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There's No Secret Sauce

The sand is changing under your feet every day.
That's life as a leader.

Our roles as leaders are changing. Time once dedicated to strategy and thinking about the future is now competing with a renewed focus on the health and well-being of our people. And rightly so. But it can be a difficult transition if you're not accustomed to being vulnerable in front of your employees.

As we gather at this year's Employee Benefits Leadership Forum (be sure to tune in virtually if you can't attend in person), we'll be talking about important issues confronting benefits brokers right now like the cost of care, employer-sponsored healthcare, prescription drug pricing, and mental health. We'll also be focused on leading during uncertain times, much like what we're facing now with today's workplace social contract.

As we outline in this month's feature "Rewriting the Social Contract," the pandemic has resulted in new workforce expectations that have subsequently forced many employers to rethink their benefits packages. As one analyst put it, the year showed who was and was not a good employer.

"If you don't care about your employees," the analyst said, "you can't fake it now."

Harsh, perhaps, but true.

It's up to us as leaders to shift and meet head-on the changing dynamics of our teams and our workforce in this post-pandemic world. I believe our career experiences have put us in prime position to do so successfully. I needn't remind you that we work in an industry that adapts to change probably better than any other industry in the world. Change is natural in our day-to-day, forcing quick adaptation and creative thinking. At its core, we've done this before.

So we'll be required to think and work differently. What's new?

I've tried really hard in recent months to be positive and properly frame all of the change coming our way. Do I believe organizations will be different? Yes. I also believe many organizations will evolve their purpose, meaning and values. Those will be good changes.

So we'll be required to think and work differently. What's new?

It is our responsibility to reimagine this together. There is no playbook. Establish what works for your organization in order to serve your clients and customers, and communicate it. If you do well the things that matter culturally—empathy, listening, supporting human needs, clear and regular communication—you will help foster trust in your organization.

And if it morphs, so be it. You'll find another solution. That's what brokers do best.

LEADER'S EDGE (ISSN 1550-2937) is published monthly with combined issues January/February and July/August by Productivity Plus Inc., a subsidiary of The Council of Insurance Agents & Brokers, at Suite 750, 701 Pennsylvania Ave., NW, Washington, D.C. 20004-2608. Printed in the U.S. Copyright 2021, The Council of Insurance Agents & Brokers. All rights reserved. Production in whole or in part without written permission is prohibited. Subscription rates: $9 per year for members, $100 per year for non-members, $175 per year for non-members in Canada and other foreign countries. Periodical Postage paid at Washington, D.C., and at additional offices. POSTMASTER: Send address changes to *Leader's Edge*, Suite 750, 701 Pennsylvania Ave., NW, Washington, D.C. 20004-2608. (Canada Post: Publications Mail Agreement #40612608. Canada Returns to be sent to IMEX Global Solutions, P.O. Box 25542, London, ON N6C 6B2)

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Published by Productivity Plus Inc., a subsidiary of
The Council of Insurance Agents & Brokers

EDITORIAL POLICY

Leader's Edge is an objective observer of the commercial insurance brokerage industry. The criteria used by editors in selecting stories for publication are quality of writing, potential reader interest and the subject matter. The views expressed in the magazine are those of the authors and may not reflect the official view of The Council or the editorial stance of Leader's Edge. No endorsement of those views is implied by Leader's Edge nor should be inferred by readers.

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This issue marks the last for our longtime travel editor, Carrie Williamson. I first met Carrie at The Watergate Hotel, soon after I started working for *Leader's Edge* under former editor in chief, Rick Pullen. It was one of the most memorable working lunches I've ever had. Delicious food with adventuresome eaters, great stories of travel and writing, and the experience of seeing this staple of D.C. history (The Watergate) through Carrie's practiced eye are the things I will remember most. Working with Carrie has been a true collaboration, as together we navigated a new digital space (check out leadersedge.com) and then a global pandemic with no travel whatsoever! Throughout it all, Carrie remained flexible, imaginative, and innovative. Please join us in wishing Carrie the best on wherever her travels take her. *–Editor*

Exclusive!

HEADLINE HUMOR **JONATHAN SPENCE, EDITOR**

"LET'S FACE IT—THE INSURANCE CATEGORY IS A CIRCUS. WE DETERMINED THAT THEY REALLY DIDN'T NEED ANY OF THE MARKETING TRAPPINGS WE SEE ACROSS THE CATEGORY. WHEN YOU'RE TOP RANKED IN CUSTOMER SERVICE AND DON'T NEED GIMMICKS, WHY NOT JUST SAY IT? AND WHEN YOU'RE GOING UP AGAINST THE HEAVY HITTERS IN THIS CATEGORY, IT'S KIND OF A KICK TO HAVE A LIGHTHEARTED TAKE ON ALL THE CRAZY THEATRICS USED TO GRAB ATTENTION."

Gary Greenberg, the creative mind behind NJM Insurance Group's "No Jingles or Mascots. Just great insurance" commercial campaign, which shows a nameless blue narwhal showing up at NJM headquarters to apply for the mascot job only to be told that the company doesn't have a mascot. AdWeek.com

It's All Greek Weddings To Me

"We are an independent film, and apparently independent films cannot get insurance.

Although I love your enthusiasm, maybe some of you can stop calling my mum's house and asking if you can be in it. Yes, everyone can be in it if we can just get the insurance!"

» **Greek Canadian actress Nia Vardalos telling her Instagram followers that My Big Fat Greek Wedding 3 is one important speedbump away from the start of filming. GreekCityTimes.com**

After watching *MBFGW 2*, let's hope the insurance doesn't come through.

No Vroom-Vroom After Zoom

"COVID-19 fundamentally changed the way we interact with our vehicles. As many abruptly shifted to a virtual environment, Americans' reliance on technology dramatically increased along with their screen time, causing a majority of drivers to carry this distracted behavior into their vehicles." » **Alex Timm of Root Insurance after the company found that 54% of 1,819 adult motorists surveyed said they have had trouble concentrating on the road after videoconferences. NBC News**

Funny, I zone out *during* the Zoom meeting, not after.

Pier Pressure Wins Again

"They almost didn't let me do it. I pitched a fit. I was not happy with it. It was really deep and they weren't going to let me do it for insurance reasons, and I utterly pitched a fit and they let me do it once and that's the one that's in the movie."

» **Actor Channing Tatum recently recalling the professional way he handled a pier-jumping stunt on the set of 2010's *Dear John*. eonline.com**

Sounds Fishy To Me

"While other companies have coverage for 'exotic pets,' they've completely excluded the most common family fish. We are here to fill that gap to help children, and their parents, take the absolute best care of their goldfish." » **Alex Douzet of pet insurance provider Pumpkin, proudly announcing (on April 1, mind you) the offering of accident and illness insurance for goldfish. The plan provides prescription drops for cat-induced anxiety attacks, micro-acupuncture treatments for painful gas buildup, and emergency replacement services for when things go belly-up. *Yahoo Finance***

Clockwise from top left: Roberto Galan/Shutterstock; Frazer Harrison/Getty Images; Aaron Horowitz/Getty Images; Kelly Defina/Getty Images; Hispanolistic/Getty Images

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THE Q&A

Africa's Insurtech Ecosystem Reaching Inflection Point

Q&A with Tunde Salako, Co-Founder, Africa Insurtech Rising

Africa InsurTech Rising is launching an international innovation program called The Bridge with support from InsureTech Connect. Its initial summer program showcases African startups seeking to transform the insurance industry on the continent.

Tunde Salako

Please tell us about Africa InsurTech Rising. » Africa InsurTech Rising is Africa's premier platform aggregating all stakeholders in the insurtech ecosystem with a specific focus on the African insurance space. We're passionately reverse-engineering insurance inclusion on the continent via the advance of technology.

We're doing this because, for a very long time, we've seen that traditionally it looks like Africa is usually the last to latch on. We like to describe Africa as reaching that inflection point, being in the 21st century now, particularly in terms of the advent of technology, mobile and internet services. We're catching up with the rest of the world very, very fast. It's an evolving space. We believe that the best is yet to come. We like to say our mission is also to deepen insurance penetration and inclusion by accelerating the resilience and the innovation of startups and all stakeholders. Our values rest on the acronym of RIDE, and that stands for resilience, innovation, divergence and excellence.

Is it early days for insurtech in Africa? » I'm not going to describe it as early days. We are in an advantaged position because of two major reasons: one, the population. We're home to about 16% of the global population. Two, Africa's gross written premium as of 2020 comes to about $68 billion. What that transmits to us is the fact that there are a lot of opportunities that have opened up, particularly because we are looking at that interconnectivity between insurance and finance.

