, but as far as I am aware the phrases "advertising ideas" and "styles of doing business" have no legal meaning whatsoever and had never appeared in any pertinent statutes or court decisions when they were incorporated into the CGL. Similarly, while "infringement of copyright" is a clear-cut legal concept, neither "title" nor "slogan" is a meaningful legal term.

While titles or slogans might be trademarks, these terms have no legal significance and are not helpful in determining whether a particular cause of action might be covered. The term "trademark" itself does not appear anywhere in the 1986 form, leaving courts and other analysts at a complete loss in attempting to determine whether these provisions were intended to provide trademark infringement coverage. As might be expected, this has resulted in massive confusion, literally thousands of coverage disputes, and millions of dollars in wasted premium dollars. There are many published opinions reaching different conclusions on the scope of

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Closer Look: Liability

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trademark coverage in the CGL, and one can find support for virtually any interpretation of this language. Simply put, it was a total mess.

ISO materially revised the advertising injury provisions again in 2001. The phrase "misappropriation of advertising ideas and styles of doing business" was replaced by "the use of another's advertising idea in your advertising." The phrase "infringement of copyright, title or slogan" was replaced with "infringing upon another's copyright, trade dress or slogan in your advertisement." ISO also added what might have been a helpful exclusion, stating that advertising injury coverage does not extend to claims "arising out of copyright, patent, trademark, trade secret or other intellectual property rights." However, the form also provides that this exclusion does not apply to "infringement, in your advertisement, of copyright, trade dress or slogan."

To say that these amendments were not terribly helpful would be an understatement. We now have what appears to be a straightforward trademark exclusion, but with a puzzling carve-back for trade dress and slogan in an advertisement. Does this mean that trademark claims are excluded, but trade dress claims (in an advertisement) are covered?

Trade dress is a close cousin of trademark — it refers to the distinctive design of a product or its packaging, as opposed to a name or logo that identifies the source of that product to consumers (think of the distinctive design of a Cola-Cola bottle). It would be quite odd if trade dress claims were covered by the CGL, but trademark claims were not. And what are we to make of the carve-back for "slogan"? Are we supposed to conclude that trademark claims arising out of "slogans" are covered, but similar claims arising out of words, logos, etc., are excluded? Needless to say, coverage disputes over trademark claims continue to proliferate under the 2001 ISO form, with no clarity over the scope of trademark coverage and continued waste and inefficiency.

Domain Names

This problem is only going to get worse. For several reasons, the growth of the Internet will continue to drive an increase in trademark claims.

First, domain names are an extremely fertile ground for trademark disputes, since there is no requirement to prove legal ownership of a particular domain before registering it. As we continue to add new "top level domains," such as .biz, etc., disputes over domain name ownership will continue to increase.

Second, the Internet makes it much more

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Closer Look: Liability

Liability, continued from page 18

likely that two businesses using the same or confusingly similar marks in distinct geographical regions will come into contact with each other — Bob's Bike Shop in Seattle, for example, might have peacefully coexisted with Bob's Bike Shop in Miami, but only one of them can own www.bobsbikeshop.com. This is a problem that cries out for a solution.

While it is true that there are some specialty professional liability insurance products that might provide the necessary coverage, particularly media liability policies, this is not currently an effective approach, for several reasons.

First, these specialty policies are geared toward traditional media and technology companies. They are rarely marketed to or purchased by the standard commercial Main Street businesses that need the coverage most.

Second, there is surprising uncertainty over the scope of trademark coverage even under specialty professional liability policies. For example, media liability policies are designed to cover claims arising out of "content." The specific content that is covered by the policy is usually scheduled in the declarations page, typically with language such as "all books and magazines published by the Insured." If the schedule is not written broadly enough, the insured's trademarks might not in fact be covered.

Moreover, many media liability policies contain exclusions that, intentionally or not, cast doubt on the scope of trademark coverage. For example, one leading media policy contains an exclusion for claims arising from any "actual or alleged unfair or deceptive trade practices with respect to the advertising and sale of the insured's own goods, publications or services." Since trademark infringement is often considered an unfair trade practice, this type of exclusion could jeopardize coverage.

There are two potential avenues for resolution of this problem — either clarification of the CGL language (and perhaps an optional coverage endorsement) that would squarely address trademark coverage, or the development of a stand-alone trademark coverage product along with an effective distribution strategy to reach the standard commercial marketplace.

Until one of these solutions is reached, we will continue to see defeated policyholder expectations and massive waste of premium dollars. IJ

Dodell is currently working with ANV, a global specialty insurance group, to develop new specialty insurance products in the United States. He is formerly CEO of Media/Professional Insurance and ThinkRisk Underwriting Agency, and is currently a member of the Board of Trustees of the Professional Liability Underwriting Society. Email: leibdodell@gmail.com.

Managing General Agents

Jimcor's Mastowski on the Market and the Future of MGAs

The incoming president of the American Association of Managing General Agents (AAMGA) is no newcomer to insurance. He has some 40 years of experience under his belt.

Frank Mastowsi founded his family-run managing general agency — named after his children James and Coryn — in 1986 with his wife Ellen.


Frank Mastowski

Today, his children James Mastowski and Coryn Thalmann serve as Jimcor's co-CEOs. Mastowski continues to serve as president of Jimcor, and also serves as president of Citation Re LLC and their affiliates and as chairman of the board of directors.

Mastowski understands what it takes to be a successful wholesale broker. Prior to opening Jimcor, he spent 16 years as a vice president at Western World Insurance Co.

In this interview with *Insurance Journal's* Andrea Wells, Mastowski discusses his insurance beginnings, consolidation in the industry, the marketplace and what he expects to see in the coming year.

What brought you to the wholesale agency side of the business? Why did you leave the company side?

Mastowski: Actually, the president of Western World talked me into it. When I decided it was time for me to move on, he ended up suggesting I go into the wholesale business. He gave me my first contract.

Tell us about the beginning days of Jimcor. What was that like?

Mastowski: I started out as a wholesale surplus lines broker with binding authority contracts. I actually started out with only one, which was Western World, and then I had the Admiral as a brokerage. I had a couple of brokerage facilities. That's the way we started. By year two, I had five binding contracts. Once everybody realized that I was serious about staying wholesale and not going back to the company, I started getting a lot of contracts.

Did you ever consider specializing?

Mastowski: Pretty much what I knew best was, of course coming from Western World, was the binding authority business, so we capitalized on that end and just continued to grow, and grow, and grow.

Are you seeing continued consolidation in the MGA space?

Mastowski: There are still a lot of larger organizations looking for acquisitions. … It has slowed up a tiny bit, because finally, the wholesale space is starting to grow a little bit again. You can grow organically — a bit — but there are still a lot of people out there looking for acquisitions and purchases. There's just a lot of capital coming into the industry, both from the company side and from the investment side.

Do you think acquisition activity will continue in the future?

Mastowski: I do believe that it will continue … I think they're going to be more strategic in this coming year. It has to fit the model. But I still think that definitely you're going to see mergers and acquisitions continue, especially with the amount of capital that wants to come into the business.

Do you think the rest of this year and into 2014 is going to be better for wholesale firms?

Mastowski: Yes, I actually do. Not only (are we seeing) the single-digit increases in premium, we're seeing more business come out of the admitted market. I don't see it being done the way it was done before, which was whole classes of business, or entire books of business or lines of business. It's more strategic. Admitted markets are getting out of a certain group of risks as opposed to the entire class. It's creating more opportunities for the wholesaler.

How would you describe regulatory environment for MGAs today?

Mastowski: As an industry we still continue to struggle with regulation and the cost of regulation, probably as much as anything. It seems every state has its own set of rules. They tried to create some national simplicity to doing business and licensing. It hasn't gotten any simpler, and I don't think it's going to for a while yet.

What about the future of distribution? Are wholesalers still going to be a big part of the industry?

Mastowski: I see, quite frankly, a bright future for the wholesaler. Now, that's a wholesaler who can adapt to change and can react very quickly and do things correctly. I think it's going to be different for a small startup operation because the cost to enter is very expensive, especially on the automation side. It's not cheap. It comes at a cost just to open the doors up. Do I think the independent wholesaler has a future? Absolutely. Indicative of that fact is the AAMGA, which just last week, approved nine new members.

What do you hope to accomplish this year as the AAMGA president?

Mastowski: My theme is, "Change is inevitable. Let's plan for it." IJ

San Francisco Cable Car Accidents Costs Millions

Paul Elias
Associated Press

In this city of innumerable tourist attractions, the clanging, hill-conquering cable cars stand out as a top draw.

The quaint conveyances also stand out for the inordinate number of accidents and the millions of dollars annually the city pays out to settle lawsuits for broken bones, severed feet and bad bruises caused when 19th-century technology runs headlong into 21st-century city traffic and congestion.

Cable cars average about an accident a month and routinely rank among the most accident-prone mass transportation modes in the country per vehicle mile traveled annually, according to the U.S. Department of Transportation. Over the last 10 years, city officials have reported 126 accidents injuring 151 people.

After the latest serious accident – when seven people were injured after a cable car slammed to an unexpected stop after hitting a small bolt in the track – the Associated Press obtained through a public records request a listing of cable car-related legal settlements over the last three years.

Those figures show the city paying nearly $8 million to settle about four dozen legal claims.

The city has paid on average $12 million annually to settle all claims connected to its mass transportation system that in addition to cable cars consists of electric street cars and buses, which travel many more miles and carry many more passengers.

City officials acknowledge that the open air cable cars, which ply only eight miles of track, produce a disproportionate amount of accident-related costs.

But they say the cars are a much beloved and valuable part of the city's life and character.

"The iconic cable cars of San Francisco are a National Historic Landmark and we work every day to make them safer," San Francisco Mayor Ed Lee said, adding, "While accidents and injuries are down from just a few years ago, we are always working to improve the system as a whole."

Federal transportation figures show 19 injuries and 16 accidents last year, the second highest amount reported in the last 10 years. There were 36 accidents reported in 2004.

Recently, five passengers and two workers were injured after the bolt caused their cable car to slam to a sudden stop. The conductor had facial and tongue injuries and the driver suffered internal injuries and cracked ribs, transit officials said. Legal claims are expected, as they always are after a cable car accident.

The city has been settling lawsuits almost since the cable cars began operation in 1893. One woman won a 1970 jury verdict of $50,000 after she claimed that a minor accident on a cable car she was riding turned her into a nymphomaniac.

San Francisco remains the only place on the planet with a true, manually operated cable-car system serving the public. First introduced in the late 1800s to save the strain on horses hauling carts up the city's steep inclines, the 15,500-pound cable-powered cars grip a continuously moving underground cable with pliers-like gear to travel the streets of San Francisco.

They are a San Francisco icon vital to the city's booming tourism industry. An estimated 7 million ride the cable cars annually, the vast majority tourists.

The biggest single payout over the last three years went to John Gainor, who received $3 million in 2011 because his foot had to be amputated after it got caught between the cable car he was standing on and a parked vehicle.

Another $4 million went to the four victims of a runaway cable car that sped down a steep San Francisco hill before leaving the tracks and careening onto the sidewalk. IJ

News & Markets

Tool Identifies California's Most Polluted Cities

By Tracie Cone

Seven of California's 10 ZIP codes most burdened by pollution are in the San Joaquin Valley and three are in Los Angeles, according to a new tool developed by state environmental officials to target communities for cleanup.

"People tend to think of more urban areas when they think of pollution effects," said Sam Delson, a spokesman for the California Environmental Protection Agency. "That isn't necessarily the case."

Delson said the most immediate outcome for some of the communities might be investments and grants from the state's cap-and-trade fund, where 25 percent of the money is supposed to be earmarked to improve the worst pockets of pollution.

The study of 1,769 ZIP code areas by the Cal EPA looked at everything from pesticide use to traffic density to groundwater threats. It scored the environmental hazards in each community then added in human health factors such as the number of children and elderly in the area, the birth weights of infants, asthma rates and poverty levels.

The resulting CalEnviroScreen

'This at least gives some idea of what the impacts are on the communities that are overburdened.'

released on the Cal EPA's Office of Environmental Health Hazard Assessment website is a tool that can be used by planners to identify communities most burdened by pollution and to direct cleanup funding to them.

"This at least gives some idea of what the impacts are on the communities that are overburdened," said Caroline Farrell, executive director of the Delano-based Center on Race, Poverty & the Environment. "Once you identify them you can make improvements."

While there have been previous attempts to look at individual types of pollution, Delson said this is believed to be the first to consider cumulative impacts on the vulnerable populations of people who live there, especially vulnerable populations of the very young and the very old.

The top 10 cities include three ZIP codes in Stockton, three in Fresno and one in Bakersfield. In Southern California, East Los Angeles, Vernon and Baldwin Park are also in the top 10.

Dozens of other cities in the San Joaquin Valley, Inland Empire of Southern California and pockets of industrialized areas around the San Francisco Bay were among the 10 percent of the state ZIP codes that scored highest in potential impacts on people who live there.

The study looked at 11 types of pollution in each ZIP code, including pesticides, particulate pollution, ozone and diesel emissions, and seven socioeconomics factors.

The study is the most comprehensive to date on pollution and its impacts on vulnerable populations and communities with high poverty. It comes out of a 2004 mandate by Cal EPA to consider environmental justice when making cleanup and permitting decisions.

"This is all data that is publicly available, but it has never been assembled and combined in an analytical way," Delson said.

The League of California Cities initially balked at the idea of the study, thinking results would stymie development in blighted areas. In response Cal EPA stressed in the final version that the study was not intended to substitute for local environmental assessments for development.

Also agriculture interests complained that the presence of pesticides in a community does not correlate to exposure levels, a point Cal EPA concedes. The agency said the assessments of pesticides in communities will be updated as more data becomes available in the coming years.

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News & Markets

Fireman's Fund Chief Tackles Sesquicentennial, Market

By Don Jergler

Choosing an historic icon that stood after San Francisco's great earthquake and massive fire more than 100 years ago was a deft, almost poetic, public relations concept to celebrate Fireman's Fund Insurance Co.'s sesquicentennial.

In April the company so many associate with those events and the city itself invited media, politicians, firefighters and insurance professionals to The Old Mint, future home of the San Francisco Museum at the Mint, to celebrate 150 years in existence and showcase its historic ties with the city.

The event also kicked off a national celebration, which included a traveling exhibit of items from Fireman's Fund's history. The exhibit is making eight stops around the country to showcase items or particular interest to each area. At the San Francisco event Fireman's Fund President and CEO Lori Fouché talked with *Insurance Journal* about that history, trends in the industry and the company's future.

Fouché was named president and CEO of Fireman's Fund in July 2011.