Let's get a little bit contextual. If we go to the background, we see that in places like Africa, Latin America and Southeast Asia you typically will find a majority of people don't have access to financial services, which by default rules out services such as insurance. We've seen fintech take off very radically on the continent of Africa. If you look at the funding, it has been huge. If we look at the insurance technology space as a segment of fintech, by default it's the new kid on the block. I wouldn't say it is new. It's building momentum, and it will be interesting to see what happens in the next two to five years.

What are the opportunities for insurtech in Africa? » First off if we look at the positioning of Africa as a continent and the evolution that is currently going on, the critical things that you will see created a very nice trampoline for insurtechs. Number one will be the narrowing of the skills gap in terms of engineering, coding and the use of technology. That has incessantly closed up very, very critically over the last five years to our advantage. About six years ago, it could be a nightmare to do something as simple as build a website. You needed to outsource to the likes of India, Israel or North America in certain places, and it was very expensive. Today, that is history. That has created a vibrant economy of people we describe as digital nomads. Now, we have software engineers, we have coders, we've got machine learning engineers, we've got AI experts, all plugged into different places in Africa.

TECH NEWS

APOLLO This Canadian online insurance provider has secured coverholder status with Lloyd's, giving it access to an expanded product portfolio and the ability to develop new ones more quickly. The Apollo Exchange allows insurance agents and customers to purchase policies immediately from any device. **apollocover.com**

AT-BAY Launches new technology E&O quoting capability with an expanded auto-quote appetite that enables wholesale brokers to get instant, bindable quotes for a wide range of businesses up to $25 million in revenue. **at-bay.com**

BOOST Raises $20 million in Series B financing for the B2B digital insurance platform. Boost's insurance-as-a-service platform enables companies across industries to build, embed and manage insurance programs for their customers. Boost's clients include Aon's CoverWallet, Cowbell Cyber and Hippo. **boostplatform.io**

BROKERTECH VENTURES Adds BRP Group of Tampa, Florida, The Partners Group, based in Portland, Oregon, and Philadelphia Insurance Companies to the BTV platform, bringing its industry portfolio to 13 brokerages and 12 insurance companies in North America. **brokertechventures.com**

COALITION Launches free risk management platform to help organizations combat ransomware and cyber risk. Coalition Control includes free "attack surface" monitoring and cyber risk assessment for organizations of all sizes. **coalitioninc.com**

CONCENTRIX Is selling its insurance third-party administration operations and software platform, Concentrix Insurance Solutions, to Boston-based private equity firm Abry Partners and asset manager Hoplon Capital. The new company will act as a stand-alone business. **concentrix.com**

CORVUS Partners with Skyward Specialty Insurance Group to expand the Corvus

The second thing we've seen is the increase in mobile penetration and internet penetration. As of today, we have over 470 technology-driven hubs scattered around the whole of Africa. The opportunities are as basic as the human capital, where all the engineering and all the software programming, machine learning, the cloud computing, et cetera, all the technologies are now being mined in-house. There are local, homegrown skill sets.

That is a vantage point in terms of building unique products and solutions that are bespoke to the African continent. They are no longer adaptations, but they are homegrown models that are solving those problems that even the founders of these companies have experienced living on the continent, working on the continent. That translates to being able to solve problems faster and have homegrown, tailor-made solutions to the pertinent problems that are being faced by the end users who live and work in Africa.

What are the problems these homegrown solutions are tackling? » We are starting to see very deliberate solutions along the lines of microinsurance and digital brokerages, for instance. We're seeing solutions for tackling things like short-term insurance. We're also seeing a very big sweet spot in the space of telematics, where you subscribe to auto insurance on a use-basis. We're seeing things like parametric insurance, software service solutions, insurance as a service—the whole nine yards of solutions that are plugging the major problems that people experience on a day-to-day basis. You will now see models like peer-to-peer or crowdfunded insurance being rapidly taken up and models like very micro-niche insurance services.

> About six years ago, it could be a nightmare to do something as simple as build a website. You needed to outsource to the likes of India, Israel or North America in certain places, and it was very expensive. Today that is history. That has created a vibrant economy of people we describe as digital nomads.

How does The Bridge program help to spur this development? » We are very deliberate about building the insurtech ecosystem by trying to pull together stakeholders and creating collaborative funnels. We are very deliberate about trying to see how we can accelerate in a very unique, non-composite way how startups and companies that are creating these innovative solutions are able to gather momentum and scale as quickly as possible.

The Bridge specifically resides on four pillars: No. 1 is mentorship; No. 2 is investment readiness; No. 3 is clarity; and No. 4 is visibility. We felt that, for the insurance technology ecosystem specifically, it will be a very great value add if we are able to transfer one of these pillars at the minimum and, at the maximum, all the pillars to the startups and founders who are doing phenomenal things that no one knows about on the continent.

We've received very massive support in our collaboration with InsureTech Connect…in the resources and the kind of quality of people and connections that we have gotten from merely launching the program.

That is what The Bridge is really about: it's creating that two-way street where the companies locally are able show off the value that they have to the rest of the world and therein latch on to the opportunities that present themselves. In the same vein, the external communities and the external world are able to understand in real time what is going on in the continent and latch on to the opportunities that are available for their own business and the kind of relationships they can provide through these startups that we are accelerating.

Can you tell us about the startups you're working with in the program? » We're seeing innovation ranging from very early startup phases to mid-startup phases. We're excited about what we've seen because it just validates what we have with the proof of concept that we put together. It validates the fact that this skills gap has closed up and we have a heightened presence of very solid human capital. We are seeing things that are related to general property and casualty insurance. We are seeing things that have to do with data, insurance technology stacks, artificial intelligence, analytics, cloud computing. We've seen something that has to do with CONTINUED >>

Smart Cargo + Cyber offering for ocean cargo to new industries and to analyze larger risks. Corvus and Skyward will also pursue new areas of coverage driven by AI-powered risk data. **corvusinsurance.com**

ETHOS Secures $200 million Series D investment, bringing total fundraising to date for the provider of life insurance to $300 million. The round was led by General Catalyst and included Sequoia Capital and GV, formerly Google Ventures, and Jay-Z's Roc Nation. **ethoslife.com**

EXDION Reports that more than half of executives surveyed at 50 of the largest brokerage firms cited technology-related issues as among the top challenges for brokers, including competition from emerging insurtech and online services. Executives also cite integrating agency management systems and increased data security risks. **exdion.com**

FINEOS Agrees to acquire Spraoi, a provider of machine-learning capabilities for the group life and employee benefits industry. Fineos, a provider of core systems for life, accident and health insurers, says the acquisition will add Spraoi's advanced digital and machine learning capabilities to its platform. **fineos.com**

GRADIENT AI Raises $20 million in Series B financing led by American Family Ventures and including MassMutual Ventures. Gradient says the financing will enable the provider of AI solutions for claims, underwriting and operations to expand its product offerings and accelerate its customer acquisition plans. **gradientai.com**

INSURANCE TECHNOLOGIES Is acquiring IXN, a provider of digital data exchange solutions for the life insurance industry. IXN has developed mobile applications for the life insurance industry and a multi-carrier automated sales solution. **insurancetechnologies.com**

INSURIFY Will provide a white-label insurance comparison product to Toyota customers to help them compare and buy car insurance online in a partnership with Toyota Insurance Management Solutions. **insurify.com**

>> CONTINUED FROM P. 11

enhancing the distribution channels. We've also started to see applications to address very niche areas in the insurance value chain—for instance in policy underwriting and administration. We have seen a whole gamut of innovations.

Does Africa offer some advantages in technology, such as widespread adoption of mobile technology? »

That is one of the critical factors from our own lenses at AIR [Africa InsurTech Rising] that we talk about as the catalyst for the inflection point that we're starting to experience on the continent. It varies for different parts of the continent. It's the same continent but different cities and different locations. What is common when it comes to mobile penetration is the fact that it has increased dramatically over the past 10 years. It has been the gateway connector to the rest of the world even in rural and suburban areas. What has started to happen is that the penetration of mobile has created massive new job opportunities, new wealth economies, new systems, and it has employed millions of people across different regions. edge

BRIEFLY

Green Shoots

Insurtechs in Africa are seeing helpful societal trends and big funding rounds.

The African insurtech sector is primed for growth. Population growth and economic development trends already provide a significant tailwind for traditional insurance in Africa, where insurance penetration stands below 3% of GDP outside of South Africa.

"It's by far one of the most underserved markets and one with the biggest market potential," says Mikael Hajjar, general partner at London-based venture capital firm P1 Ventures.