Insurance Journal: It's been nearly two years since you took the helm at Fireman's Fund. Are you now, as a company, where you wanted to be when you first took over?

Fouché: Two years ago, when I took over as CEO, one of the things that I and others worked on was really, 'What is the long-term plan?' We decided, at that point, that we were on a three- to five-year situation in which that would be the point in time where we would be where we want to be. About 22 months into it, we haven't realized where we should be and where we want to be, but we are certainly on track for being where we want to be, and that's really been our focus. Over the course of the next several months, we'll continue to push forward, and we're hopeful that we'll continue to stay on track.

Insurance Journal: Can you talk about your sesquicentennial and what that means?

Fouché: For us to be celebrating our 150th anniversary as a company is unbelievably special. There aren't that many companies who can claim to have been around for 150 years, particularly financial services firms. Certainly, it's a testimony to our financial strength to be able to be around, but it's also a testimony to being able to innovate and stay current with the changes and trends and history and things that come about, because if you don't innovate, you also may find yourself out of business. Between our financial strength and what we've been able to do as a company, keeping pace with changes over 150 years, the great agents and brokers we've had and the great employees we have, it's quite a celebration to be able to say, 'You've made it 150 years.'

'For us to be celebrating our 150th anniversary as a company is unbelievably special.'

Insurance Journal: Fireman's Fund has ties to several great catastrophes and noteworthy policyholders. What do you feel is the most significant?

Fouché: It's really difficult to choose any one really significant tie, because all of them have really made us who we are today and what we've become. Certainly, we've had some noteworthy moments. The San Francisco earthquake is obviously something that was very momentous for us, because it tested our financial stability very early in our beginnings. There have been so many other ones from there that have really been moments in time where we've really grown up with America, from being able to insure the Hoover Dam, insure the making of the Golden Gate Bridge, to being able to underwrite the Spirit of St. Louis. There's so many moments in American history that we've been right there. It's just made us who we are today. They're all a composite. It is who we are and what we're so proud of.

Fireman's Fund President and CEO Lori Fouché

Insurance Journal: Where's the top growth area for you? What will the industry watchers be hearing about most when they hear about Fireman's Fund?

Fouché: About a year ago, we undertook a process to really understand our book of business and to really understand where the opportunities were in the insurance industry and where we could potentially play. What we've really focused on in the short run are those opportunities that we have that we believe we've got unique expertise, that we believe we have coverages. For us, there are a number of different areas. One is certainly in the personal insurance high net-worth area. We have redoubled our efforts in that space. Another one is the farm and ranch business. Excess umbrella from an admitted perspective is an area we've historically had great strength in and continue to look forward to growing in. Highly protected risks in the property area is another one that we enjoy expertise, and we look forward to growing more in that space as well. Program business is another area that we've been leaders in the industry for a very long time, and we also look forward to growing in that space.

Insurance Journal: According to Wikipedia, you created the first green products in the U.S. Where is this sort of coverage headed? It seems to have gone by the wayside when the economy went in the dumps. How's it looking now? Are you guys putting resources into this?

Fouché: We were the first insurance carrier to provide green building coverage, in 2006. We were certainly well connected at that point in time and continue to be today. We still have individuals who are on the U.S. Green Building Council, and certainly it's something that we continue to push and provide. It's true that we've not been as public in the media about it over the last several years, as we had other priorities, but I think over the next year, you'll begin to hear us talk more and more about that. Certainly, as a company, beyond green building coverage, sustainability and our role as a company and our role in looking at climate change and how it may affect the insurance industry are all things that we have a lot of interest in and making sure that we're connected to. You'll continue to hear more about green-building coverage. I think policyholders are interested in that, particularly as sustainability and environmental issues continue to be at the forefront of our national dialog and concerns.

Watch Online

See video with **Lori Fuché** at InsuranceJournal.tv

Insurance Journal: Allianz employs nearly 155,000 people worldwide. Can you talk about working in a structure like that?

Fouché: Allianz, based in Munich, Germany, is certainly one of the world's largest financial institutions and companies. As Fireman's Fund, being part of it, we're a proud member of the Allianz family. What's unique about us is we are a subsidiary of that company. We very much operate on our own in many ways and have 2,500 employees of our own. We really have an opportunity to act like a much smaller company, but we enjoy the financial backing of a parent, and we enjoy the resources and expertise that a company like Allianz has all around the world.

Insurance Journal: Corporate structures are always changing. Change is just essential in the industry. Can you talk about change at Fireman's Fund?

Fouché: Certainly, from a Fireman's Fund perspective, we've been through our fair share of change. Certainly, some of it is a reflection of changing times, and some of it is a reflection of things that we needed to do that were specific to Fireman's Fund. About a year ago, we went through a corporate restructuring ourselves, and I feel pretty good about where we are right now. As you rightly point out, change is the nature of the game, and so we certainly look for ways to constantly be more effective and more efficient than we are today. I certainly expect that we'll tweak as we need to tweak and we find those opportu-

continued on page W6

Fireman's Fund Fights for Firefighters

The name Fireman's Fund Insurance Co., founded in 1863 by ship captain William Holdredge, celebrates the founder's arrangement to pay 10 percent of company profits to support the widows and orphans of firefighters.

To mark its 150th year anniversary the company kicked off a national celebration at The Old Mint in San Francisco, which will be followed by a traveling exhibit of historic items from the company's history. The event in April drew several hundred industry professionals, politicians and members of the media.

During the event the company gave a $25,000 gift to the San Francisco Fire Department. The funds will go to support community outreach programs and research on the high rates of cancer found among firefighters. According to Fireman's Fund, the donation brings the total funds the company has awarded to the fire department to $250,000 since 2004.

Through its Heritage Program, the company supports firefighters by providing grants for vital equipment and training.

Since 2004, when the Heritage Program was launched, Fireman's Fund has donated more than $29 million in grants to more than 1,800 fire departments across the U.S., according to the company.

Speakers at the event talked about the company's particular importance in the San Francisco Bay Area, as well as in other locales where the insurer helped rebuild after catastrophes.

"Your history is the history of the city of San Francisco, the Bay Area, the state of California and our country," said Congressman Jared Huffman, D-San Rafael, one of the dignitaries at the event.

One of the highlights of the event were displays in the building paying tribute to the James Bond films. Fireman's Fund has insured all 23 of the 007 films, and had posters of the films, as well as and costumes worn by the Bond girls and the dapper agents themselves, including suits worn by some of the best known Bonds: Sean Connery, Roger Moore, Pierce Brosnan and Daniel Craig.

News & Markets

Fireman's Fund, continued from page W5

nities. That's certainly my challenge to the organization, that change is what you need to do in order to continue to keep up, and that's how we've become a company that's 150 years old. You've got to change. You can't stay where you are and think that's the best place to be.

Insurance Journal: Speaking of change, where do you see the industry headed?

Fouché: From an industry perspective, as we look at 2013 and beyond, I think the insurance industry, when you look at where rates are going, the industry will talk about and publications will talk about rates being up. The question becomes why, and is that sustainable? Certainly, everyone, I think, tries to price accounts for the right risk, for the right rate, and that's always the goal, but when you see the rates being up, you wonder, is the hard market right behind it? I think, certainly, there's some economic factors that cause all insurance companies to look at their investment portfolios, that cause insurance companies to look at how they rate things, and certainly investment yields are part of that economic reality and financial reality that we live in. Certainly, we all keep an eye on interest rates and what that means. I think we're all tightening our underwriting standards and expectations, because we need to make an underwriting profit on our books of business, and that's critical for us to be making money. I think, as long as interest rates remain low, we'll continue to have pressure on making sure that we›re all getting the right rate for the right risk and combined ratios that are sub-100, to be able to make up for the difference. We won't make up for the difference in the current environment with the pricing the way it is right now.

I think, certainly, looking out beyond that, as the economy improves, that certainly means that the pie expands for all of us as well. I think there's always growth opportunities. Certainly, the U.S. economy is performing better than most economists would have expected it to. Through that, there's emerging industries, whether or not it's the opportunities that health care may provide, whether it's opportunities that energy may provide in the United States as well. I don't think that the outlook is really that much different, in some ways, than what it's been over a longer period of time, but you need to be in tune with what's going on in order to maximize your opportunities in that space.

'Certainly, from a Fireman's Fund perspective, we've been through our fair share of change.'

Insurance Journal: You did mention hard market. Is the market turning hard?

Fouché: I'm not a prognosticator, and I don't have the crystal ball to be able to answer that, but certainly, if you look at what everybody's putting forth in terms of the rate that they've achieved on the books of business, if hard market is defined as rate increases above zero over a multi-quarter period of time, then you can define it that way. I look at it from a Fireman's Fund perspective and say, 'Get the right rate for the account,' and that's what we mostly focus on. Some accounts may have rate increases, some may be flat, some may get rate decreases, but you've got to get the right rate for the account. IJ

Fireman's Fund Historic Highlights

- 1863 - The first policy was one half-interest in 1,000 kegs of Boston syrup. The premium was $12 cash in advance.
- 1871 - Great Chicago Fire - Fireman's Fund paid all claims even though its losses exceeded its assets. About half of the property destroyed in the fire was covered by insurance — a liability of nearly $100 million, spread among 201 companies. Fireman's Fund's share of the losses was $529,000 — more than its assets of $500,000.
- 1872 - Boston Fire - Fifty acres in Boston's business district went up in flames, causing $75 million dollars in losses. Fireman's Fund was able to fully pay all its policyholders promptly for $190,000 in losses.
- 1906 - Fireman's Fund wrote its first motorcar policy, covering a Pierce-Arrow against fire, theft and collision.
- 1906 - San Francisco Earthquake - The company's headquarters were destroyed, but Fireman's Fund was able to pay the claims of all of its policyholders with a combination of cash and stock.
- 1920's - Fireman's Fund insured the first movies with sound.
- 1927 - Charles Lindbergh - Fireman's Fund insured the construction of the Spirit of St. Louis, which was flown non-stop from New York to Paris by aviator Charles Lindbergh.
- 1936 – Fireman's Fund insures construction of Hoover Dam.
- 1937– Golden Gate bridge construction is completed, underwritten by a Fireman's Fund surety bond.
- 1984-1986 - Fireman's Fund insured the Statue of Liberty when it underwent renovation between 1984 and 1986. The company issued a $95 million all-risk policy that protected the statue against fire, flood, earthquake, vandalism and other physical damage.
- 1989 - Loma Prieta Quake - Fireman's Fund played a role in helping the Bay Area recover from the earthquake, also known at the "World Series Earthquake."
- 2001 - 9/11 - All of the company's New York employees survived the attacks on the World Trade Center, where Fireman's Fund's offices were located. Fireman's Fund was quick to pay claims resulting from the attack.

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News & Markets

Drought Costs Wyoming County its No. 1 Hay Spot

Fremont County has lost its spot as Wyoming's No. 1 alfalfa-producing county, growing only two-thirds of the hay in 2012 than it did in 2011.

The Riverton Ranger reported local farmers produced 157,000 tons of the crop, topped only by Goshen County's 202,000 tons. Fremont County had been the top alfalfa-producing county since 1962, when Park County grew 109,900 tons to local farmers' 104,500 tons.

Last year's production marked a 38 percent drop from 2011. University of Wyoming Extension educator Ron Cunningham says drought caused the low production.

Fremont County placed 10th out of 16 in terms of yield, with 2.7 tons of alfalfa produced per acre. Platte and Goshen counties topped that list, both with 4.45 tons per acre. IJ

Lawsuit Over Los Angeles Lap-Band Ads Settled

A company that promotes Lap-Band weight-loss surgery has agreed to pay $1.3 million to settle a false-advertising lawsuit in Southern California, with some of the money going to billboards warning the public about the risks of weight-loss surgery.

The Los Angeles Times reported that from 2009 to 2011 five patients died after Lap-Band surgeries at clinics affiliated with the 1-800-GET-THIN ad campaign.

Relatives of two of the dead patients, Ana Renteria and Laura Faitro, filed the lawsuit as a class action in 2011.

The proposed deal calls for $100,000 to be spent on advertising throughout Southern California explaining the risks of the procedure. IJ

Liability an Issue for Colorado Ski Patrols

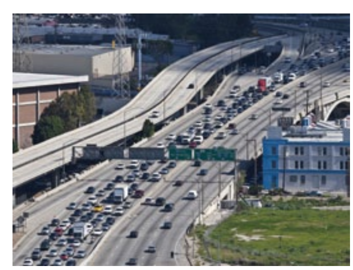
Colorado ski areas and sheriffs are becoming increasingly concerned over liability for dangerous backcountry rescues outside ski area boundaries.

Steamboat ski patrollers have taken part in two dozen rescues this season. Vail is also participating.

Sheriffs and ski areas are listing ski patrollers as members of volunteer search-and-rescue teams who operate under county insurance and workers' compensation policies, but those policies usually protect only volunteers who are not being paid.

According to the Denver Post, ski areas want to continue to pay their employees while they are out on the search and rescue, but once they volunteer, they need other protection. IJ

Report: L.A. Tops List of Cities with Worst Traffic



Los Angeles has the worst traffic in the nation, according to a new report.

The Los Angeles Times reported L.A. beat out Honolulu for jam leader in the 2012 scorecard from traffic information firm INRIX.

The scorecard says the average L.A. driver spent 59 hours sitting in traffic last year, or about 2 1/2 days.

That's nine hours more than drivers in Honolulu.

INRIX says traffic in L.A. got worse because the city has added about 90,000 jobs, which means more people driving. The worst time to drive home: Friday afternoon.

San Francisco was in third place for congestion, followed by Austin; New York and Bridgeport, Conn. San Jose was in seventh place, followed by Seattle, Washington D.C. and Boston. IJ

People

Jim Odiorne

Mary Castiglia

Dan Husges

Rick Mangum

Susan Groff

Washington Insurance Commissioner **Mike Kreidler** named longtime staffer **Jim Odiorne** to chief deputy in the Office of the Insurance Commissioner.

Odiorne has a long tenure at the office, having served as the deputy commissioner for the company supervision division since 1996. He came to the agency in 1989 from Texas, where he served as the assistant state auditor, worked in private practice as an attorney, and worked for the Texas Department of Insurance in a number of positions, including senior deputy commissioner.

Odiorne is an attorney as well as a certified public accountant.

Hub International Insurance Services named **Mary Castiglia** senior vice president of its San Francisco commercial division.

Castiglia will be responsible for producer recruitment, business development and sales. Castiglia and her team will be based at one of Hub International's newest locations from a recent acquisition in San Francisco.

Castiglia's experience includes errors and omissions, directors and officers, and renewable energy risk attenuation programs for technology and energy companies and enterprises.

Most recently Castiglia served as a practice leader with a large regional insurance brokerage in the San Francisco Bay area.

Chicago-based Hub is a provides an array of property/casualty, risk management, employee benefits, investment and wealth management products across North America.

BB&T Insurance Services named **Dan Husges** as an account manager for its employee benefits group in Pleasanton, Calif.

Raleigh, N.C.-based BB&T Insurance Services, a wholly owned subsidiary of BB&T Corporation, operates more than 100 insurance agencies in North Carolina, Virginia, Georgia, South Carolina, Maryland, West Virginia, Tennessee, Florida, Kentucky and California.

Cottonwood, Ariz.-based **Butler-Leavitt Insurance Agency** has tapped **Rick Mangum** for its operations.

Mangum will focus on providing property and casualty insurance and life and health insurance to his clients.

Prior to joining the agency, Mangum was with New York Life for nearly three years followed by an additional three years as an independent agent.

Butler-Leavitt is part of the Leavitt Group.

Leavitt Pacific Insurance named **Susan Groff** as a commercial lines producer in Northern California.

Groff has more than 16 years of experience in property/casualty insurance and workers' compensation. She has worked with many types of contractors including painting and decorating contractors and their association, the Painting and Decorating Contractors Association.

Leavitt Pacific is part of the Leavitt Group.

Scottsdale, Ariz.-based **Scottsdale Insurance Co.** named **Karen Davis** vice president of agency management and business development.

Davis will oversee the product management, research and new business development areas, reporting to **Gary Tiepelman**, senior vice president of contract underwriting. Davis is replacing **Steve Franke**, who became vice president of contract underwriting's West Region in January.

Davis began her insurance career in underwriting with Great Southwest Fire, and then moved to a retailer where she sold insurance. Davis started working at Scottsdale in 1990 as a personal lines underwriter, and then moved into management. Most recently, she was senior director of contract underwriting's Southwest Region.

Scottsdale is a wholly owned subsidiary of Nationwide.

R-T Specialty LLC named **Gloria Lam** to its workers' compensation specialty division. Lam joins as a senior vice piresident in the Irvine, Calif. office.

Lam has worked in the wholesale industry for seven years, with a focus on developing solutions in workers' comp. She also has 15 years of experience on the carrier side of workers' comp, including underwriting, marketing and management.

At RT, Lam will continue to focus on open brokerage placement.

RT's workers' comp specialty division has offices nationwide and is managed by **Viviane Woodcock**.

Sullivan Brokers Wholesale Insurance Solutions named **Brian Janes** to the firm's property practice group as assistant vice president, and **Suzann Murphy** as broker assistant.

Sullivan Brokers is a nationwide wholesale brokerage specializing in healthcare, professional, management, and transaction liability, property, casualty, environmental, and alternative risk transfer. The firm has California offices in Los Angeles and San Francisco.

Wholesale Trading Co-Op Insurance Services LLC in Northern California named wholesale brokerage industry veteran **Sheryl Smith** as the firm's director.

Smith will be based in WTCI's San Francisco office.

Smith joins WTCI from AmWINS Group Inc. Prior to that Smith held wholesale casualty positions at CRC|Crump and Tri-City Brokerage. Her experience includes the handling of complex liability claims for leading specialty carriers. IJ

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A Quick Snapshot of What We Do.

WORKERS' COMPENSATION

TOP CLASSES
- Manufacturing
- Contractors
- Offices
- Restaurants
- Retail Stores

HIGHLIGHTS
- 20+ Carriers
- No Prior OK
- Direct Billed
- Low MPs

PROFESSIONAL LIABILITY

TOP CLASSES
- Accountants
- Architects
- Insurance Agents
- Lawyers
- Medical

HIGHLIGHTS
- EPLI • E&O
- D&O
- Higher Commissions
- Misc. E&O

STANDARD MARKET BOPS

TOP CLASSES
- Manufacturing
- Apartments
- Property Owners
- Restaurants
- Retail Stores

HIGHLIGHTS
- Comprehensive Coverage
- Low Rates
- Payment Options
- No Fees

COMMERCIAL GENERAL LIABILITY

TOP CLASSES
- Bars/Taverns
- Contractors
- Home Health Care
- Manufacturers

HIGHLIGHTS
- Up to $5MM Underlying
- Excess Liability
- O&CP
- Package Policies Available

COMMERCIAL PROPERTY

TOP CLASSES
- Factories
- Office Buildings
- Shopping Centers
- Warehouses

HIGHLIGHTS
- Builders Risk
- Building & BPP
- Crime
- Inland/Ocean Marine

EARTHQUAKE

TOP CLASSES
- Apartments
- HOAs
- Office Buildings
- Shopping Centers
- Dwellings

HIGHLIGHTS
- Flood
- 10+ Markets
- $2500 Minimum Premium

COMMERCIAL AUTO

TOP CLASSES
- Contractors
- Driving Schools
- Day Care & Church Buses
- Agg Haulers

HIGHLIGHTS
- No Fees
- 6-Month Terms
- Cargo
- PUC/DMV Filings

GARAGE/DEALERS

TOP CLASSES
- Auto Repair
- Valet
- Mobile Operations
- Heavy Truck Sales/Repair

HIGHLIGHTS
- Property Packaged
- 5+ Markets
- Admitted Markets
- High per Vehicle Limits

PERSONAL LINES

TOP CLASSES
- DP-3
- HO-3
- PAFs
- Umbrella
- Vacant/COC

HIGHLIGHTS
- XS Flood
- Up to $50MM TIV
- Earthquake
- Quick Quotes
- Brush Areas Acceptable

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News & Markets

RIMS Conference in LA Risks No Loss of Subject Matter

By Don Jergler

Renewal of the Terrorism and Risk Insurance Act was a much talked about topic at the annual Risk and Insurance Management Society conference, a four-day event in Los Angeles, Calif. in late April that included panels focused on a variety of risk-based matters.

More than 9,000 insurance industry professionals and people involved with risk management were at the conference, which included 376 exhibitors, according to RIMS Executive Director Mary Roth.

A hot topic at the conference was TRIA, and its pending expiration date, which is high on RIMS' legislative radar this year, according to Carolyn Snow, board liaison to RIMS External Affairs Committee.

"We are very concerned about the renewal of TRIA, which expires in 2014," said Snow, who talked about the importance of not waiting until next year to renew the act to avoid potential coverage gaps.

'We are very concerned about the renewal of TRIA, which expires in 2014.'

RIMS lobbyists and members have started meeting to develop a campaign to push for a quick renewal of the act, which will include polling members this summer, according to Nathan Bacchus, RIMS senior government affairs manager.

"That's our No. 1 national issue right now," he said.

Aside from networking and panels the conference served as an occiasion to deliver news and reports from RIMS and its supporting organizations.

According to a report issued at the start of conference, risk managers will play a greater role in strategic planning in the near future.

At a joint press conference held by Marsh and RIMS the two entities delivered a study that showed more than half of C-Suite executives and nearly half of all risk professionals responding to the 10th annual Excellence in Risk Management survey agreed that the top reason why risk management is included in strategic planning and executive activities is to identify and assess risks arising from the strategic plan.

However, only 15 percent of the risk professionals and one-fifth of the C-Suite respondents said the risk manager is a full member of the strategic planning or executive teams.

The authors of the report say there is a move toward risk managers doing more within organizations, a trend Carol Fox, director of the strategic and enterprise risk practice at RIMS, said she'd like to see more of.

The opportunity is growing for risk managers to play a role beyond just assessing risk, but for them to seek out more enterprise, serve as problem solvers and offer support.

Those who can do that, "there's no question you will be thought of as strategic," she said.

Fox added, "I think these are positive trends."

The report also revealed the top risks for 2013, which include business disruption, economic conditions, cash flow, regulatory compliance, destruction and loss of physical resources, litigation or claims and natural disaster.

Superstorm Sandy may be behind the rise in concern over business disruption, which moved from being the No. 6 ranked concern in 2012 to the No. 1 ranked concern this year, according to authors.

While they may be playing a more impor-

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tant role in organizations, chief risk officers are also earning more, according to another report issued during the conference.

That report shows the average base salary for CRO's rose from $170,683 in 2008 to $183,572 in 2013, nearly a 7.5 percent increase over the five year period. The survey is released every other year by RIMS and, this year's survey comprised data from 2,246 completed surveys.

Panels at the conference included focuses on energy, the restaurant industry, technology, transportation, workers' compensation, sustainable buildings, real estate, construction risk, intellectual property, lessons learned from the 2011 earthquake in Japan, enterprise risk management, supply chain risk, doing business in China and selecting and working with brokers.

Aviation

During an aviation industry session, speakers addressed current risk and challenges faced by companies in that industry.

Panelist Steven Whitlock, senior vice president of AirSure Ltd. in Plano, Texas, talked about general aviation issues, and noted that not including military and commercial aircraft, there are more than 360,000 aircraft in that category. Those aircraft conduct more than 35 million flights annually and that category alone accounts for more than 1.2 million employees, according to Whitlock, who noted the category includes fixed-wing and rotary aircraft, hangars, parts suppliers, maintenance operations.

Whitlock said he sees this general aviation category growing as major airlines consolidate and cutback air service to air hubs, and that the number of insurers in this space have doubled recently.

However, despite the increased competition, many insurers are reluctant to take on a wide variety of risks, he said, adding, "They don't all have an appetite for all of the risk."

Japan Earthquake

In a session on business continuity plans, two risk experts from Japan came to discuss the lessons learned from the Japan earthquake in 2011.

Shinichi Beppu, a risk manager with Fukuoka Chuo Accounting, and Hitoshi Ueno, a risk management consultant with RM Net Office, noted the impact of the earthquake and tsunami is still unfolding for that country — nearly 60 percent of private business sales were impacted following the event, according to their studies — but that the impact and visual evidence of the disaster is on its way in bits and pieces to the shores of the Western U.S.

'March of next year the entire West Coast of the U.S. will see the debris.'

Several boats, a dock and even marine life have made their way to the Western U.S., mainly Washington and Oregon, but Ueno said a large rubble pile that is now visible from the Big Island in Hawaii should arrive in the Western U.S. about this time next year.

"March of next year the entire West Coast of the U.S. will see the debris," Ueno said.

The men talked about preparedness, but said the tsunami that followed the 9.0 megaquake was larger than risk managers believed could be possible.

Risk managers at Toykyo Electric Power estimated that no tsunami over 19 feet could be generated in the area if its Fukushima nuclear power plant, which unleashed a potential worst-nightmare nuclear crisis after the tsunami overran the facility.

"They were wrong," said Ueno, pointing to images of devastation wrought by tsunamis waves that peaked 50 to 70 feet in some areas.

Casinos

Risk in the casino industry must be

weighed against the odds that whatever enterprise is being undertaken by the casino operator will prove worth it.

That was according to experts on a panel focused on the casino industry, which included Christian Ryan, senior vice president of Willis, Joy Sinberg, deputy director of risk management for the Seminole Tribes of Florida, and Doug Wyrsch, executive director of insurance for MGM Resorts International.

Sinberg outlined the areas of exposures with which casino operators are concerned, including entertainment, pyrotechnics, environmental exposures, product liability and security.

Entertainment is a risk, she said, because a casino operator can go out and book a big act that might draw droves of ticket payers and would-be gamblers, but it's crucial to weigh whether that act was worth it.

"What are they bringing to the table," is an essential question to ask, she said. Acts that draw rowdy crowds, or entertainers demanding to be paid too much are not worth it, she added.

Conversely, one added feature brought to her attention recently was a "Dinner in the Sky" event in which dignitaries, VIPs and big spenders were hoisted on a platform via crane high in the air for a dinner and a view of the casino and surrounding area.

It was a risk consideration, but the marketing value was worth it, she said.

Real Estate

In a real estate panel speaker Jeff Alpaugh, managing director of the global real estate practice for Marsh & McLennan Cos., talked about the lessons learned from Superstorm Sandy, which have racked up $20 billion in insured losses and counting.

Among the struggles amid the recovery from the massive storm that slammed into the Eastern Seaboard in 2012 has been a struggle to understand what was and was not covered under the National Flood Insurance Program, he said.

"There's a lot of confusion about NFIP and what it covers," Alpaugh said.

Among the other impacts are new flood maps in which new assets are becoming part of a new flood hazard zone, and increased pricing, he said.

Green Construction

In a panel on green construction Stephen Grossmark, a partner in Tressler LLP, said interest in obtaining LEED certification is picking up, and that green standards should be considered dynamic, although achieving the minimal level of LEED is not difficult.

"It's not whether you're going to get a LEED certification, it's how green you're going to be," he said.

The next version of LEED standards are due out by the end of the year, he noted.

James McLnerney, a vice president at Leopardo Cos. Inc., sees the green trend as just at the beginning.

"What's interesting about the sustainable movement is it's unknown," he said. "It's still in its infancy."

He also said he sees more interest in LEED as costs to build sustainably continue to come down.

According to his figures, it adds roughly between 5 percent and 8 percent to a building's cost to achieve platinum certification, the highest level of LEED. To get to gold it adds 3 percent to 5 percent and silver adds 1 percent to 3 percent. To get

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a basic LEED certification the cost is minimal, he said.

Selecting Brokers

In a panel on selecting and working with a broker Michael McDonald, vice president of enterprise risk management for Quality Distribution Inc., a transportation company in Tampa, Fla., said risk managers like him may be out shopping for agents more often as the insurance market continues to change.

'As you all know the insurance marketplace is rapidly hardening.'

"As you all know the insurance marketplace is rapidly hardening," he added.

McDonald has a detailed process with which he measures whether his incumbent brokers are giving him the best value and products.

McDonald, who said he conducts a competition for his business about every three years, described the method he uses to choose competitors, and conduct a competition between brokers.

He uses referrals, industry associations, publications and ongoing working relationships to help choose a list of brokers to consider bringing in to evaluate.

Among the top reasons he goes out to bid with a request for proposals are broker service issues and assurance of competitive products and pricing, he said.

McDonald said he likes to dwindle down the competition to two brokers and then assign markets during the RFP process in which brokers get product pricing and information, a method he feels is a more competitive process that will lead to the best prices and the best products for his company.

McDonald said he gives the broker competing for his business against the incumbent all necessary information, such as access to the policies and loss runs, except for premiums paid so as not to set a target price, but instead encourage the broker to go out and find him the best price.

His selection criteria also includes: industry expertise, size and type of organization, technical competence, market access, financial condition, marketing philosophy and location. Other factors include knowledge, personality, philosophy and reputation.

Also on the panel was Todd Marumoto, director of risk management for toymaker Mattel Inc., and Tim Carlson, senior vice president of Willis Group North America.