Insurtechs stand to benefit from a strengthening African startup culture, rising smartphone use, the shorter adoption cycle given the average consumer age on the continent is 20, and the increased demand for more remote sales channels amid the COVID-19 pandemic. New technology enables insurtechs to leapfrog distribution bottlenecks much as the banking and telecoms industries saw the rise of mobile and electronic payment networks in Africa.

"In most African countries, the brick-and-mortar business is growing at over 15% CAGR [compound annual growth rate]," Hajjar says. "We truly believe that insurtech is poised to grow at a faster pace than insurance, which is already growing fast."

Hajjar sees particular potential in digital insurance solutions aimed at mass markets and embedded insurance products.

"Offering insurance to the mass market—either embedding it into the product offering at the point of sale or going directly to consumers—is something we're very passionate about," says Hajjar.

Africa is also benefiting from a rapid closing of the technological skills gap, as projects that would have been outsourced as recently as five years ago now rely on homegrown talent, says Africa InsurTech Rising co-founder Tunde Salako.

Investors are taking note. Insurtech funding in Africa hit more than $12 million in the six months through May, Salako says.

This spring saw a spate of funding rounds. Kenya-based Lami Technologies raised $1.8 million in seed funding. Lami, whose goal is to make insurance more accessible to underserved people, provides a digital insurance platform that enables partner businesses, such as banks, to offer motor, medical and other tailored insurance products to their customers.

Agricultural insurance startup OKO, which raised $1.2 million in seed funding, uses satellite data and mobile payments to create automated insurance products for farmers in Mali and Uganda. OKO plans to expand into other markets, starting with Ivory Coast.

News site Disrupt Africa reported that Botswana-based personal insurance startup AlphaDirect raised $600,000 in bridge funding in April to help it expand in Zambia and South Africa. Nigerian claims processing and fraud management startup Curacel raised $450,000.

In earlier funding, Kenyan digital agricultural insurance startup Pula, which provides crop and livestock insurance for smallholder farmers, closed a $6 million Series A investment. Microinsurance startup Turaco, which offers life and health insurance distributed through partner businesses in Kenya and Uganda, raised $2 million in November, Disrupt Africa reported. edge

KTSDesign/Science Photo Library/Getty Images

TECH NEWS

PROPELLER Releases new system to allow it to offer multiple different surety companies as bond providers on its platform along with classes of surety bonds not widely available in the market. The Propeller platform is available as a private label service for agencies. **propellerbonds.com**

STERE.IO Former Allianz head of programs Dogan Kaleli, author of the "Future of Insurance" newsletter, launches this digital ecosystem to tackle speed to market, capacity sourcing and other challenges for MGAs, insurtechs and embedded insurance programs. Stere's first available module, Stere P3, enables MGAs and MGUs to source insurance capacity and access digital tools from top-rated participants. **stere.io**

SUPER Raises $50 million in a round led by Wells Fargo Strategic Capital that included existing investors Liberty Mutual and HSB. Super works with local servicers to provide repair and maintenance for appliances and home systems, such as heating and ventilation. **hellosuper.com**

WUNDERITE Raises $3 million in a seed funding round for the provider of a customer-facing platform for independent insurance agencies. Wunderite's subscription-based platform provides an intuitive workflow for independent agents for customers purchasing or renewing P&C insurance. The round was led by Spark Capital with participation from Heffernan Insurance Brokers, BrokerTech Ventures and others. **wunderite.com**

ZYWAVE Acquires Boston-based Enquiron, a provider of risk management and consultative business solutions in the property and casualty, healthcare and healthcare management industries. » Zywave acquires Modgic, a Bend, Oregon-based provider of workers comp and mod analysis software for the commercial insurance industry. **zywave.com**

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Sitting in the Middle

Q&A with Becky Patel, CEO, AmWINS Connect

AmWINS Connect is a new national general agency created by the combination of LISI, BrokerNet USA and AmWINS Group Benefits Small Business. Patel discusses the agency and how a large national firm keeps the insurance business local.

Why did these organizations come together to create a national group? »

We had investigated the benefits space for two years and decided to combine general agencies across the country. We wanted to build out and move east from California and become a national general agency. The other agencies that were integrated have all been successful in the states they were working in with carriers, and we felt like coming together could create something special nationally that serves and solves the needs of brokers now.

Becky Patel

What did you determine the needs of brokers to be? »

Brokers in California were selling in other places. Ones in New York were selling in California. We want to help everyone understand the different products and landscapes and territories. By combining, we thought we could offer the big things of a national general agency but have a local perspective on the ground in different states.

Also, there are a tremendous number of acquisitions right now. Little agencies are coming together; bigger ones are purchasing smaller ones. We had a myopic sense of how to deliver services—we were good at serving our community—and now we are connected to bigger agencies that may have a different offering than what we had. And finally, everything is getting smaller in the sense of how to deliver products to smaller employers.

For instance, Kaiser isn't just in California; they have eight other regions. And when we talk with them now, we aren't seeing them as a local player in New Hampshire or California or Maryland. Now we can look holistically at how to address each region with them.

> Brokers are relying on us being general agents to help them more and more with renewals and maintenance with these groups. The relationship normally ends when a group is approved, and renewals and ongoing maintenance and eligibility are done by brokers. But we are getting more and more requests to help facilitate that.

So there's a benefit of having the local background but a national scope? »

Ninety percent of our business is still locally driven relationships and smaller groups and being good at what you do in the marketplace. What we want to do now is to seamlessly connect every point of the benefits journey from the broker, carrier and their collective clients. Our role is to sit in the middle of all of that and connect everyone at any junction point. We are in the midst of a two-sided market: insurance companies pay us, but our customer is the broker.

What do you envision as a better way for organizations like yours to work with brokers and insurers? »

I have seen the industry go through ebbs and flows, and what I see that needs to change is there should be a more concerted effort looking at what the employer and employees are facing. Choosing benefits happens fast. It's expensive, there needs to be more attention to detail, and it should be simplified.

Employers are trying to do the best they can, and to do that, a lot more cost-sharing is going on in many cases. It's so important that the employee understand what is purchased and how to use it. For example, an employer has Blue Cross and they have sat down with their broker who has given them their options. Say they decide to change to United. That's where we come in and do the work for the presentation and give it to the broker and support them through the process.

My point is, we have their attention because they have made a change. We could do a really good job at this point. If they were coming off an HMO and now have a high-deductible health plan (maybe a PPO, so there's no gatekeeper), the employee may be in limbo if their kid gets sick. If they were in an HMO, they knew which primary care doctor to go to. Now, they have to find their list and see who is in their network.

This is where I want to make a difference. As soon as they fill out their enrollment, we could send a text or other communication saying, "You chose this. How it works is like this. If you need a doctor, you can go here or go to urgent care. And for prescriptions, you can go to Walgreens but not CVS because they aren't in the plan."

CONTINUED >>

OUT-EXECUTE *verb*

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Grind.
WIN.
Repeat.

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>> CONTINUED FROM P. 11

Up until a person can get into the online portal, it makes sense to do something like this. This is when they are paying attention and we can help them move forward through the process.

This is the conversation I'm having with carriers, letting them know we can do a better job. They just have to change the lens in the way they view our role. We can help them have customers that know how to use their plans at a greater level.

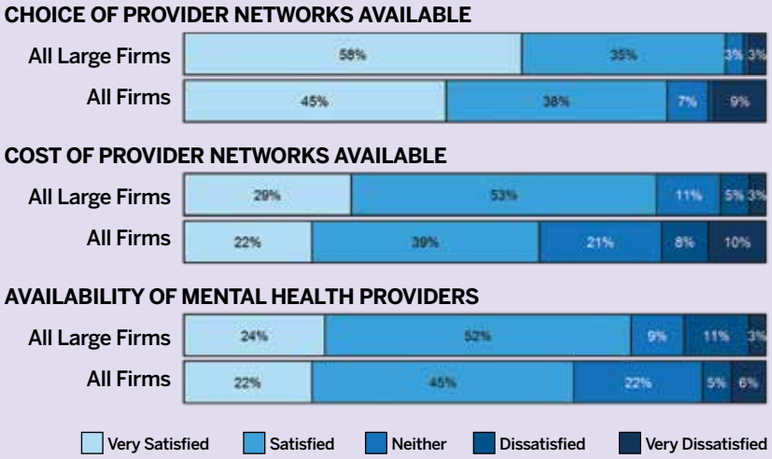
Benefits of Human Capital Management

The potential cost savings of using a human capital management system for open enrollment/benefits administration is $16,763 annually.