Marumoto talked about the importance of ethics in the process of choosing a broker, emphasizing there needs to be a "code of mutual appropriate conduct."

"I think full and total disclosure is absolutely necessary," he said.

Marumoto also prefers to include in RFPs "exactly what is expected from the relationship with the broker," he said. IJ

2013 Super Regional Insurers

Demotech Inc. Reveals Leading Multi-State Property/Casualty Insurers

By Barry J. Koestler II

The original criteria and objective definition for Super Regional P/C Insurers™ was established in the Feb. 12, 2007, issue of *Insurance Journal*. Prior to the establishment of an industry-wide definition, a number of property/casualty insurers had referred to themselves as Super Regionals. Demotech Inc., the official research partner of *Insurance Journal*, has compared the data to the criteria and updated the list of Super Regionals.

To continue the discussion regarding what constitutes a Super Regional and to give definition to this important group of insurers, Demotech, a financial analysis firm based in Columbus, Ohio, analyzed year-end 2012 data. This data was utilized to classify and stratify insurers reporting data to the National Association of Insurance Commissioners (NAIC).

Company Classification System

The experts at Demotech have refined their classification system for property/casualty insurance companies. The Demotech Company Classification System categorizes property/casualty insurers into one of 11 categories based on an analysis of the data reported by the companies.

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

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2013 Super Regional P/C Insurers™

As developed by Demotech Inc. for Insurance Journal. Ranked by Direct Premium Written as of 12/31/2012.

	Company	12/31/2012 DPW 000s omitted	Group Name	State of Domicile	Number/States with Greater than $1 Million DPW 12/31/2012
1	American Family Mutual Insurance Co	4,986,514	American Family Insurance Group	WI	18 - AZ,CO,ID,IL,IN,IA,KS,MN,MO,NE,NV,ND,OH,OR,SD,UT,WA,WI
2	Erie Insurance Exchange	3,744,220	Erie Insurance Group	PA	11 - DC,IL,IN,MD,NC,OH,PA,TN,VA,WV,WI
3	Farmers Insurance Exchange	3,003,936	Zurich Insurance Group	CA	34 - AL,AZ,AR,CA,CO,GA,ID,IL,IN,IA,KS,LA,ME,MI,MN,MS,MO,MT,NE,NV,NH,NM, ND,OH,OK,OR,SD,TN,TX,UT,VA,WA,WI,WY
4	Mid-Century Insurance Co.	2,802,099	Zurich Insurance Group	CA	31 - AL,AZ,AR,CA,CO,ID,IL,IN,IA,KS,MI,MN,MO,MT,NE,NV,NJ,NM,ND,OH,OK,OR, PA,SD,TN,TX,UT,VA,WA,WI,WY
5	Auto-Owners Insurance Co.	2,089,637	Auto Owners Group	MI	26 - AL,AZ,AR,CO,FL,GA,ID,IL,IN,IA,KS,KY,MI,MN,MO,NE,NC,ND,OH,PA,SC,SD, TN,UT,VA,WI
6	Owners Insurance Co.	1,677,917	Auto Owners Group	OH	25 - AL,AZ,AR,CO,FL,GA,ID,IL,IN,IA,KS,KY,MN,MO,NE,NC,ND,OH,PA,SC,SD,TN, UT,VA,WI
7	Nationwide Mutual Fire Insurance Co.	1,630,418	Nationwide Corp Group	OH	31 - AL,AZ,AR,CA,CT,DE,DC,FL,GA,IL,IN,KY,ME,MD,MI,MS,NH,NY,NC,OH,OK,OR, PA,RI,SC,TN,TX,VT,VA,WA,WV
8	COUNTRY Mutual Insurance Co.	1,436,962	Country Insurance & Financial Services Group	IL	17 - AL,AK,AZ,CO,GA,IL,IA,KS,MN,MO,NV,ND,OK,OR,TN,WA,WI
9	Safeco Insurance Co. of Illinois	1,425,588	Liberty Mutual Group	IL	29 - AL,AK,AR,CA,CT,FL,GA,ID,IL,IN,KY,MD,MI,MN,MS,MO,MT,NE,NV,OH,OR, PA,TN,TX,UT,VA,WA,WI,WY
10	Fire Insurance Exchange	1,355,100	Zurich Insurance Group	CA	16 - AL,CA,CO,MI,MN,MO,MT,NE,NV,ND,SD,TX,UT,WA,WI,WY
11	Progressive Northern Insurance Co.	1,270,295	Progressive Group	WI	24 - CT,DE,IL,IN,IA,KY,ME,MN,NE,NV,NH,NM,NY,OK,OR,PA,RI,SC,SD,UT,VT, VA,WI,WY
12	Westfield Insurance Co.	1,242,714	Westfield Group	OH	26 - AL,AZ,AR,CO,DE,FL,GA,IL,IN,IA,KY,MD,MI,MN,MO,NM,NC,OH,OK,PA,SC, TN,TX,VA,WV,WI
13	American Home Assurance Co.	1,192,441	American International Group	NY	17 - AR,CA,FL,HI,IL,IN,MA,MN,MT,NJ,NY,OR,PA,RI,VT,WA,WY
14	Shelter Mutual Insurance Co.	1,159,448	Shelter Insurance Group	MO	14 - AR,CO,IL,IN,IA,KS,KY,LA,MS,MO,NE,NV,OK,TN
15	Peerless Insurance Co.	1,004,680	Liberty Mutual Group	NH	29 - AR,CA,CT,DE,GA,IL,IN,KS,KY,LA,ME,MD,MA,MN,MO,NE,NH,NY,NC,OH,OK, PA,RI,SC,TN,TX,VT,VA,WI
16	Farm Bureau Property & Casualty Insurance Co.	997,019	Iowa Farm Bureau Group	IA	8 - AZ,IA,KS,MN,NE,NM,SD,UT
17	ACUITY, a Mutual Insurance Co.	982,923	N/A	WI	20 - AZ,CO,ID,IL,IN,IA,KS,KY,MI,MN,MO,NE,NM,ND,OH,PA,SD,TN,UT,WI
18	Citizens Insurance Co. of America	913,459	The Hanover Insurance Group	MI	23 - AZ,CA,CO,CT,GA,IL,IN,KS,ME,MA,MI,MN,MO,NH,NJ,NY,OH,PA,RI,VT,VA, WA,WI
19	Progressive Casualty Insurance Co.	877,938	Progressive Group	OH	23 - AZ,AR,CA,CO,CT,DC,HI,IL,KY,ME,MD,MA,MN,MO,NV,NY,OH,PA,RI,TX,VT, VA,WA
20	MemberSelect Insurance Co.	828,874	Automobile Club MI Group	MI	8 - IL,IN,IA,MI,MN,NE,ND,OH
21	West Bend Mutual Insurance Co.	794,868	N/A	WI	11 - IL,IN,IA,KS,KY,MI,MN,MO,NE,OH,WI
22	State Auto Property & Casualty Insurance Co.	701,758	State Auto Mutual Group	IA	27 - AL,AZ,AR,CT,GA,IL,IN,IA,KS,KY,MD,MI,MN,MS,MO,NC,ND,OH,OK,PA,SC, TN,TX,UT,VA,WV,WI
23	Farmers Mutual Hail Insurance Co. of Iowa	661,758	Farmers Mutual Hail Insurance Group	IA	15 - AR,CO,IL,IN,IA,KS,MI,MN,MO,NE,ND,OH,OK,SD,WI
24	Companion Property and Casualty Insurance Co.	634,778	BCBS of SC Group	SC	28 - AL,AZ,AR,CA,CO,DC,FL,GA,IL,IN,KS,LA,MD,MS,MO,NV,NJ,NC,OK,OR,PA,SC, TN,TX,UT,VA,WV,WI
25	Netherlands Insurance Co.	614,663	Liberty Mutual Group	NH	32 - AR,CA,CT,DE,GA,IL,IN,IA,KS,KY,LA,ME,MD,MA,MI,MN,MO,NE,NH,NJ,NY,NC, OH,OK,PA,RI,SC,TN,TX,VT,VA,WI
26	Automobile Insurance Co. of Hartford, CT	588,116	Travelers Group	CT	34 - AL,AZ,AR,CO,CT,DC,GA,ID,IL,IN,KS,KY,ME,MD,MI,MN,MS,MO,MT,NV,NH,NJ, NY,NC,OH,OK,OR,PA,SC,TN,UT,VA,WA,WI
27	Tower Insurance Co. of New York	574,338	Tower Group	NY	27 - AL,AZ,AR,CA,CO,CT,GA,ID,IL,KY,LA,MD,MA,MS,MO,NV,NJ,NY,NC,OH,OK, PA,SC,TN,TX,VA,WA
28	Grange Mutual Casualty Co.	563,178	Grange Mutual Casualty Group	OH	9 - GA,IL,IN,KY,OH,PA,SC,TN,VA
29	Mercury Casualty Co.	561,687	Mercury General Group	CA	5 - AZ,CA,NV,NY,VA
30	Hudson Insurance Co.	548,325	Fairfax Financial Group	DE	34 - AL,AZ,CA,CO,CT,DC,FL,GA,HI,ID,IL,IN,IA,LA,MD,MA,MI,MN,MO,NV,NJ,NY, NC,OH,OK,OR,PA,SC,TN,TX,UT,VA,WA,WI
31	United Financial Casualty Co.	529,975	Progressive Group	OH	27 - AK,AZ,AR,CA,CO,DE,ID,KS,KY,ME,MD,MA,MN,MT,NV,NH,NM,ND,OH,PA,RI, SD,UT,VT,VA,WA,WV
32	Erie Insurance Co.	498,226	Erie Insurance Group	PA	11 - IL,IN,MD,NY,NC,OH,PA,TN,VA,WV,WI
33	Selective Insurance Co. of America	496,383	Selective Insurance Group	NJ	25 - CA,CT,DE,DC,GA,HI,IL,IN,IA,MD,MI,MN,MO,NE,NJ,NY,NC,OH,PA,RI,SC,TN, VA,WA,WI
34	Frankenmuth Mutual Insurance Co.	492,217	Frankenmuth Mutual Group	MI	14 - AL,GA,IL,IN,KY,ME,MI,NH,NC,OH,SC,TN,VT,WI
35	Technology Insurance Co. Inc.	489,295	Amtrust Group	NH	34 - AL,AZ,AR,CA,CO,CT,DE,FL,GA,IL,IN,IA,KS,KY,LA,MD,MA,MI,MN,MS,MO,NV, NH,NJ,NY,NC,OK,PA,RI,SC,TN,TX,VT,VA
36	Pennsylvania National Mutual Casualty Insurance Co.	489,148	Pennsylvania National Insurance Group	PA	10 - AL,DE,MD,NJ,NC,PA,SC,TN,TX,VA
37	Progressive Northwestern Insurance Co.	471,202	Progressive Group	OH	15 - AK,AZ,AR,CT,ID,IN,KS,ME,MO,MT,NV,NY,ND,VA,WA
38	Central Mutual Insurance Co.	469,281	Central Mutual Insurance Co. Group	OH	18 - AZ,CO,CT,GA,IL,IN,MA,MI,NH,NM,NY,NC,OH,OK,SC,TN,TX,VA
39	State Automobile Mutual Insurance Co.	438,724	State Auto Mutual Group	OH	26 - AL,AZ,AR,CO,CT,GA,IL,IN,IA,KS,KY,MD,MI,MN,MS,MO,NC,OH,OK,PA,SC, TN,TX,VA,WV,WI
40	Bankers Standard Insurance Co.	426,073	Ace Ltd Group	PA	30 - AZ,CA,CO,CT,DE,DC,FL,GA,IL,KS,KY,LA,MD,MA,MI,MN,MO,NV,NJ,NY,NC, OH,PA,SC,TN,TX,VT,VA,WA,WI
41	Selective Way Insurance Co.	407,135	Selective Insurance Group	NJ	10 - DE,DC,GA,MD,MI,NJ,NY,PA,SC,VA
42	Motorists Mutual Insurance Co.	406,917	Motorists Mutual Group	OH	6 - IN,KY,MI,OH,PA,WV
43	NGM Insurance Co.	400,029	Main Street America Group	FL	22 - AZ,CT,DE,FL,GA,IL,ME,MD,MA,MI,NV,NH,NJ,NY,NC,PA,RI,SC,TN,UT,VT,VA
44	Insurance Co. of the West	387,252	ICW Group	CA	10 - AK,CA,FL,IL,MO,NV,OR,TN,UT,WA
45	Farm Family Casualty Insurance Co.	378,635	American National Financial Group	NY	11 - CT,DE,ME,MA,NH,NJ,NY,RI,VT,VA,WV
46	United Fire & Casualty Co.	370,959	United Fire & Casualty Group	IA	25 - AL,AZ,AR,CO,FL,ID,IL,IN,IA,KS,LA,MN,MS,MO,MT,NE,NM,ND,OK,SD,TN, TX,UT,WI,WY

	Company	12/31/2012 DPW 000s omitted	Group Name	State of Domicile	Number/States with Greater than $1 Million DPW 12/31/2012
47	Hastings Mutual Insurance Co.	366,460	N/A	MI	6 - IL,IN,IA,MI,OH,WI
48	General Casualty Co. of Wisconsin	329,939	QBE Insurance Group	WI	25 - AL,AR,CA,CO,CT,GA,IL,IN,IA,KS,MA,MI,MN,MS,MO,NE,NY,NC,ND,OH,PA, SD,TX,UT,WI
49	Westfield National Insurance Co.	308,146	Westfield Group	OH	10 - CO,IL,IN,IA,KY,MN,OH,PA,TN,WV
50	Amerisure Mutual Insurance Co.	306,139	Amerisure Co. Group	MI	24 - AL,AZ,AR,CA,FL,GA,IL,IN,IA,KS,KY,LA,MI,MN,MS,MO,NC,OK,PA,SC,TN, TX,VA,WI
51	Old Republic General Insurance Corp.	304,011	Old Republic Group	IL	27 - AL,AZ,CA,CO,CT,FL,GA,HI,IL,IN,LA,MD,MA,MI,MS,MO,NV,NJ,NY,NC,OK,PA, TN,TX,UT,VA,WA
52	Loya Insurance Co.	303,555	Loya Group	TX	6 - CO,GA,IL,NV,NM,TX
53	American Strategic Insurance Corp.	295,423	ARX Holding Corp. Group	FL	12 - AL,AZ,CO,FL,GA,MD,NV,NJ,NC,PA,SC,VA
54	Amerisure Insurance Co.	295,022	Amerisure Co. Group	MI	23 - AL,AZ,AR,FL,GA,IL,IN,IA,KS,KY,LA,MI,MN,MS,MO,NC,OK,PA,SC,TN,TX, VA,WI
55	Pekin Insurance Co.	291,298	Pekin Insurance Group	IL	6 - AZ,IL,IN,IA,OH,WI
56	General Insurance Co. of America	290,879	Liberty Mutual Group	NH	27 - AZ,CA,CO,CT,FL,GA,ID,IL,IN,KY,LA,MI,MN,MO,MT,NJ,NY,NC,OR,PA,SC,TN, TX,VT,VA,WA,WV
57	Farmington Casualty Co.	290,850	Travelers Group	CT	30 - AL,AZ,AR,CO,CT,DE,DC,GA,IL,IN,KS,KY,LA,MD,MI,MN,MS,MO,NH,NM,NY, NC,OK,OR,PA,SC,SD,TN,TX,VT
58	SECURA Insurance, a Mutual Co.	288,415	Secura Insurance Group	WI	12 - AZ,CO,IL,IN,IA,KS,KY,MI,MN,MO,ND,WI
59	North Star Mutual Insurance Co.	287,854	North Star Co. Group	MN	6 - IA,MN,NE,ND,OK,SD
60	Progressive Gulf Insurance Co.	287,449	Progressive Group	OH	2 - MS,VA
61	Brotherhood Mutual Insurance Co.	287,277	N/A	IN	31 - AZ,AR,CA,CO,GA,IL,IN,IA,KS,KY,MD,MI,MN,MS,MO,MT,NE,NM,NY,NC,OH, OK,OR,PA,SC,TN,TX,VA,WA,WV,WI
62	Mutual of Enumclaw Insurance Co.	284,573	Mutual of Enumclaw Group	WA	4 - ID,OR,UT,WA
63	Courtesy Insurance Co.	282,764	JM Family Group	FL	22 - AL,AZ,AR,CA,CO,FL,GA,IL,MD,MS,MO,NJ,NM,NC,OH,OK,PA,SC,TN,TX,VA,WI
64	New York Marine and General Insurance Co.	282,140	New York Marine & General Group	NY	32 - AL,AZ,AR,CA,CO,CT,FL,GA,IL,IN,IA,KS,KY,LA,MA,MI,MN,MS,MO,NV,NJ,NM, NY,NC,OH,OK,OR,PA,SC,TN,TX,VA
65	Vermont Mutual Insurance Co.	281,689	Vermont Mutual Group	VT	7 - CT,ME,MA,NH,NY,RI,VT
66	Merrimack Mutual Fire Insurance Co.	272,725	Andover Group	MA	8 - CT,IL,ME,MA,NH,NJ,NY,RI
67	Protective Insurance Co.	268,618	Protective Insurance Group	IN	34 - AL,AZ,AR,CA,CO,CT,FL,GA,IL,IN,IA,KS,KY,LA,ME,MD,MA,MI,MN,MS,MO,MT, NJ,NY,NC,OH,OR,PA,TN,TX,UT,VA,WA,WI
68	Motors Insurance Corp.	264,460	GMAC Insurance Holding Group	MI	28 - AL,AR,CA,CO,FL,GA,IL,IN,IA,KS,LA,MI,MN,MS,MO,NE,NJ,NY,NC,ND,OH,OK, PA,SC,SD,TN,TX,WI
69	Bituminous Casualty Corp.	261,601	Old Republic Group	IL	31 - AZ,AR,CO,FL,GA,IL,IN,IA,KS,KY,LA,MI,MN,MS,MO,MT,NE,NM,NC,OK,OR,PA, SC,SD,TN,TX,VA,WA,WV,WI,WY
70	Preferred Mutual Insurance Co.	260,758	N/A	NY	4 - MA,NH,NJ,NY
71	Harleysville Preferred Insurance Co.	257,557	Nationwide Corp. Group	PA	23 - AL,AR,CT,DE,DC,GA,IL,IN,MD,MA,MI,MN,NE,NH,NJ,NY,NC,ND,PA,RI,SC, TN,VA
72	American Commerce Insurance Co.	256,981	Mapfre Insurance Group	OH	16 - AZ,CT,ID,IL,IN,KY,LA,NJ,NY,OH,OR,PA,RI,TN,TX,WA
73	Farmers Mutual Insurance Co. of Nebraska	252,694	N/A	NE	2 - NE,SD
74	Auto Club Insurance Association	248,821	Automobile Club MI Group	MI	6 - IL,MI,MN,NE,ND,WI
75	Middlesex Mutual Assurance Co.	245,174	Country Insurance & Financial Services Group	CT	16 - CT,DE,IL,IN,ME,MD,MA,MI,NH,NY,OH,PA,TN,VT,VA,WI
76	Western National Mutual Insurance Co.	240,429	Western National Mutual	MN	6 - IL,IA,MN,ND,SD,WI
77	Farmers Automobile Insurance Association	240,298	Pekin Insurance Group	IL	4 - IL,IN,IA,WI
78	FCCI Insurance Co.	239,743	FCCI Mutual Insurance Group	FL	15 - AL,FL,GA,IL,IN,KY,MI,MS,MO,NC,OH,SC,TN,TX,VA
79	Donegal Mutual Insurance Co.	236,797	Donegal Group	PA	9 - DE,GA,IN,MD,NE,OH,PA,TN,VA
80	Harleysville Worcester Insurance Co.	233,831	Nationwide Corp. Group	PA	17 - AL,AR,CT,GA,MD,MA,MN,NE,NH,NJ,NY,ND,OH,PA,RI,TN,VA
81	American Road Insurance Co.	233,830	American Road Group	MI	29 - AL,CA,CO,FL,GA,IL,IN,IA,KS,KY,LA,MD,MA,MI,MN,MS,MO,NE,NJ,NY,NC,OH, OK,PA,SC,TN,TX,VA,WI
82	National Liability & Fire Insurance Co.	231,271	Berkshire Hathaway Group	CT	25 - AL,AZ,AR,CA,CT,DC,FL,GA,IL,LA,MI,MN,MS,MO,NJ,NY,NC,OH,OK,OR,PA, TN,TX,WV,WI
83	California Casualty Indemnity Exchange	227,285	California Casualty Management Group	CA	19 - AL,AZ,CA,CO,CT,DE,GA,IN,KS,LA,MD,MN,NV,NM,OK,PA,TN,TX,VA
84	American Economy Insurance Co.	226,152	Liberty Mutual Group	IN	32 - AL,AZ,CA,CO,CT,FL,GA,ID,IL,IN,KS,LA,MI,MN,MS,MO,MT,NV,NM,NY,OH,OK, OR,PA,SC,SD,TN,TX,UT,VA,WA,WY
85	Alaska National Insurance Co.	212,930	N/A	AK	7 - AK,CA,ID,MT,OR,UT,WA
86	Horace Mann Insurance Co.	209,408	Horace Mann Group	IL	34 - AK,AZ,CA,CO,CT,DE,FL,GA,IL,IN,LA,ME,MD,MA,MI,MN,MO,MT,NV,NH,NM, NC,ND,OR,PA,SC,SD,TN,TX,UT,VT,VA,WA,WV
87	Quincy Mutual Fire Insurance Co.	205,211	Quincy Mutual Group	MA	4 - CT,MA,NY,RI
88	Indiana Insurance Co.	201,005	Liberty Mutual Group	IN	7 - IL,IN,KY,MI,NJ,OH,TN
89	Unigard Insurance Co.	199,380	QBE Insurance Group	WI	8 - AZ,CA,ID,MT,NV,OR,UT,WA
90	CastlePoint Insurance Co.	198,826	Tower Group	NY	2 - NJ,NY
91	Utica Mutual Insurance Co	186,189	Utica Group	NY	22 - CT,DE,GA,IL,IN,MD,MA,MI,MN,MO,NH,NJ,NY,NC,OH,PA,SC,TN,TX,VA, WA,WI
92	CastlePoint National Insurance Co..	178,467	Tower Group	IL	13 - AZ,CA,CO,FL,GA,IL,LA,MI,NJ,NY,PA,SC,TX
93	Mitsui Sumitomo Insurance Co. of America	177,967	MS & AD Insurance Group	NY	26 - AL,AZ,CA,CT,FL,GA,HI,IL,IN,KY,LA,MD,MA,MI,MO,NV,NJ,NY,NC,OH,OR, PA,TN,TX,VA,WA
94	Berkshire Hathaway Homestate Insurance Co.	173,505	Berkshire Hathaway Group	NE	34 - AL,AK,AZ,AR,CO,FL,GA,HI,ID,IL,IN,IA,KS,LA,MD,MI,MN,MS,MO,NE,NV,NJ, NM,NY,NC,OK,PA,SC,TN,TX,VA,WA,WV,WI
95	Horace Mann Property & Casualty Insurance Co.	168,675	Horace Mann Group	IL	34 - AL,AK,AZ,CA,CO,DE,FL,GA,ID,IL,IN,IA,LA,MD,MN,MO,NE,NV,NH,NC,ND, OH,OK,OR,PA,SC,TN,TX,UT,VT,VA,WA,WV,WI
96	Pacific Specialty Insurance Co.	167,600	Western Service Contract Group	CA	7 - AZ,CA,CO,CT,FL,NJ,TX
97	Canal Insurance Co.	167,495	Canal Group	SC	33 - AL,AZ,AR,CO,CT,DE,FL,GA,IL,IN,IA,KS,KY,ME,MD,MI,MN,MS,MO,NV,NC,OH, OK,PA,RI,SC,TN,TX,UT,VA,WA,WV,WI
98	ProAssurance Casualty Co.	166,157	Proassurance Corp Group	MI	14 - CA,DE,FL,GA,IL,IA,KY,MI,MN,NE,NV,NJ,OH,WI
99	Society Insurance, a Mutual Co.	165,967	N/A	WI	4 - IL,IN,IA,WI
100	North River Insurance Co.	163,254	Fairfax Financial Group	NJ	28 - AL,AR,CA,CT,FL,GA,HI,IL,IN,KY,LA,MD,MA,MI,MN,MS,MO,NJ,NY,NC,OH, OK,PA,SC,TN,TX,VA,WI
101	Merchants Mutual Insurance Co.	160,525	Merchants Mutual Group	NY	9 - MA,MI,NH,NJ,NY,OH,PA,RI,VT