A capital management system can perform tasks including:

- Providing summary plan documents
- Communicating timelines and dates for open enrollment
- Communicating benefit plan changes
- Allowing employees to compare plan options
- Processing benefit plan changes and receiving dependent eligibility confirmation
- Processing new-hire and life-change enrollment

Satisfaction with Provider Networks Available from Insurer or Third-Party Administrator, Among Firms Offering Health Benefits, by Firm Size, 2020 (percentage of offering firms)



NOTE: Larger firms have 200 or more workers. SOURCE: KFF Employer Health Benefits Survey, 2020

Would that kind of work be slightly different for each employer, depending upon their needs? »

We have to work with employers to see what is important to them. Some small employers don't have human resources staff, so their issue would be, "how do we make sure employees are getting the same level of attention and education when they make that change as a larger organization?" We are finding brokers that are like-minded and understand they need to do more to help in that situation. And we are finding brokers invested in that level of understanding that goes beyond just making a change in benefits. There is an increase in high-deductible health plans, and something that is going to have to be conveyed to employees will be that they have first-dollar coverage. They see and choose these plans, but do they really understand what it means for them and their families?

What does it mean to work with brokers who have a similar business mind? »

We do quoting, spreadsheeting and enrollment, scrubbing, cleaning and underwriting of group plans and facilitating of renewals. We focus on the platform and understand how to navigate within that platform. The new broker knows that all of this is happening together.

We are looking at the process from the standpoint of data, which turns into action, and action now moves into a product. That product needs to be maintained and sustained through support. Brokers are relying on us being general agents to help them more and more with renewals and maintenance with these groups. The relationship normally ends when a group is approved, and renewals and ongoing maintenance and eligibility are done by brokers. But we are getting more and more requests to help facilitate that. I think things have become a little more complicated and brokers are needing aggregated support. Understanding the needs of the employer and their pain points requires a lot of preplanning.

> We can look at a heat map and see where groups fall into certain categories. We can look at these 50 groups a broker has, estimate who might be changing at what price point, and be a little ahead of it. Then, when a group comes to renewal, a broker is going to know where that group fits based on the heat maps.

What does that look like from a practical standpoint? »

We can create heat maps to see where a carrier is fitting in by product line—like Anthem with a PPO, HMO or HDHP—and see how it stacks up in a certain area. We can look at a heat map and see where groups fall into certain categories. We can look at these 50 groups a broker has, estimate who might be changing at what price point, and be a little ahead of it. Then, when a group comes to renewal, a broker is going to know where that group fits based on the heat maps. They can be prepared and have the information ready.

I know what a general agency needs to do and what a broker needs to do, and we can all focus on making the experience better for the employee.

The days of all of us not understanding how our benefits work and how much things are going to cost should be gone. Everyone is trying to figure out whose role it is to help with that, and someone just has to take charge. In the end, I want to be able to help solve that. Even if I only have a tiny sliver of groups that come through us and use the platform, they should all have a better understanding of how to use their benefits. edge

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FAMOUS WHO CLAIM US

Nick Jonas

Who better as an insurance ambassador than a Disney kid gone buck wild?

When the audience likes a movie twice as much as the critics do, you can bet on hot sex and a superstar. Such is the case for *Careful What You Wish For*, a 2015 film starring Nick Jonas, former Disney TV wunderkind. Jonas plays a summer waiter at a North Carolina resort who loses his virginity to the vixen next door. When a sudden death puts her in line for $10 million in a life insurance payout, a gruff but gorgeous insurance inspector comes to town and supplies a surprising plot twist.

In real life, though, Jonas, a Type 1 diabetic, has made real inroads in promoting equal access to healthcare. Making insulin availability a cornerstone of his public work, he helped start and promote GetInsulin.org, which helps people find and access affordable insulin. In 2019, Cigna picked him up as an ambassador for its annual check-up campaign. And why not? He has been an influencer from his teen years and continues to tantalize his fandom.

The nonstop Jonas went solo at age 17 and squeezed some extra gigs between songs: a sneaker brand, a menswear collection, and his own tequila. He appeared in seven more movies and 12 television episodes. He has hosted "Saturday Night Live" and the "Billboard Music Awards," has coached on two seasons of "The Voice," done Carpool Karaoke with James Corden and Day Drinking with Seth Meyer, and is allegedly worth $28 million. And he's only 28.

After dating Miley Cyrus, Selena Gomez and a few more, Jonas tied the knot in 2018 with former Indian actress and former Miss World Priyanka Chopra (she's 38) in a lavish five-day wedding, attended by his brothers and 18 more onstage witnesses. Jonas wore gold shoes and a brocade turban with his Indian wedding suit and ditched his purity ring for a $10,000 Chopard. —*Louise Lague*

Illustration by Kirsten Ulve

INDUSTRY NEWS

ACRISURE Acrisure Re partners with cyber risk modeling firm Kovrr to open London-based cyber practice, headed by Tom Quy. **acrisure.com**

AMWINS Partners with Loadsure on pay-as-you-go, all-risk, fully digitized coverage for the freight industry in the United States. **amwins.com**

AON Hires Audrey Greening as chief broking officer in healthcare practice. Greening, a 30-year veteran of the industry, was with Aon previously before holding leadership positions at Gallagher and Integro. She is based in D.C. » Hires Heather McClure as chief risk advisor for healthcare practice, based in Dallas. She moves from OU Health at the University of Oklahoma, where she was chief risk officer. » Aon agrees to sell U.S. retirement business to Aquiline, a private investment firm. Deal doesn't include Aon's non-U.S. actuarial, non-U.S. pension, or international retirement segments based outside the United States. Will also sell Retiree Health Exchange to digital services company Alight. Both are part of attempt to work around regulatory roadblocks to merger with Willis Towers Watson and are contingent on completion of merger. **aon.com**

ARROWHEAD GENERAL INSURANCE AGENCY Launches E&S program as part of National Programs division of Brown & Brown and names Bill Murray as president. Will initially focus on excess casualty risks but plans to expand using National Programs' scale and expertise. The E&S program works with Obsidian, a program-fronting carrier. **arrowheadgrp.com**

Send company news to **newseditor@leadersedge.com**.

GLOBAL BENEFITS › ADAM RILEY

The Future of Multinational Benefits

Mental health, remote work safety, and levelling up benefits for low-wage workers all come into play.

The world of work has been impacted significantly by the global coronavirus pandemic, leading many employers to rethink how they manage their business.

As companies start getting back to some normalcy and workers are returning to offices, there are challenges ahead for multinationals but also opportunities, particularly when it comes to overhauling employee benefits to make them fit for purpose for a post COVID-19 world.

Many multinational employers are looking at how they manage the return to work, including their people risks and business risks, and a key part of that is adapting their benefits for a new working environment. Here are some key considerations.

BYPRODUCTS OF POOR MENTAL HEALTH

While employee mental health was already on the corporate agenda for many companies, the enforced lockdown and the impact on people's mental health have highlighted the importance of this issue globally.

In the United States, it was reported that the coronavirus pandemic was pushing America into a mental health crisis with anxiety and depression rising. A survey in India found that the number of mental illness cases had increased by 20% since the lockdown, with at least one in five people affected.

In the United Kingdom, the Centre for Mental Health recently said the pandemic is likely to increase the number of people in Britain experiencing a mental health problem in the next two years.

A major factor that could come out of a rise in mental health issues is growing absenteeism and presenteeism. This is already giving global businesses a headache, especially in the Asia-Pacific region. In a survey by Wellness Programme AIA Vitality, Hong Kong was highlighted as having one of the highest levels of absence and presenteeism of all the countries taking part in the survey. The estimated monthly cost of health-related absence and presenteeism per organization in the city is $3,744,262.

Meanwhile, in Singapore, it is estimated absenteeism will worsen by 2030, leading to productivity loss and a cost to Singapore of SG$3.3 billion (US$2.4 billion), 43% higher than in 2016. In the United States, the economy loses over $2 billion to absenteeism each year.

In the UAE, the level of absenteeism in the workplace ranges from moderate to high. This comes with a high price tag, due to the combined cost of wages paid to absent employees and reduced productivity.

Presenteeism—or going into work while sick—is also a growing problem. Bupa Hong Kong reported employees spent a quarter of total working days working while sick, a productivity loss of HK$30 billion (US$3.86 billion) per annum. In Singapore, research by the Duke-NUS Medical School found it can cost local employers SG$12.1 billion (US$9 billion) per annum.