	Company	12/31/2012 DPW 000s omitted	Group Name	State of Domicile	Number/States with Greater than $1 Million DPW 12/31/2012
102	Mountain West Farm Bureau Mutual Insurance Co.	155,029	Mountain West Farm Group	WY	2 - MT,WY
103	Federated Rural Electric Insurance Exchange	154,412	N/A	KS	34 - AL,AZ,AR,CO,FL,GA,ID,IL,IN,IA,KS,KY,LA,MI,MN,MS,MO,MT,NE,NM,NC,ND,OH,OK,OR,PA,SC,SD,TN,TX,VA,WA,WI,WY
104	Cherokee Insurance Co.	148,357	N/A	MI	13 - AR,IN,KS,MI,MS,MO,NE,NC,OK,PA,SC,TN,TX
105	Atlantic States Insurance Co.	145,324	Donegal Group	PA	6 - DE,GA,MD,OH,PA,VA
106	Seneca Insurance Co. Inc.	143,564	Fairfax Financial Group	NY	24 - AL,AZ,CA,CO,CT,FL,GA,IL,IN,KY,LA,MD,MA,MI,NV,NJ,NY,NC,OH,PA,TN,TX,VA,WY
107	Columbia Mutual Insurance Co.	142,393	Columbia Insurance Group	MO	12 - AR,GA,IL,IA,KS,MS,MO,NE,OK,SD,TN,TX
108	Jewelers Mutual Insurance Co.	141,488	N/A	WI	31 - AL,AZ,AR,CA,CO,CT,FL,GA,HI,IL,IN,KS,LA,MD,MA,MI,MN,MO,NV,NJ,NY,NC,OH,OK,PA,SC,TN,TX,VA,WA,WI
109	Markel American Insurance Co.	140,741	Markel Corp. Group	VA	34 - AL,AK,AZ,AR,CA,CO,DE,FL,GA,IL,IN,KY,LA,MD,MA,MI,MN,MS,MO,NJ,NY,NC,OH,OK,OR,PA,RI,SC,TN,TX,UT,VA,WA,WI
110	Old United Casualty Co.	139,990	Van Enterprises Group	KS	6 - AZ,CA,FL,KS,MI,TX
111	Farmland Mutual Insurance Co.	139,010	Nationwide Corp. Group	IA	28 - AL,AR,CA,CO,GA,ID,IL,IN,IA,KS,KY,MI,MN,MS,MO,MT,NE,NC,ND,OH,OK,PA,SD,TN,TX,UT,WA,WI
112	Republic Underwriters Insurance Co.	138,678	Delek Group	TX	7 - AR,CA,LA,MS,NM,OK,TX
113	Century-National Insurance Co.	138,641	N/A	CA	4 - AZ,CA,IL,NV
114	Builders Mutual Insurance Co.	138,351	Builders Group	NC	6 - MD,MS,NC,SC,TN,VA
115	Concord General Mutual Insurance Co..	138,278	Concord Group	NH	3 - ME,NH,VT
116	Mid-Continent Casualty Co..	136,867	American Financial Group	OH	10 - AR,FL,KS,MO,MT,ND,OK,TX,UT,WY
117	Federated Service Insurance Co.	129,913	Federated Mutual Group	MN	34 - AL,AZ,AR,CA,CO,CT,FL,GA,IL,IN,IA,KS,KY,LA,MD,MI,MN,MO,NE,NV,NY,NC,ND,OH,OK,OR,PA,SC,SD,TN,TX,VA,WA,WI
118	Grange Insurance Association	129,702	Grange Insurance Group	WA	6 - CA,CO,ID,OR,WA,WY
119	Public Service Insurance Co.	127,040	Public Service Group	IL	10 - CA,CT,IL,MA,NJ,NY,PA,RI,TX,WA
120	American Hallmark Insurance Co. of Texas	125,146	Hallmark Financial Services Group	TX	19 - AR,CO,GA,HI,ID,IN,MO,MT,NM,OH,OK,OR,PA,SC,TN,TX,UT,WA,WY
121	Brethren Mutual Insurance Co.	123,807	N/A	MD	3 - MD,PA,VA
122	First Colonial Insurance Co.	121,041	Allstate Insurance Group	FL	24 - AZ,AR,CO,FL,GA,IL,IN,KS,KY,MD,MA,MO,NV,NJ,NC,OH,OK,OR,PA,TN,TX,UT,VA,WA
123	Lyndon Property Insurance Co.	116,221	Protective Life Insurance Group	MO	23 - AZ,CA,CO,FL,GA,IL,IN,KY,ME,MI,MN,MO,NE,NV,NC,OH,OK,PA,TN,TX,VA,WA,WI
124	Farmers Alliance Mutual Insurance Co.	114,172	Alliance Insurance Group	KS	8 - CO,ID,KS,MT,NE,ND,OK,SD
125	Cambridge Mutual Fire Insurance Co.	113,439	Andover Group	MA	8 - CT,IL,ME,MA,NH,NJ,NY,RI
126	Vanliner Insurance Co..	109,121	American Financial Group	MO	22 - AK,AZ,CA,CT,FL,GA,IL,IN,MD,MA,MI,MN,MO,NJ,NY,NC,OH,PA,SC,TN,TX,VA
127	Utica First Insurance Co.	108,447	N/A	NY	4 - CT,NJ,NY,PA
128	Preferred Professional Insurance Co.	105,973	Christus Health Group	NE	23 - AR,CA,CO,IL,IN,IA,KS,KY,LA,ME,MD,MT,NE,NH,NJ,NM,NY,OH,PA,TX,VA,WA,WI
129	American Mercury Insurance Co.	105,101	Mercury General Group	OK	9 - AK,AZ,CA,FL,GA,MS,OK,TX,VA
130	Hartford Insurance Co. of Illinois	104,541	Hartford Fire & Casualty Group	IL	4 - CT,IL,NY,PA
131	Insurance Co. of North America	102,468	Ace Ltd Group	PA	4 - CA,FL,MA,NY
132	Cumberland Mutual Fire Insurance Co.	101,914	Cumberland Group	NJ	4 - DE,MD,NJ,PA
133	National Indemnity Co.	99,572	Berkshire Hathaway Group	NE	32 - AK,AZ,AR,CA,CO,CT,DE,FL,GA,ID,IL,IN,KS,KY,ME,MD,MI,MO,MT,NE,NV,NM,NC,ND,OH,PA,TX,UT,VA,WA,WI,WY
134	Triton Insurance Co.	98,569	Citigroup Group	TX	18 - AL,CA,DE,FL,GA,HI,IA,LA,NJ,NY,NC,OH,PA,SC,TN,TX,VA,WA
135	IMT Insurance Co.	95,156	IMT Mutual Holding Group	IA	5 - IL,IA,NE,SD,WI
136	Trinity Universal Insurance Co.	92,700	Unitrin Group	TX	7 - AL,AR,ID,MT,OK,TX,UT
137	Fidelity National Insurance Co.	91,117	WBL Group	CA	14 - AZ,CA,FL,MO,NE,NV,NY,OH,PA,SC,TN,TX,VA,WA
138	Berkley Regional Insurance Co.	90,910	WR Berkley Corp. Group	DE	31 - AL,AZ,AR,CA,CO,CT,DC,FL,GA,IL,IN,LA,ME,MD,MA,MI,MS,NH,NJ,NM,NY,NC,OH,OK,PA,SC,TN,TX,VA,WA,WI
139	Penn National Security Insurance Co.	89,275	Pennsylvania National Insurance Group	PA	8 - AL,DE,MD,NC,PA,SC,TN,VA
140	Harford Mutual Insurance Co.	89,045	Harford Group	MD	8 - DE,DC,MD,NJ,NC,PA,TN,VA
141	Milbank Insurance Co.	86,684	State Auto Mutual Group	IA	7 - AZ,CO,IN,MN,ND,SD,UT
142	Goodville Mutual Casualty Co.	86,451	N/A	PA	8 - DE,IL,IN,KS,OH,OK,PA,VA
143	Lightning Rod Mutual Insurance Co.	84,248	Western Reserve	OH	2 - IN,OH
144	Physicians Insurance, a Mutual Co.	83,616	Physicians Insurance, a Mutual Group	WA	3 - ID,OR,WA
145	TransGuard Insurance Co. of America Inc.	79,711	IAT Reins Co. Group	IL	10 - AZ,CA,FL,GA,IL,NJ,NY,NC,PA,TX
146	Middlesex Insurance Co.	73,683	Sentry Insurance Group	WI	7 - CA,CT,FL,NJ,TX,WA,WI
147	MHA Insurance Co.	72,231	Promutual Group	MI	7 - IA,MI,MN,ND,OH,SD,WI
148	Capitol Indemnity Corp.	66,098	Alleghany Group	WI	19 - AZ,CO,FL,GA,IL,IN,MI,MN,MO,MT,NV,NY,ND,OH,OK,PA,VA,WA,WI
149	Gray Insurance Co.	65,783	Gray Insurance Group	LA	8 - AL,CA,FL,IL,LA,MS,OK,TX
150	Endurance American Insurance Co..	64,720	Endurance Group	DE	14 - AZ,CO,GA,IL,LA,MA,MI,MO,NJ,NY,OH,PA,TX,WI
151	Bituminous Fire and Marine Insurance Co.	59,934	Old Republic Group	IL	15 - AR,FL,IL,IA,LA,MO,NE,NC,OK,OR,PA,SC,TX,VA,WI
152	Dentists Insurance Co.	55,096	N/A	CA	5 - CA,HI,IL,MN,PA
153	Lititz Mutual Insurance Co.	54,644	Lititz Mutual Group	PA	8 - DE,KS,MD,MO,NC,PA,SC,VA
154	Toyota Motor Insurance Co.	51,032	N/A	IA	11 - AZ,CA,DE,FL,MD,NV,NJ,OR,PA,VA,WA
155	Civil Service Employees Insurance Co.	48,659	Civil Service Employee Group	CA	3 - AZ,CA,NV
156	Yosemite Insurance Co.	47,351	Fortress Group	IN	14 - AL,CA,CO,FL,GA,IL,IN,KY,NC,OH,PA,SC,TX,VA
157	OneBeacon Insurance Co.	47,014	White Mountains Group	PA	13 - CA,CO,FL,GA,IL,MA,MN,NJ,NY,PA,TX,VA,WI
158	Harco National Insurance Co.	41,349	IAT Reins Co Group	IL	14 - CA,GA,IL,IN,LA,MI,NV,NJ,NY,NC,OH,PA,TX,WA
159	Bay State Insurance Co.	39,031	Andover Group	MA	3 - MA,NJ,NY
160	All America Insurance Co.	31,418	Central Mutual Insurance Co Group	OH	12 - AZ,CT,GA,IN,MA,MI,NY,NC,OH,SC,TN,VA
161	Motorists Commercial Mutual Insurance Co.	30,976	Motorists Mutual Group	OH	10 - IL,IA,KY,MA,MI,MN,NH,OH,PA,WI

Data Source: The National Association of Insurance Commissioners, Kansas City, Mo., by permission. Information derived from an SNL product.

The NAIC and SNL do not endorse any analysis or conclusion based upon the use of its data.

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National, Regional, or State Specialist.

Super Regional Criteria and Thresholds

To select the companies for the Super Regional Property/Casualty Insurer™ list, Demotech used these specific, objective qualifying criteria and thresholds:

- Active, individual companies not under regulatory supervision at Dec. 31, 2012;
- Reporting data using the property/casualty annual statement format;
- At least $1 million of direct premium written (DPW) in each of two to 34 states at Dec. 31, 2012;
- Less than 90 percent of Dec. 31, 2012, DPW in any one state;
- Less than 90 percent of Dec. 31, 2012, DPW in any one line of business;
- Policyholders surplus of at least $100 million at Dec. 31, 2012;
- Net premium written of at least $50 million at Dec. 31, 2012;
- DPW of at least $25 million at Dec. 31, 2012.

2013 Super Regional P/C Insurers™

In general, a Super Regional Property/Casualty Insurer™ is an individual company writing multiple lines of insurance in multiple states. Risk retention groups, surplus lines insurers and reinsurers are not eligible for the Super Regional category.

Demotech identified 161 Super Regional Property/Casualty Insurers™ for 2013. They are presented in this exclusive *Insurance Journal* special report both alphabetically and by size as ranked by direct premium written as of Dec. 31, 2012.

Also included are the 15 companies that are new to the Super Regional classification, as well as nine insurers that have been reclassified into another category based on year-end 2012 information.

"Super Regional insurers are critically important to the insurance industry, and of particular importance to their agents, producers and insureds," said Joseph Petrelli, president, Demotech. "These companies

2013 Super Regional Property/Casualty Insurers™
Alphabetical Listing

ACUITY, a Mutual Insurance Co.
Alaska National Insurance Co.
All America Insurance Co.
American Commerce Insurance Co.
American Economy Insurance Co.
American Family Mutual Insurance Co.
American Hallmark Insurance Co. of Texas
American Home Assurance Co.
American Mercury Insurance Co.
American Road Insurance Co.
American Strategic Insurance Corp.
Amerisure Insurance Co.
Amerisure Mutual Insurance Co.
Atlantic States Insurance Co.
Auto Club Insurance Association
Automobile Insurance Co. of Hartford, CT
Auto-Owners Insurance Co.
Bankers Standard Insurance Co.
Bay State Insurance Co.
Berkley Regional Insurance Co.
Berkshire Hathaway Homestate Insurance Co.
Bituminous Casualty Corp.
Bituminous Fire and Marine Insurance Co.
Brethren Mutual Insurance Co.
Brotherhood Mutual Insurance Co.
Builders Mutual Insurance Co.
California Casualty Indemnity Exchange
Cambridge Mutual Fire Insurance Co.
Canal Insurance Co.
Capitol Indemnity Corp.
CastlePoint Insurance Co.
CastlePoint National Insurance Co.
Central Mutual Insurance Co.
Century-National Insurance Co.
Cherokee Insurance Co.
Citizens Insurance Co. of America
Civil Service Employees Insurance Co.
Columbia Mutual Insurance Co.
Companion Property and Casualty Insurance Co.
Concord General Mutual Insurance Co.
COUNTRY Mutual Insurance Co.
Courtesy Insurance Co.
Cumberland Mutual Fire Insurance Co.
Dentists Insurance Co.
Donegal Mutual Insurance Co.
Endurance American Insurance Co.
Erie Insurance Co.
Erie Insurance Exchange
Farm Bureau Property & Casualty Insurance Co.
Farm Family Casualty Insurance Co.
Farmers Alliance Mutual Insurance Co.
Farmers Automobile Insurance Association
Farmers Insurance Exchange
Farmers Mutual Hail Insurance Co. of Iowa
Farmers Mutual Insurance Co. of Nebraska
Farmington Casualty Co.
Farmland Mutual Insurance Co.
FCCI Insurance Co.
Federated Rural Electric Insurance Exchange
Federated Service Insurance Co.
Fidelity National Insurance Co.
Fire Insurance Exchange
First Colonial Insurance Co.
Frankenmuth Mutual Insurance Co.
General Casualty Co. of Wisconsin
General Insurance Co. of America
Goodville Mutual Casualty Co.
Grange Insurance Association
Grange Mutual Casualty Co.
Gray Insurance Co.
Harco National Insurance Co.
Harford Mutual Insurance Co.
Harleysville Preferred Insurance Co.
Harleysville Worcester Insurance Co.
Hartford Insurance Co. of Illinois
Hastings Mutual Insurance Co.
Horace Mann Insurance Co.
Horace Mann Property & Casualty Insurance Co.
Hudson Insurance Co.
IMT Insurance Co.
Indiana Insurance Co.
Insurance Co. of North America
Insurance Co. of the West
Jewelers Mutual Insurance Co.
Lightning Rod Mutual Insurance Co.
Lititz Mutual Insurance Co.
Loya Insurance Co.
Lyndon Property Insurance Co.
Markel American Insurance Co.
MemberSelect Insurance Co.
Merchants Mutual Insurance Co.
Mercury Casualty Co.
Merrimack Mutual Fire Insurance Co.
MHA Insurance Co.
Mid-Century Insurance Co.
Mid-Continent Casualty Co.
Middlesex Insurance Co.
Middlesex Mutual Assurance Co.
Milbank Insurance Co.
Mitsui Sumitomo Insurance Co. of America
Motorists Commercial Mutual Insurance Co.
Motorists Mutual Insurance Co.
Motors Insurance Corp.
Mountain West Farm Bureau Mutual Insurance Co.
Mutual of Enumclaw Insurance Co.
National Indemnity Co.
National Liability & Fire Insurance Co.
Nationwide Mutual Fire Insurance Co.
Netherlands Insurance Co.
New York Marine and General Insurance Co.
NGM Insurance Co.
North River Insurance Co.
North Star Mutual Insurance Co.
Old Republic General Insurance Corp.
Old United Casualty Co.
OneBeacon Insurance Co.
Owners Insurance Co.
Pacific Specialty Insurance Co.
Peerless Insurance Co.
Pekin Insurance Co.
Penn National Security Insurance Co.
Pennsylvania National Mutual Casualty Insurance Co.
Physicians Insurance, a Mutual Co.
Preferred Mutual Insurance Co.
Preferred Professional Insurance Co.
ProAssurance Casualty Co.
Progressive Casualty Insurance Co.
Progressive Gulf Insurance Co.
Progressive Northern Insurance Co.
Progressive Northwestern Insurance Co.
Protective Insurance Co.
Public Service Insurance Co.
Quincy Mutual Fire Insurance Co.
Republic Underwriters Insurance Co.
Safeco Insurance Co. of Illinois
SECURA Insurance, a Mutual Co.
Selective Insurance Co. of America
Selective Way Insurance Co.
Seneca Insurance Co. Inc.
Shelter Mutual Insurance Co.
Society Insurance, a Mutual Co.
State Auto Property & Casualty Insurance Co.
State Automobile Mutual Insurance Co.
Technology Insurance Co. Inc.
Tower Insurance Co. of New York
Toyota Motor Insurance Co.
TransGuard Insurance Co. of America Inc.
Trinity Universal Insurance Co.
Triton Insurance Co.
Unigard Insurance Co.
United Financial Casualty Co.
United Fire & Casualty Co.
Utica First Insurance Co.
Utica Mutual Insurance Co.
Vanliner Insurance Co.
Vermont Mutual Insurance Co.
West Bend Mutual Insurance Co.
Western National Mutual Insurance Co.
Westfield Insurance Co.
Westfield National Insurance Co.
Yosemite Insurance Co.

are strong, stable markets that work hard for their agents, insureds and their reinsurers. This is why *Insurance Journal* expressed interest in having us quantify and identify the criteria used to define an insurer as a Super Regional."

Insurance Journal and Demotech expect this year's report to advance the discussion on the role of Super Regionals, as well as the definition and criteria used in determining the classification, so that future reports can continue an industry dialogue on Super Regional Property/Casualty Insurers™.