The pandemic has seen this issue move into people's homes too. Research by the Mental Health Foundation and LinkedIn that surveyed HR professionals highlighted concerns that home working was causing a rise in employee burnout and "e-presenteeism" in the United Kingdom. Seventy-nine percent of that survey's respondents said they believed the widespread implementation of home working encouraged so-called "e-presenteeism"—where workers feel obliged to be online and available, even if feeling unwell or already having worked their contracted hours.

Employers will need a robust mental health strategy to support their workers who may be struggling. This could include early intervention using digital tools that help detect issues sooner and rehabilitation through EAPs and access to professional support.

HEALTH RISKS OF WORKING FROM HOME

A study from Yorkshire Cancer Research in May found that physical activity among adults had fallen by a quarter since the lockdown came into effect, leading to a third of people putting on weight. They found those who have increased in weight have put on an average of six pounds during recent weeks. Coupled with this, the typical adult has gone from doing an average of two hours of physical activity a day prior to the restrictions to »

ASSUREX GLOBAL Promotes Dean Hildebrandt to CEO, succeeding Jim Hackbarth, who is retiring. **assurexglobal.com**

BOYD, SHACKELFORD, BARNETT & DIXON Hires Matt Brost as EVP and benefits practice leader. He moves from SimplePay Health, where he was national head of sales. He was with Holmes Murphy before that. **bsdbgroup.com**

BROWN & BROWN Jeff Grange hired as president of Tampa Programs, part of Brown & Brown's National Programs division. Succeeds Susan Heath, who retired after 23 years at Brown & Brown. Grange moves from Argo Group, where he was EVP for U.S. operations. » Hires Anurag Batta as COO of Bridge Specialty Group, a subsidiary formed in February to house Brown & Brown's 25 wholesalers. Batta moves from COO of Zurich North America. **bbinsurance.com**

BRP GROUP Partners with Nasdaq to provide D&O for companies listed on the exchange through BRP subsidiary AHT Insurance. **baldwinriskpartners.com**

BURNS & WILCOX Buys Morehead City, N.C., office building from Wells Fargo. It is already home to Burns & Wilcox team but will be extensively renovated, with first floor being leased out. **burnsandwilcox.com**

CANNASURE Expands to provide services to retail brokers representing clients in California. Offers property capacity up to $40 million and product liability limits up to $5 million. **cannasure.com**

GLOBAL BENEFITS

>> just one hour and 32 minutes now. This includes everything from a short walk to cleaning the home.

The lockdown has also caused some people to make poorer diet choices and increase their snacking, leading to weight gain. Working at home may well become a growing trend, but without adapting exercise and diet regimens, there are clearly hidden health risks that workers and employers need to be aware of.

Employers will need to factor in these different health risks that come from working at home, which could impact the health and well-being of their workforce in the future.

Companies might want to introduce well-being programs that encourage a healthier lifestyle, including eating more healthily and exercising more, taking regular screen breaks, and encouraging social interaction with colleagues, both virtually and in person.

Employers in the United Kingdom may also consider taking out private medical insurance (PMI) for their employees so, if they do get sick, they can access medical treatment quickly. This is likely to be increasingly important, as NHS waiting lists look set to get longer following the pandemic. As home working may reduce costs for companies, reinvesting these savings into PMI could be something businesses may decide to do, extending cover to a greater number of employees.

OVERHAULING EMPLOYEE BENEFITS

The world of work is changing globally, and so is the employee value proposition. Multinationals considering their benefits packages are facing a whole array of additional challenges. Employers will need to do even more to attract and retain employees as the world economy recovers.

Health and well-being will need to be at the center of any employee benefits package to enable employers to better support existing employees as well as attract the best talent in a competitive employment market.

Health coverage will therefore be a priority for many, and we expect to see increased demand for PMI and global EAPs, as well as more companies offering access to virtual GPs as a global standard.

Critical illness cover is expected to be offered by more organizations too, as there are growing risks to people's health from serious illness.

Low pay does not equal low skills or low importance. Every employee represents an important cog in a corporate machine, even if that role often goes unnoticed. It follows that businesses now need to look after such workers and, where necessary and possible, aim to level-up employee benefits offerings at the next available review date.

Many people put off going to the doctor during lockdown or were unable to access appointments. For instance, Cancer Research recently estimated 2.1 million people have missed out on screenings, 290,000 people with suspected symptoms have not been referred for hospital tests, and more than 23,000 cancers could have gone undiagnosed during lockdown.

The NHS Confederation recently said that the COVID-19 crisis could see the number of people waiting for NHS treatment double to 10 million by the end of the year. Employers will want to ensure their employees are looked after and have coverage in place in case they get seriously ill.

We expect more enhanced people policies too. An early lesson from the crisis was that illnesses are no respecter of status or seniority. Employers should review their business protection insurance for employees deemed of major importance to the business.

But the crisis also gave some much-needed recognition to lower-earning employees. Such individuals often fill the more routine or mundane corporate jobs, yet many were pivotal to looking after and feeding the nation during the long weeks of lockdown.

Low pay does not equal low skills or low importance. Every employee represents an important cog in a corporate machine, even if that role often goes unnoticed. It follows that businesses now need to look after such workers and, where necessary and possible, aim to level-up employee benefits offerings at the next available review date.

Companies will also need to look at their business policies regarding health and safety, especially if more of their workers are going to work from home. The employer has a duty of care to ensure the home is safe for employees. Travel policies will also need to be looked at in light of the pandemic.

Multinationals have an opportunity to overhaul their entire benefits strategy and ensure it meets the needs of the workforce and the business going forward. As we move out of the pandemic, this will be even more vital as companies recover from what has been the biggest upset in the global economy in more than 100 years.

Adam Riley is director of global sales at Howden Employee Benefits, Global Employee Benefit Practice Group.

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INDUSTRY NEWS

FALCON RISK HOLDINGS This is a new MGA formed by Craig Landi, Griffin Highline Capital, and HDI Global Specialty. Based in New Jersey, Falcon will initially underwrite and manage claims for financial and cyber lines in the United States, supported by HDI Global Specialty capacity.

FIRST INDEMNITY INSURANCE GROUP Rolls out excess liability product, Excess Protect, for law firms of 750 or fewer attorneys. Underwritten by A-rated carrier, admitted or non-admitted basis, follow form or stand-alone available. Limits up to $10 million. Minimum attachment point is $100,000. **firstindemnity.net**

GALLAGHER Agrees to buy Willis Re and certain Willis Towers Watson corporate risk and broking and health and benefits services for $3.57 billion. » Tom Wakefield hired as CEO of Gallagher Re, succeeding Simon Behagg, who moves to managing director, a newly created post. Wakefield moves from Aon, where he was COO for Global Re Marine Specialty and Composite. **ajg.com**

HOWDEN Opens Parhelion, a U.K. insurance company, which will begin underwriting Jan. 1. It will focus on environment, social and governance products to meet the risk transfer needs of green economy as well as traditional coverage for companies already recognized as committed to ESG along with those just starting to transition that direction. Julian Richardson and David Cabral are co-CEOs. Chris Sharp will serve as chief underwriting officer beginning in September. » Hires Luigi Sturani as

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...as well as those aligning with strategic partners.

Reagan served as financial advisor to All Risks in its sale to Ryan Specialty Group

Reagan served as financial advisor to PayneWest in its sale to Marsh & McLennan Agency

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Reagan served as financial advisor to Armfield, Harrison & Thomas in its sale to BRP Group

Reagan served as financial advisor to Assurance in its sale to Marsh & McLennan Agency

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NEW MEMBERS

The Council Welcomes 9 New Members

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- P&C brokerage, employee benefits, personal lines
- Edison, New Jersey
- Founded in 2011, World Insurance Associates is one of the fastest-growing insurance brokerages in the United States and has a team of experts backed by national resources.
- Rich Eknoian, CEO
- **www.worldinsurance.com**

Soderberg & Partners

- P&C brokerage, employee benefits
- Stockholm, Sweden
- Soderberg is an industry leader throughout northern Europe and provides full-service financial solutions to companies, employees, and individuals.
- Gustaf Rentzog, CEO
- **www.soderbergpartners.se**

At-Bay

- MGA
- San Francisco, California
- At-Bay combines world-class technology with industry-leading insurance. Every cyber and tech E&O policy includes, at no additional cost, active risk monitoring to continuously scan for cyber threats throughout the life of the policy.
- Rotem Iram, CEO
- **www.at-bay.com**

Summit Risk Advisors

- P&C brokerage
- Avon, Connecticut
- A boutique, independent retail insurance agency that fosters collaboration of talent and specialization across a national footprint to ensure a unique experience for colleagues, clients, and industry partners.
- Michael Hines, CFO
- **www.srisk.com**