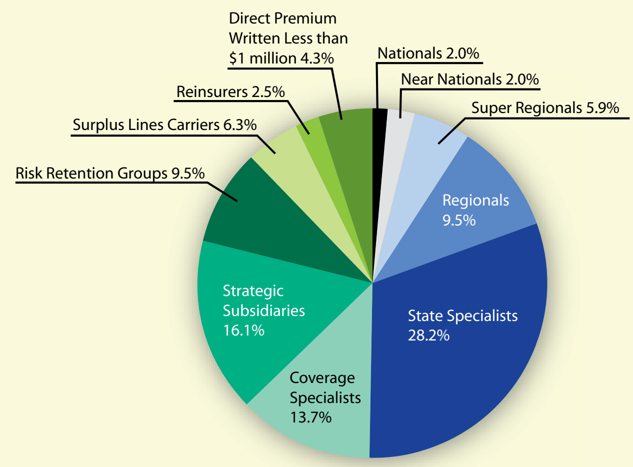
Insurers and interested readers are encouraged to review the selection criteria and thresholds used to determine the 2013 Super Regionals. Selection criteria remain quantitative and transparent. We are focused on setting benchmarks at levels that accurately categorize the industry. The relative consistency of the company type distribution over time suggests that the categorizations that we have established are valid and effective in classifying the industry.

This is an objective stratification of the companies that comprise the industry based on their business models, not ratings of the individual insurers. Inclusion on the list of Super Regionals does not imply that a company is superior to companies not eligible for that classification.

Future issues of *Insurance Journal* will report on the other categories within the Demotech Company Classification System.

Send comments or suggestions to Barry Koestler at bkoestler@demotech.com or Andrew Simpson, vice president of content, *Insurance Journal*, at asimpson@insurancejournal.com. IJ

2013 Property/Casualty Insurance Cos. - Demotech Company Classifications



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

NEW 2013 Super Regionals

Company Name	2013 Demotech Company Classification	2012 Demotech Company Classification	2011 Demotech Company Classification	2010 Demotech Company Classification	2009 Demotech Company Classification
American Hallmark Insurance Co. of Texas	Super Regional	Regional	Super Regional	Super Regional	Regional
Berkshire Hathaway Homestate Insurance Co.	Super Regional	Strategic Subsidiary	Strategic Subsidiary	Super Regional	Super Regional
Goodville Mutual Casualty Co.	Super Regional	Regional	Regional	Regional	Regional
Harco National Insurance Co.	Super Regional	Regional	Super Regional	Super Regional	Super Regional
Horace Mann Property & Casualty Insurance Co.	Super Regional	Regional	Regional	Regional	Regional
Middlesex Mutual Assurance Co.	Super Regional	Regional	Regional	Regional	Regional
Motorists Commercial Mutual Insurance Co	Super Regional	Strategic Subsidiary	Super Regional	Super Regional	Super Regional
ProAssurance Casualty Co.	Super Regional	Coverage Specialist	Super Regional	Coverage Specialist	Coverage Specialist
Progressive Northwestern Insurance Co.	Super Regional	Coverage Specialist	Coverage Specialist	Coverage Specialist	Super Regional
Society Insurance, A Mutual Co.	Super Regional	Regional	Regional	Regional	Regional
Toyota Motor Insurance Co.	Super Regional	Regional	Regional	Regional	Super Regional
TransGuard Insurance Co. of America Inc.	Super Regional	Regional	Regional	Regional	Regional
United Financial Casualty Co.	Super Regional	Coverage Specialist	Coverage Specialist	Coverage Specialist	Coverage Specialist
Utica First Insurance Co.	Super Regional	Regional	Regional	Regional	Regional
Yosemite Insurance Co.	Super Regional	Strategic Subsidiary	Strategic Subsidiary	Super Regional	Super Regional

RECLASSIFIED 2012 Super Regionals

Company Name	2013 Demotech Company Classification	2012 Demotech Company Classification	2011 Demotech Company Classification	2010 Demotech Company Classification	2009 Demotech Company Classification	Why Company Does Not Qualify as a 2013 Super Regional
Lancer Insurance Co.	Coverage Specialist	Super Regional	Coverage Specialist	Coverage Specialist	Near National	LOB > 90%
Virginia Surety Co. Inc.	Coverage Specialist	Super Regional	Super Regional	Super Regional	Super Regional	LOB > 90%
Darwin National Assurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional	States > 34
Occidental Fire and Casualty Co. of North Carolina	Near National	Super Regional	Super Regional	Super Regional	Super Regional	States > 34
Pennsylvania Lumbermens Mutual Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Regional	States > 34
Pennsylvania Manufacturers' Association Insurance Co.	Near National	Super Regional	Super Regional	Super Regional	Super Regional	States > 34
Sompo Japan Insurance Co. of America	Near National	Super Regional	Super Regional	Super Regional	Super Regional	States > 34
Imperium Insurance Co.	Regional	Super Regional	Super Regional	Super Regional	Super Regional	NPW
Harleysville Mutual Insurance Co.	Not Applicable	Super Regional	Super Regional	Super Regional	Super Regional	Merged 5/1/2012

LOB = Line of Business; NPW = Net Premium Written

MyNewMarkets

Workers' Comp / Excess

Market Detail: Meadowbrook Insurance Group's (www.meadowbrook.com) offers workers' comp and excess workers' comp for specialty/niche programs. Phone inquiries and submissions are accepted as is brokered business (varies by program). The minimum premium and limits also vary by program.
Limits: Varies by Program
Carriers: Star Insurance Co., Williamsburg National Insurance Co., Ameritrust Insurance Corp., Savers Property & Casualty, Century Surety Co., ProCentury Insurance Co.
Available limits: As needed
States: All states except Calif. and D.C.
Contact: Customer service at 800-482-2726

Pet Care Professionals

Market Detail: NIP Group LLC's (www.nipgroup.com) PetPro program is an all-lines insurance program for virtually all pet care professionals, from medical to services to retail to pet welfare. Coverages include: professional liability; workers' comp; GL; property; auto, inland marine/equipment; E&O; volunteers; animals under your care, and others.
Available limits: As needed
Carrier: Unable to disclose, admitted
States: All states except Alaska, Fla., Hawaii, La., Mass. N.Y., and Va.
Contact: Customer service at 800-446-7647

Professional Healthcare Services

Market Detail: Prime Insurance Co.'s (www.primeis.com) provides coverage for adult day care, assisted living centers, home healthcare, cosmetic medicine and beautician risks, and nursing homes.
Available limits: As needed
Carrier: Prime Insurance
States: All states
Contact: Barbara Malkowski at 800-456-4576 or email: barbaram@primeis.com

Oil & Gas Risks

Market Detail: Empire Pacific Sovereign LLC (www.SovereignBrokers.com) covers the energy industry, including: oil and gas extraction; petroleum refining and related products; transportation services; pipelines, except natural gas; mining; wholesale: petroleum and petroleum products; industrial contractors. Coverage is also available for related/supporting industries and entities, such as: metal ores mining: iron, copper, lead, zinc, metal mining services; coal mining; mining non-metals: limestone, granite, sand and gravel, clay, potash; heavy construction: water, sewer and NOC (mining, utility, oil and petroleum, etc.); mining machinery and equipment; oil and gas field machinery; pumps and pumping equipment; transportation (trucking) and pipeline terminals; chemicals: alkalies, chlorine and industrial gases; nonferrous foundries (except aluminum); fuel dealers – retail; fuel oil dealers – retail; gasoline service stations; pipeline and power line inspection services; geophysical equipment repair; oilfield service contractors. Coverages include: property; general liability; commercial auto; workers' compensation; workers' compensation USL&H; umbrella; excess and marine
Available limits: As needed
Carrier: Unable to disclose, admitted
States: All states
Contact: Gary Hargis at 503-968-6300 or email: gary.hargis@empirepac.com

Beauty Salons

Market Detail: American Team Managers Insurance Services Inc. (www.atminsurance.com) has a packaged business policy for beauty/hair salons. In addition to representing 15 top carriers in the industry, American Team Managers has access to exclusive markets for work comp, contractors, and transportation coverage.
Available limits: As needed
Carrier: Unable to disclose, admitted
States: Ariz., Calif., Colo., Idaho, Mont. Nev., N.M., Ore., Texas, Utah, and Wyo.
Contact: Marty Martino at 714-414-1213 or e-mail mmartino@atminsurance.com

Corn, Soybean, Cotton, Peanuts, Row Crop

Market Detail: Crop Insurance of America (www.cropinsure.com) offers coverage for most all row crops, many levels, first levels, first time or experienced farm producers.
Available limits: As needed
Carrier: Unable to disclose, admitted
States: Ala., Alaska, Ga., Ind., Ky., La., Miss., N.C., Ohio, Okla., S.C., Tenn., Texas, and Va., and W.V.
Contact: Customer Service at 888-898-4236

Social Clubs

Market Detail: RCA Insurance Group (www.rca-insurance.com) is an managing general agency with admitted and non-admitted markets available for most hospitality risks. Fine restaurants to 100 percent alcohol sales bars, including caterers and social/fraternal clubs can be covered. Available coverage includes: package policy, property, GL and liquor liability, with A&B available.

Available limits: As needed
Carrier: Unable to disclose, non-admitted and admitted available
States: Ariz., Calif., Colo., Conn., D.C., Dela., Fla., Ga., Ill., Ind., Ky., La., Maine, Mass., Md., Mich., Minn., N.C., Neb., N.H., N.J., N.Y., Ohio, Pa., R.I., S.C., Tenn., W.V. and Vt.
Contact: Michael Maher at 800-526-0147 or email: mmaher@rca-insurance.com

Environmental Liability Insurance

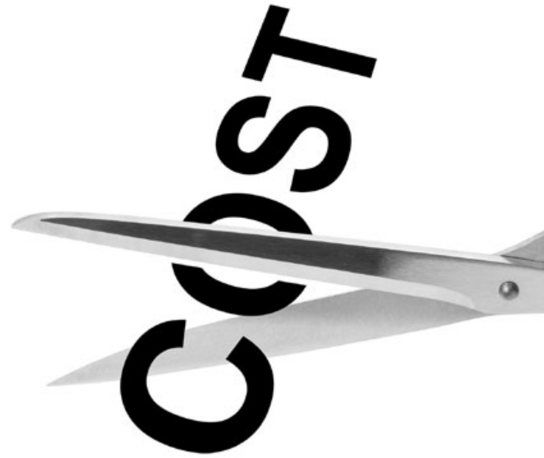
Market Detail: Environmental Risk Managers Inc. (www.environmentalriskmanagers.com) has eRMI coverage including: environmental impairment liability coverage - site specific (EIL); products pollution; contractors pollution coverage (CPL); professional liability coverage (E&O); property transfer coverage; secured creditor coverage; surety; transportation pollution liability (TPL); umbrella/excess coverage including pollution; underground and above ground storage tanks (UST or AST); cleanup cost cap coverage; closure and post closure care insurance; and workers' compensation. Additional services include: risk management; education and insurance strategies/consulting; environmental risk assessments; current coverage analysis with proper coverage recommendations; strategy sessions with agents and insured's; and education via webinars, live seminars, and email environmental news updates.
Available Limits: As needed
Carriers: Unable to disclose
States: All states except Calif. and D.C.
Contact: Customer service at 231-256-2122

Security Guards

Market Detail: The Harry W. Gorst Co. (www.gorst.com) covers security guard and patrol agencies (including off-duty police officers) providing armed or unarmed security personnel. Coverage also available for canine security providers (except bomb and weapons detection); fire arms training or certification schools; and detective and private investigator services providing armed and unarmed services. A sublimit of $100,000/$300,000 for assault & battery is included. CGL can be extended to include $10,000 lost key coverage; $25,000 for PD to personal property of others in your C,C,C., and errors & omissions liability.
Available limits: Minimum $300,000
Carrier: Unable to disclose, non-admitted
States: Calif. only
Contact: Eirik Fulton at 800-437-661, ext. 156 or email: efulton@gorst.com IJ

The Competitive Advantage

Cutting Corners



Some inside knowledge and a lot of experience strongly suggests that many agencies and brokers are cutting processing corners. I am not writing about immaterial corners. I am writing about them cutting large, material corners. Some have cropped the corners so significantly, their procedural manual is now an octagon.

By Chris Burand

Examples of the serious and grossly mistaken shortcuts include:

• Not checking renewals in part or in whole.
• Not completing certificates of insurance properly.
• Assigning policy checking to people who do not know what they are checking.
• Assigning processors that do not know the applicable coverages to do a CSR's job.
• Moving accounts from one company to another without truly comparing coverages and then not advising clients of any loss of coverage.

The risks these firms are taking are significant. They are risking their reputations. They are significantly increasing the risk of errors and omissions (E&O) claims. They are belittling customer service.

Given the obvious dangers, why is corner cutting so rampant?

Corners are most often cut for three main reasons: using inapplicable benchmarks, cost cutting without performing quality cost analysis and desperation to write new business.

Benchmarking

The inherent problems with benchmarks in this industry leads many firms to cut corners. A key factor is the benchmarks available for CSR productivity are, by necessity of the compilation process, generic to the extreme. Some benchmarks are adjusted for very general geographic variance and some adjust for agency size variance. The result is still excessively generic for specific use.

An additional factor is the misuse of CSR productivity benchmarks. Far too often the decision maker simply compares the commissions in the benchmark to the commissions the CSR is servicing. Some do not even look at the true benchmarks but go by hearsay. I have visited hundreds of agencies and no two are the same.

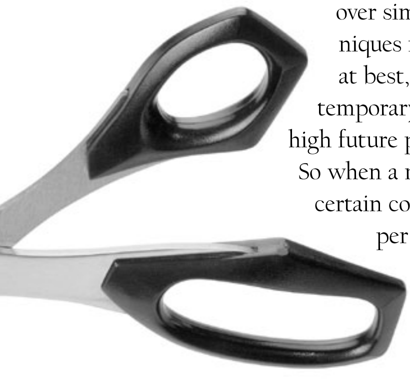
The amount of work any given CSR can competently service depends on many factors, including their job description. CSR job descriptions vary significantly from one agency to another and their responsibilities determine how much in commissions they can service.

Another crucial factor is how cooperative the agency's producers are in providing the correct information to the CSRs. In an agency where producer compliance is high, CSRs can service much more than in those where instructions are still provided on cocktail napkins.

Other factors include the size of accounts and the markets in which accounts are placed. A $1,000 account takes just as much time as a $3,000 account, so in one agency a CSR could competently service $300,000 and another $600,000 with little more effort simply based on account size.

Another important factor is the hit ratio on new business. If a CSR's job description includes quoting new business and the hit ratio is poor, that CSR cannot service as many commissions as the benchmarks indicate.