C3

- P&C brokerage, employee benefits
- San Diego, California
- C3 is combining innovative technologies and divergent thinking with hundreds of years of collective retail insurance experience to better serve the unique issues its business clients face.
- Gabriel Erle, President
- **www.c3insurance.com**

Beehive Insurance

- P&C brokerage, employee benefits, personal lines
- Salt Lake City, Utah
- Since 1961, Beehive has served the businesses of Utah and beyond. Despite its recent growth, the team at Beehive knows that success still depends on building strong, trusting, long-term relationships with customers and the local community.
- Doug Snow, President
- **www.beehiveinsurance.com**

Renaissance Alliance Insurance Services

- P&C brokerage network
- Southboro, Massachusetts
- Renaissance Alliance is working to bring increased market access, technological efficiencies, and expert support to its expanding network of over 140 agencies.
- Michael Cormier, CRO
- **www.renaissanceins.com**

Commercial Insurance Associates

- P&C brokerage
- Brentwood, Tennessee
- Commercial Insurance Associates combines decades of experience and industry relationships with a passionate entrepreneurial spirit to provide superior solutions to clients' risk management needs. Licensed nationwide, CIA's client portfolio ranges from publicly held companies to local startup ventures.
- Will Denbo and Scott Denbo, Partners
- **www.com-ins.com**

Oakbridge Insurance Agency

- P&C brokerage, employee benefits
- LaGrange, Georgia
- By bringing together the teams of four independent agencies in 2020, Oakbridge has created one of the largest privately owned insurance, risk management, and employee benefits firms in the Southeast.
- Robert Smith, CEO
- **www.oakbridgeinsurance.com**

INDUSTRY NEWS

CEO for Europe and Enrico Nanni as chief commercial officer for Europe. Both are newly created posts. Sturani was previously CEO of specialty EMEA and managing director and head of global P&C crisis management at Aon. Nanni was chief commercial officer for specialty EMEA at Aon. » Hires Matt Bacon as CEO of Howden Australia. He joins from Marsh, where he was CEO of Mercer Marsh Benefits for Pacific region. He is supported by Stuart McKellar, head of commercial and affinity, and Nick Chubb, head of financial lines. Both also come from Marsh. **howdengroupholdings.com**

HUB INTERNATIONAL Now offers excess liability/umbrella, Hub Drive Excess Liability Shield, for transportation clients. Limits up to $5 million. Can serve as part of transportation excess tower. Written on Trisura Specialty Insurance paper in all states except New York. » Promotes Bradley Rutt to U.S. cannabis specialty leader. He was VP and partner at Elkins Jones Insurance Agency, which was bought by Hub in 2017. **hubinternational.com**

JENCAP GROUP Promotes Mark Maher to president from COO. **jencapgroup.com**

LOCKTON Hires Patrick Haraden as president of Boston operations. He moves from Gallagher. » Lockton Re hires Bob Bisset as chairman of Global Retrocession & Property Specialty in Bermuda and Market Capital. He will join Lockton Re's global executive committee. He was strategic growth leader at Aon Re UK. » Lockton Re opens Bermuda office, headed by Jonathan (Jonty) Davies. He moves from

M&A UPDATE

The Taxman Cometh

Between the COVID-19 comedown and the looming capital gains hike, M&A is revving up.

BY PHIL TREM

As of May 31, 2021, there have been 261 announced merger and acquisition transactions in the United States. This represents a 26.6% increase compared to the number of deals announced this time last year. The discrepancy between this year and last year's deal activity is a clear depiction of the screeching halt the M&A market experienced in the beginning months of the lockdown.

With growing concerns of the timing and severity of what appears to be an inevitable federal capital gains increase, the M&A market is very active. Many firms are pushing hard to the finish line in an attempt to capture today's current tax rates. If taxes increase with an effective date of Jan. 1, 2022, or beyond, we would expect to see the total number of announced transactions exceed the high-water mark of 711 deals hit in 2020.

Private-capital backed buyers account for 183 of the 261 transactions (70.1%) through May, while independent agencies have held steady at 18% of the total deal count. Deal activity in each of our buyer categories has remained proportional to what we have observed over the last three years.

M&A deals involving specialty distributors have continued to move at a pace greater even than that of retail firms. Deals involving specialty targets are up 93.8% year over year, at 62 transactions. We expect this pace to continue as we move closer to year-end.

Hub International, Integrity Marketing Group, and BroadStreet Partners are the top three most active buyers in the United States in 2021, contributing a combined 20.3% of the 261 total transactions. The top 10 most active buyers completed 123 of the 261 announced transactions (47.1% of total).

Some notable transactions that were announced in May:

- On May 1, IMA Financial Group announced that it is partnering with Bolton & Company to expand its brokerage services to California. The combined brokerage will employ 1,200 people and generate over $300 million in revenue, making it a top 20 insurance brokerage in the United States. This transaction marks the 10th acquisition in the last 12 months for IMA.
- On May 5, Hub International announced that it had acquired the assets of Conover Insurance Services. Headquartered in Bellevue, Washington, Conover is one of the largest insurance and financial brokerages in the Pacific Northwest and employs nearly 100 individuals. The firm specializes in the agriculture, construction, transportation, and tribal industries and is set to strengthen Hub's specialty practice as it expands its presence in the area.
- Truist Insurance Holdings announced on May 24 that it had signed a definitive agreement to acquire Constellation Affiliated Partners from Redbird Capital Partners. Constellation is based out of New York City and is an insurance distribution platform comprised of seven managing general agents and program managers. The transaction will reportedly add approximately $160 million in annual revenue to Truist's wholesale division.

Deals involving specialty targets are up 93.8% year over year, at 62 transactions. We expect this pace to continue as we move closer to year-end.

Phil Trem is president of financial advisory at MarshBerry.

Investment banking services offered through MarshBerry Capital, Inc., Member FINRA Member SIPC and an affiliate of Marsh, Berry & Company, Inc. 28601 Chagrin Boulevard, Suite 400, Woodmere, Ohio 44122; (440) 354-3230.

INDUSTRY NEWS

Aon Reinsurance Solutions, where he led Global Re Specialty Bermuda. **lockton.com**

MARSH MCLENNAN Promotes Katherine Brennan to general counsel of Marsh. She succeeds Susan Stone, who moved to EVP and general counsel at CNA. Connor Kuratek promoted to Brennan's old role as deputy general counsel and corporate secretary. **mmc.com**

MILLER Hires Erik Manning as head of insurance-linked securities, based in Bermuda. He moves from Peak Capital, where he was CEO. Previously he was managing director at Aon Bermuda and worked at Markel Re and Guy Carpenter. **miller-insurance.com**

NFP Works with Vault to offer Group Excess Program, an employee benefit for high-net-worth executives who need personal excess liability insurance. NFP's Private Client Group serves as program administrator with Vault's E&S insurance company as the carrier behind it. Up to $30 million in coverage sold in $5 million increments. **nfp.com**

SEEMAN HOLTZ Co-founder Eric Holtz took his own life on June 11. The firm, which is facing lawsuits from clients over life insurance policies that aren't paying out as promised, says the suicide is not related to the class action case, and the firm denies wrongdoing. **seemanholtz.com**

TEJAS AMERICAN GENERAL AGENCY Partners with Main Street America Insurance on exclusive distribution of farm and ranch products in Texas. **taga1.com**

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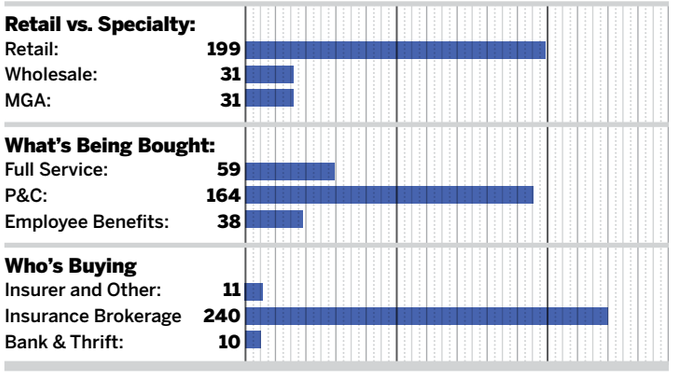
2021 Acquisition Detail YTD AS OF MAY 31, 2021



Top Buyers YTD AS OF MAY 31, 2021

BUYER	2021 YTD ANNOUNCEMENTS	2021 YTD RANK	2020 ANNOUNCEMENTS	2020 RANK
Hub International	19	1	30	4
Integrity Marketing Group	17	2	18	11
BroadStreet Partners	17	2	61	2
Peter C. Foy & Associates Insurance Services	11	4	27	6
High Street Insurance Partners	11	4	8	21
World Insurance Associates	10	6	42	3
Digital Insurance	10	6	11	15
Acrisure	10	6	78	1
Alera Group	9	9	20	7
AssuredPartners	9	9	28	5

25% of employers plan to add **more well-being programs** if they haven't already in 2021, and **21% are increasing voluntary benefits offerings**.

(McGriff's inaugural National Benefit Trends Survey)

INDUSTRY PARTNER NEWS

CHARLES TAYLOR Creates new division, Charles Taylor Environmental Technical Services, based in California and led by Kellie Vazquez. Will provide environmental specialty services across U.S. **charlestaylor.com**

DAVIES Agrees to buy IAS Claims Services, based in San Antonio, Texas. It is being rolled into U.S.-based claims business, headed by Matt Button. IAS CEO Walter Leddy and management team continue to lead day-to-day operations. **davies-group.com**

GALLAGHER BASSETT Buys Bayonne, N.J.-based Total Safety Consulting and affiliates, which focuses on construction industry. Leadership and team remain with the firm. **gallagherbassett.com**

MIB GROUP Hires Christie Corado as general counsel, corporate secretary and chief privacy officer. She joins from Truist, where she was SVP and general counsel. **mibgroup.com**

TIGER RISK PARTNERS Hire Jack Snyder as head of insurtech origination and financial advisory. He joins from Guy Carpenter and is based in New Jersey. **tigerrisk.com**

TRUIST Agrees to buy Constellation Affiliated Partners from RedBird Capital Partners, adding a projected $160 million in annual revenue to Truist's wholesale division. Constellation comprises seven MGAs: Allstar Financial Group, American Team Managers Insurance Services, Coast Insurance Underwriters, InsureTrust, Norman Spencer, RMA, and Trinity Transportation Solutions. Constellation will be folded into Truist's national wholesale distributor, CRC Group. **truist.com**

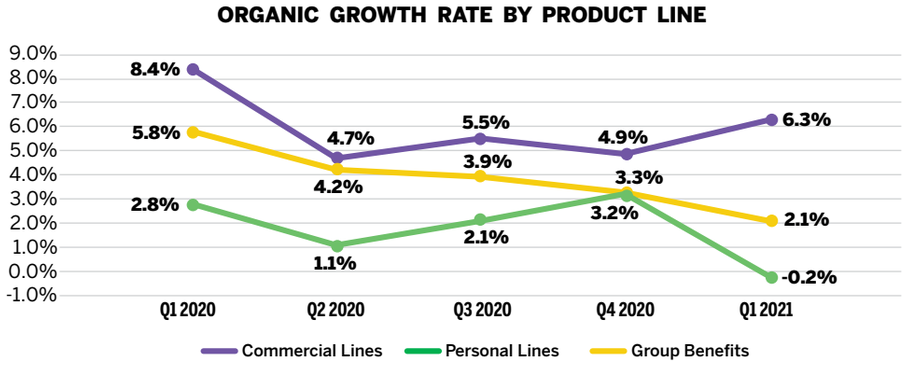
USG INSURANCE SERVICES Hires Becki Starr as director of underwriting. She was VP of binding at Munich Re America. **usgins.com**

VERLINGUE Swiss and Portuguese subsidiaries rebrand under Verlingue name. There are now 1,200 employees in four countries under the Verlingue banner. **verlingue.com**

XS BROKERS Hires Kevin Mordarski as head of newly created healthcare practice. He moves from US Risk Insurance Group, where he was VP, and was with CRC Group before that. **xsbrokers.com**

THE VALUE CREATION DASHBOARD

Commercial Lines Bolstered Broker Growth in Q1 2021



ANALYSIS

> Relative to Q1 2020, organic growth rates declined across all lines of business as comparable prior year results were minimally impacted by COVID-19. Commercial lines growth decreased by 2.1%, Personal lines growth decreased by 3.0%, and group benefits growth decreased by 3.7% as the impact of pandemic-driven furloughs and layoffs stretched into 2021.

> Commercial lines posted its highest growth rate in the last four quarters at 6.3%. Meanwhile, The Council reported a 10.0% pricing increase across all P&C lines in Q1 2021, the lowest increase in the last four quarters.

> On the other hand, personal lines (-0.2%) and group benefits (2.1%) each posted their lowest growth rates in the last four quarters. These results were the lowest group benefits and second lowest personal lines Q1 growth rates recorded in the history of the GPS.

> The universal decline in growth rates relative to Q1 2020 was partly driven by reduced new business production, as sales velocity (defined as new business written during the current year divided by the prior year's commissions and fee revenue) decreased from 13.2% in Q1 2020 to 12.5% in Q1 2021.

> While growth slowed in Q1 2021 relative to Q1 2020, brokers are projecting 6.0% organic growth in 2021, which would be a return to pre-COVID levels.

About the Data: All data are provided by Reagan Consulting's Growth and Profitability Survey (GPS). The GPS is a quarterly survey of large insurance agents and brokers (median annualized revenue for the Q1 2021 survey is approximately $14.4 million).

REAGAN

US P&C Income Plummets

U.S. P&C underwriting income down 53% in Q1 compared to same period last year. That is despite 2.3% growth in net earned premiums during the quarter. Combined ratio worsened to 96.4 from 95 a year earlier. (A.M. Best, Fitch)

Insurers Face British Climate Stress Tests

The Bank of England began in June piloting a climate resiliency stress test for Britain's 19 largest insurers and banks. Aggregated results will be published in May 2022 revealing sustainability across three 30-year scenarios: enacted government carbon emission reduction mandates, delayed action, no further action. The tests will address physical risks and risks from transitioning to "climate-friendly" businesses. Damage to invested assets, reinsurance, and liabilities are all addressed. The results will inform BoE's policies but won't affect capital requirements, the bank says.

MARKET NEWS

ALLSTATE Agrees to buy SafeAuto for $270 million cash plus $30 million in pre-close dividends of some non-insurance assets. Acquisition will be transacted through Allstate subsidiary National General into whose direct-to-consumer non-standard auto segment SafeAuto will be rolled. Close expected in Q3. **allstate.com**

ALLIANZ Allianz Global Corporate & Specialty (**agcs.com**) hires Carol Laufer as regional head of liability for North America, succeeding Dieter Hautzer, who retired. She joins from Zurich North America. AGCS has also hired Michael Pignataro as head of energy and construction in North America, effective Aug. 1. He replaces Tim Cook, who will help transition duties through Sept. 30. **allianz.com**

ASCOT Marina Barg hired as chief claims officer in North America. She joins from W.R. Berkley, where she headed claims for corporate segment. » Partners with Tierra Underwriting to provide credit insurance for green project finance transactions that focus on carbon abatement or other environmental goals. Tierra will operate as an MGA using Ascot underwriting capacity. » Partners with Highland Insurance Solutions to offer builders risk for new-development construction in the United States. Tie-up gives Highland access to additional capacity for underwriting frame and concrete projects on all-risks policies. » Ethos Specialty, Ascot's wholly owned MGU, hires Brendan Walsh as EVP and head of property and programs. He joins from Axis Insurance. Ethos also hires Jeffrey

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Q & A

The Future State of Healthcare

Q&A with Eric Herbek, Vice President, Virtual Care, Evernorth

Cigna's Evernorth recently completed its acquisition of virtual-care provider MDLIVE, one of the largest telehealth vendors in the United States. As patients continue to change the way they interact with the healthcare system, including their providers, a growing number of tech-based companies are reimagining care, meeting patients wherever they are, 24/7. Herbek discusses the digital healthcare ecosystem moving forward.

Q Tell us about the opportunity to build an alternative model of care-delivery in Cigna's decision to acquire MDLIVE.

MDLIVE will be part of Evernorth's new, differentiated and future-state care solutions that improve the patient experience, close the patient-provider accessibility gap, and offer new solutions for continuity of care.

We believe that virtual care can be used effectively to treat much more than strep throat or an ear infection. We see a future where diabetic patients and others with chronic and complex care needs can access comprehensive care online and where their providers are part of a connected network of care.

Bringing MDLIVE into Evernorth will enable a new end-to-end care experience that will meet the care needs of consumers looking for alternative access to care and complement care for consumers engaged with bricks and mortar providers. In both cases, our care delivery model can drive better health outcomes and more convenient access to care.

Q How does the integration of MDLIVE's platform (1) increase patient access to care and (2) help drive down healthcare costs, which are reported to be growing by roughly 5% every year?