A slightly different aspect is that some of the benchmarks are just wrong. The people that have compiled the data did not compile the data correctly resulting in benchmarks that are far higher than reality. High quality benchmarking in a service industry like this is quite difficult to do well, so



most use excessively over simplistic techniques resulting, at best, in better temporary results for a high future price.

So when a manager sets certain commissions per CSR benchmarks, even if those benchmarks truly do not apply, most CSRs will get the job done but only by cutting corners. Sometimes management knows this and sometimes they do not know anything about it, until something really goes wrong. If you do not know about corner cutting and you are using industry benchmarks, you might want to examine your actual processing.

Cost Cutting

Cost cutting is sometimes directly tied to benchmarking. Sometimes though, agencies are just struggling to survive so they are cutting expenses in every possible way. One must survive tomorrow to experience the long run, but in the long run, this strategy will fail.

When management concludes the agency can only survive with 20 percent fewer CSRs regardless of the workload and simply tells the remaining CSRs to work hard and all will be alright, eventually this house of cards will fail. I have seen this happen with management expressly telling the CSRs what corners to cut. Eventually damage is done. Even if the agency is not sued, good CSRs often begin leaving for better jobs and jobs where they feel they are doing right by the customer.

Desperation to Write New Business

Growing sales has been very tough for many, many years now. The temptation to cut corners has grown too large to resist for many, and there really is nothing more to it.

Cost cutting is sometimes directly tied to benchmarking.

Solution

For those readers that pride themselves on their professionalism and great execution, competing with corner cutters can be trying. Sometimes competitors do win by cutting corners. How can the true professionals take advantage of their sloppier brethren?

1. Have a script for your people so that when they come across competition cheating on certificates. I have seen several such scripts. They are impressive and they generally work. At the very least, these scripts plant an appropriate seed of doubt in clients' minds so that when something goes wrong, they will remember who was honest.

2. Explain why renewal reviews are so important. A key reason corner cutters get away with not doing renewal reviews is that customers do not know renewal reviews, or even policy checking, should occur. Clients' lack of knowledge is an important reason why they shop price and buy direct because they do not know what the agency is actually doing for them. Let the customer know what you do for them, why it is important, and if it is a prospect, recommend they confirm in writing the incumbent agency provides these services.

3. Explain why you spend the extra money, time, and training to compare coverages thoroughly when moving clients from one company to another so customers can experience your professionalism and appreciate you for more than a price.

Some readers might worry these suggestions create E&O exposures by increasing expectations. Personally, I would take this chance rather than cutting corners, which still increases E&O exposures.

In the former, no additional E&O exposures are created if the agency sets and meets these higher standards. Why not strive for higher goals of quality, professionalism, and success?

In the latter, the strategy is simply playing to the lowest common denominator and someone is always going to be willing to go lower than you.

The opportunity now to rise to the occasion is great. Time, patience, and some humbleness may be required. For those with fortitude, the ultimate return on investment will be great. IJ

Burand is the founder and owner of Burand & Associates LLC based in Pueblo, Colo. Phone: 719-485-3868. E-mail: chris@burand-associates.com.

Minding Your Business

Business Disaster Planning

Each year businesses and individuals are impacted by disasters. However, a disaster does not have to be widespread to paralyze an agency. Every business (including your clients) should have a Disaster Preparation and Recovery Plan. The better the plan, the better the chance the business will quickly recover.

By Catherine Oak

& Bill Schoeffler

Unfortunately, many businesses are not prepared in the face of a disaster. Besides creating their own disaster plan, insurance agents and brokers that educate their clients in this matter will gain the competitive edge.

The survival of a business depends upon having a written customized plan with documented procedures developed and reviewed with all of the staff. Part of the plan needs to include regular scheduled tasks and drills. Finally, the business needs to have the proper insurance. When the plan is complete it should have:

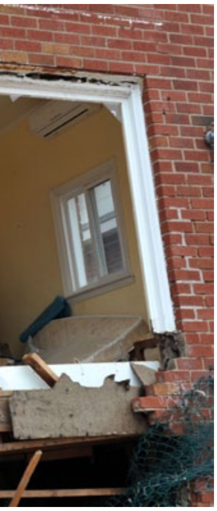
- Employee and catastrophe team duties and responsibilities;
- Emergency response and operation procedures;
- List of suppliers and vendors for backup equipment, repair services, insurance companies and organizations to be contacted;
- Maps of alternate routes to office, emergency office or rally point and offsite storage location.

There are a lot of things to consider when developing a plan.

First, what are assets and resources that the agency must have to continue to function? Human resources are on the top of the list.

Second, is the information that is collected, stored in various media?

Third in the list is the actual equipment,



furniture and facilities.

Next, a general assessment must be made of the most likely disaster scenarios. Situations such as floods, earthquakes, fires and storms are what usually come to mind. We are now faced with terrorist attacks, power outages and computer viruses. A disaster could also be the sudden death of key employees.

The impact on the agency's resources and assets by each of the probable disaster scenarios must be analyzed. A flood or a fire can destroy equipment and information assets, but less likely causes the loss of employees. An earthquake or storm can impact employees, equipment, facilities and possibly the information assets.

Problems such as blackouts and computer viruses have relatively high probability and should have the most comprehensive plan. An earthquake or a fire is a lower probable risk and the problems they create are highly variable. Plans for these disasters need to be flexible and should contain less detail.

There are various sources that a business owner can tap to develop an effective disaster plan. A good place to start is with government organizations such as the website Ready.gov. There are also many private firms that offer advice and support. Some of the insurance associations have planning guides as well. Keep in mind that assisting clients with their own disaster plan (after the agency completes its own) will give the firm a "value added service" it can advertise.

Even if a formal written plan is not drafted, each business owner should still take the time to review and think about disaster preparation and recovery. For the typical agency a disaster plan often starts with one main thing — backing up data. Next, determine how the staff, clients and carriers can contact the agency after the disaster.

It is also important that management discuss with the employees what they should do during major disasters such as storms and earthquakes.

Management should also consider keeping a list of backup or temporary employees that could be available to help handle the workload during a large local disaster.

Finally, the business must have the proper insurance in place.

Agency owners spend much of their lives building up their business; it only makes sense to spend some time developing a plan to recover from a possible disaster. IJ

Oak is the founder, and Schoeffler is an independent contractor, of Oak & Associates. The firm specializes in financial and management consulting for independent insurance agencies. Phone: 707-936-6565. Email: catoak@gmail.com. Website: www.oakandassociates.com.

Emerging Risks

The New Age of Technology: 3D Printing

By Graeme Newman

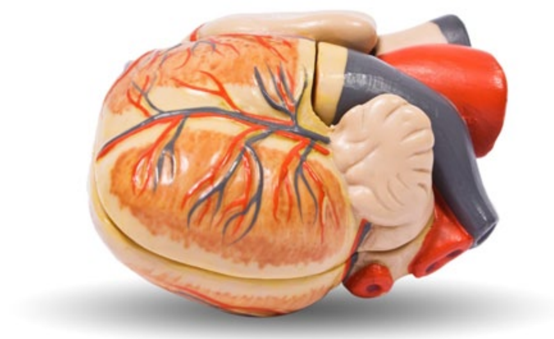
Earlier this year, scientists from Cornell University successfully created an artificial human ear by printing it on a 3D printer. Created by squirting living cells into an injection mold, the ears could replace those of individuals who have lost all or part of their ear in an accident or due to cancer, or for children with congenital defects. It is thought the technology could pave the way for purpose-built replacement organs eliminating the need for organ donation or the possibility of transplant rejection.

3D printing technology is not new. For the past 20 years, designers and manufacturers have been using it to produce prototypes before undergoing the lengthy and expensive process of mass market production. Until recently, though, the prospect that 3D printing could be used by scientists to create body parts or by consumers to clone car parts from metal "inks" seemed like a fantasy from a science fiction movie.

This is changing. Over time, 3D printers have dramatically dropped in price, making it an accessible technology for small businesses and individual consumers as well. Machines that once cost more than $1 million, now cost as little as $400. A quick search on Amazon generates several options and business is starting to boom for 3D printer manufacturers.

Obvious Benefits

Because 3D printing is additive manufacturing, virtually no materials are wasted — a stark contrast to traditional methods



where waste in the production process can be as high as 90 percent.

In addition, the process is entirely flexible. There are now a variety of "inks" for 3D printers on the market, which include everything from fiberglass and aluminum to fabric and living tissue, and the design can be amended with limited impact on the production process.

Finally, economies of scale do not matter. It will no longer be necessary to produce 10,000 units to feel a financial or time-savings benefit, allowing for greater customization as well as driving innovation.

3D printing is already having a profound effect on many industries. After the industrial revolution, manufacturing gradually shifted to the East. 3D printing is bringing it back to the factories, small businesses, and home offices of the West. Already, everything from lightweight aircraft parts to buckles for snowboard bindings are being produced using 3D printers. The healthcare industry is seeing the first printed medical implants and prosthetics and working blood vessels have been printed using special tissue.

As we enter a period of manufacturing revolution, it is clear that the traditional product development process will be massively disrupted. As "manufacturing" in its traditional sense is devolved to consumers and physical products become "virtualized," the shift in the risk landscape is likely to be equally profound.

Insurance Implications

The use of mass-market 3D printing tech-

nology will create an army of back bedroom manufacturers. Much of the process will be devoid of the usual rigorous testing found in the traditional manufacturing process with product safety likely to rapidly decline as a result. As new techniques and ink technologies are introduced, latent defects will appear in products that were previously unimaginable and many will not emerge for years, if not decades, after this process has become mainstream.

The world of intellectual property rights management will also be disrupted in the same way that Napster disrupted the music industry at the turn of the century. Peer to peer networks sharing exact replicas of physical goods will emerge and prove almost impossible to control or police in the same way that file sharing networks have destroyed the traditional models for music and film publishers. And with this lack of control will come enormous risk as bootleg car parts, medical implants and domestic appliances flood the market.

But how will all this affect the insurance industry?

Product liability insurers will need to react quickly to the shifting manufacturing landscape. Those that fail to react in time will be left with potentially long-tail liabilities arising from flaws in 3D printing techniques or deficiencies in the new materials. This will require careful research and analysis coupled with a completely revised question set on product liability application forms.

Professional liability insurance for designers will become critical as their digital 3D models are distributed across the globe and interpreted by a wide variety of printers, all configured and calibrated differently. Product related lawsuits will become complicated by arguments over contribution between designers, printing machine manufacturers and end users.

General liability insurers will need to adapt to a world in which intellectual property rights infringement is the rule rather than the exception. Inadvertent infringement will rise as employees are able to download component parts from the Internet and integrate them into new products, bypassing traditional procurement and contracting routes.

Technical innovation rarely comes without risk. With 3D printing at the heart of a quickly-advancing manufacturing revolution, we will see the creation of products that were unimaginable as little as five years ago.

In the insurance industry, we have a major part to play in order to ensure this new world can survive and ultimately thrive. Understanding and embracing these risks is the first step in creating insurance products that will support the modern world. IJ

Newman is the director at CFC Underwriting Limited.

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2013 Premium Finance Directory

Welcome to Insurance Journal's 2013 Premium Finance Directory, a comprehensive listing of premium finance companies able to assist agents and brokers with their clients' financing needs.

All company information listed in this directory was directly submitted to Insurance Journal. To be listed in future editions of Insurance Journal's Premium Finance Directory, or any other directory, contact Kristine Honey at: khoney@insurancejournal.com.

We hope you find this directory to be a valuable resource when searching for financing options for your clients. Feel free to send us comments and suggestions on how we might improve this directory, or for additional help, e-mail: editorial@insurancejournal.com.

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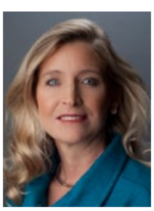
Time to Press Again for Terrorism Risk Insurance Act Reauthorization



Leigh Ann Pusey

Congress faces a packed agenda this year. Deficit reduction, immigration reform and gun control will dominate the agenda. But another issue must be added to the docket — reauthorization of the Terrorism Risk Insurance Act because of its importance to the nation's economic security. The bombing in Boston — and the tragic loss of life and damage to property there — only reinforces that need.

Policyholders, insurers, brokers and agents must make clear to members of Congress that continuation of terrorism insurance is essential for businesses of all sizes.

The program was created with the Terrorism Risk Insurance Act in November 2002. It was reauthorized in 2005 and 2007, providing stability to an uncertain insurance marketplace in the wake of the horrific attacks of Sept. 11, 2001. If Congress does not act by the end of next year, the program will expire. While it may seem early to be talking about this deadline, time is of the essence. Insurance policies written as early as next January will be impacted if no resolution is in sight. Such uncertainty would be harmful to policyholders, the insurance market and the broader economy.

'For the sake of our national economic security, the terrorism risk insurance program must be continued.'

The program has worked. Over the past decade it has made it possible for brokers to sell — and for businesses to purchase — terrorism risk coverage which had previously been unavailable or severely limited. This coverage has become an unfortunate necessity in the modern world. While terrorism is usually thought of as a problem only for metropolitan areas, the ever-changing nature of the threat — and the increasing terrorist interest in military and infrastructure targets — has meant that Middle America must also be vigilant.

National security intelligence rightly remains in the hands of the government which means that terrorism does not meet the core characteristics of a privately insurable peril. For this reason, the terrorism risk insurance program has become fundamental to the long-term viability of businesses large and small. Without it, these enterprises would simply be unable to adequately protect their assets and investments against the threat of a major terrorist attack.

When the program was first established, Congress insisted on limiting the exposure of taxpayers to losses. The insurance industry agrees with that premise and over the years has assumed significant increased financial exposure, as its share of losses has risen and the program has shed insurance lines that could be effectively managed without federal government participation.

Currently, the program has an event trigger of $100 million in aggregate industry insured losses that must be met before federal funds can be used to cover losses — an amount that has grown substantially since the law was enacted. Beyond the trigger, each insurance company has a significant deductible of 20 percent of its program covered commercial lines premiums, as well as responsibility for 15 cents for every dollar of its insured losses above that deductible (up to the program's $100 billion annual cap).

The industry aggregate retention is nearly $40 billion — a dramatic increase from the program's initial retention. Additionally, if total insured losses do not add up to at least $27.5 billion, the federal government would be required to recoup the difference through a surcharge on covered commercial policies. While these details may seem arcane, they are important because they demonstrate the evolution of the terrorism risk insurance program, what the industry has learned, and the many taxpayer protections it now contains.

For the sake of our national economic security, the terrorism risk insurance program must be continued. Through the efforts of the Coalition to Insure Against Terrorism and other grassroots organizations, we look forward to working with members of Congress from both sides of the aisle to secure the extension of this successful program. The voice of policyholders, insurers, brokers and agents will be essential to these efforts. IJ

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