MDLIVE provides Evernorth with a platform to enhance and build next-generation care solutions, which will accelerate innovation in both access to care and affordability. We plan to address accessibility by offering a leading 24/7 solution that expands care delivery, including earlier identification and diagnosis of critical care needs, better medication management that improves safety and adherence, and coordinated behavioral services.

We also see this combination as an opportunity to drive down costs through more efficient referrals to high-quality providers, guidance to appropriate and affordable sites of service, and easier connections to affordable prescription fulfillment.

Q How will people combine virtual care/home care/and in-hospital or outpatient care as COVID-19 infections decrease and the country begins a new normal?

During COVID-19, we have seen significant shifts in how consumers expect to receive care and how providers deliver care—virtually, digitally and in the home.

We expect the virtual care trend to continue and accelerate further, beyond urgent care to primary, chronic and behavioral. For example, 60% of Cigna's behavioral customers have continued using virtual care since the pandemic began; before the pandemic, 97% of those customers never had a virtual visit.

In addition, consumers are more comfortable using digital touchpoints along their current healthcare journey and plan to use them in the future. In fact, Americans expect the use of digital health options and virtual care to increase as the pandemic subsides and beyond, indicating these trends are here to stay. Over time, greater adoption of these technologies will make it easier to monitor and manage care in real time.

Q How do you see virtual care models evolving over the next five years?

COVID-19 has normalized virtual care and digital health solutions for millions of Americans, and emerging technological innovations will continue to reshape the end-to-end healthcare experience in the years to come.

Employers and customers have had a positive experience with virtual care, creating what we expect is a durable shift in care consumption behavior.

We see virtual care as an area of rapid innovation in the industry—pushing into new aspects of care and becoming a more essential ingredient in health plan benefit designs—resulting in the "win-win" of high-quality, cost-effective care that can be delivered to consumers in a simple and seamless way.

Q The cost of healthcare remains one of brokers' biggest challenges. Tell us how telehealth and increased acceptance of digital technologies in general can help brokers help their clients contain these expenses.

Existing digital health products are projected to save $46 billion in U.S. healthcare spending if they're deployed strategically and comprehensively, which is why harnessing digital innovation was a priority for benefits buyers in 2020 and will be in the future.

As customers and plan sponsors adapt to the increasing role of technology in healthcare, new solutions will accelerate the pace of change. Benefits decision-makers should continue to watch the virtual care space and evaluate opportunities to incorporate future technologies.

Eric Herbek
Vice President, Virtual Care, Evernorth

Partner Content with

Cigna®

LONDON CALLING › ADRIAN LEONARD

A Market, Not a Company

What distinguishes Lloyd's when it looks just like an insurance company?

Every non-specialist article about Lloyd's of London begins with the explanation that "Lloyd's is a market, not a company." Unfortunately, the powers that be at Lloyd's seem to be forgetting this fact.

I was prompted finally to raise this flag by a recent op-ed in the *Insurance Insider*, which attempted to comfort us with the news that the arrival of a new "Chief of Markets" at Lloyd's, which collectively wrote premium of $48.2 billion in 2020, marks "an evolution, not a revolution of Lloyd's oversight."

That's correct when one looks back to his predecessor but misrepresents the slightly longer view. The new chief will oversee an evolution of a revolution that's already under way. Since it was first proclaimed with the launch of the Lloyd's "Franchise Performance Directorate" (the "Franchise Board") back in 2002, the intensity of the ongoing effort to overthrow the old regime and effect complete change in the way the market is controlled has steadily increased.

Twenty years ago (post "Reconstruction & Renewal," which saved technically insolvent Lloyd's from collapse), newly permitted corporate underwriting members of Lloyd's (most of which were insurance companies) drove decisions to:

- Close the market to new private names (the individuals who financed Lloyd's over the previous three centuries and assumed risk with unlimited liability)
- Introduce annual accounting (which suits corporate investors, but a year is too soon to count the chickens)
- Impose marketwide "performance management" (read: control over underwriting) to protect the central fund (the member-capitalized cash pool established in the 1920s to pay claims against bankrupt names).

It was the new corporate members' first big set of initiatives to make Lloyd's more like an insurance company. The market had appointed its first-ever chief executive back in 1983, after the Society of Lloyd's (the legal body of members that owns and operates the market under the Lloyd's Act 1871) was found to have governance issues. The CEO's authority has increased dramatically in the intervening 40 years, and lately the role has been filled by people practiced at running insurance companies.

> Back when names held sway, it was the capital providers who decided which underwriters would get more capital and which less.

Back in the day, the market was run by a council elected by members of the society, but it didn't do very much. A couple of blanket prohibitions and decrees notwithstanding, the council didn't interfere with anyone's underwriting approach. It certainly didn't have veto power over a syndicate's business plan or its profitability targets. It did approve increases of each name's underwriting capacity, but syndicates themselves were free to grow or shrink as they saw fit, by recruiting or discouraging new names.

For the past year, the Council of Lloyd's has been merged with the Franchise Board. That has pushed more of the day-to-day responsibility for running the market to executive employees of the Corporation of Lloyd's, specifically its newly minted chief of markets, whose job description includes: "oversee market performance and distribution" (read: regulate underwriting and broking).

MARKET NEWS

Canfield as EVP for casualty and product innovation. He joins from Argo Group. **ascotgroup.com**

BERKSHIRE HATHAWAY SPECIALTY INSURANCE Rolls out energy and technical lines casualty product in United Kingdom supported by dedicated team led by Oliver Brown. **bhspecialty.com**

CHAUCER Opens Belt and Road Consortium at Lloyd's. Will initially underwrite political violence risks in collaboration with parent China Re for companies working on China's Belt and Road Initiative. **chaucergroup.com**

CHUBB Rolls out Benchmarq Package for lower middle commercial market risks. Offers scalable property and GL so coverage can grow with company in terms of limits and endorsements. **chubb.com**

CRUM & FORSTER Names Mark Srygley and David Kaplan as co-heads of new initiative to build out captive offerings for hard-to-insure risks in both accident and health and property/casualty.

HAMILTON INSURANCE GROUP Hires Vanessa Young as head of M&A insurance globally. She moves from Willis Towers Watson, where she headed transaction risks in London. **hamiltongroup.com**

HARTFORD STEAM BOILER Offers HSB Precision Ag, a suite of coverages for smart farm equipment, including

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The new chief, Patrick Tiernan, comes from U.K. insurance giant Aviva, where he was in charge of global specialty business. He has a long and impressive track record running insurance companies. He reports to John Neal, Lloyd's chief executive officer, whose last post was group CEO of Australia's global insurance player, QBE.

The pair has a solid track record managing global specialty risk carriers. The half-new duo brings to the table some exceptional insurance company leadership experience and can therefore be expected to run Lloyd's like it's an insurance company (based on the old maxim that, if you have a hammer, everything looks like a nail).

Many corporate trappings are already in place. Lloyd's has had a "vision" since 2012 (Vision 2025, lately supplanted by *The Future at Lloyd's*), which includes plans for comprehensive, marketwide infrastructure. It has even bought reinsurance for the central guarantee fund, like any insurance company would.

But Lloyd's is a market, not a company, right?

The new-era goals of Lloyd's market-regulating efforts—restated by Tiernan in his first weeks—seem laudable enough: force up the profitability of the bottom-performing quartile of syndicates and allow only those that do best (by profitability) to grow their top lines. They're sensible targets: stop losing money and let the best performers grow fastest. In practice, though, many underwriters find them less than agreeable, because at times it's desirable to chase untrammeled growth or to accept business which won't turn a technical profit or simply to say, "I'll take a punt on that."

For example, Lloyd's policy of restricting growth to the successful has been a particular source of disgruntlement while rates have been rising. Many syndicates wanted bigger top lines than Lloyd's permitted during the hardening market so they could make proverbial hay, but that fundamental management decision was not theirs to make.

Back when names held sway, it was the capital providers who decided which underwriters would get more capital and which less. Lloyd's men backed the judgment, skill and risk appetite of other Lloyd's men (they were all men), using the "annual venture" of syndicate re-formation to vote with their feet on which should expand or contract. Fools, outsiders and the badly advised were often parted with their money, but many more made a killing, especially over time.

Now the executives of the Corporation of Lloyd's decide who can grow and who cannot. Neither the investors nor the insurance companies that run the syndicates are able to make the decision. The executives are constrained to a degree by organizations such as the Lloyd's Market Association, which represents the managing agencies that run the syndicates, but the association's constituents must invariably compromise to reach agreement in a market made up of diverse companies with very different operational goals.

> In practice, MS3 could mean (an underwriter said to me a few days ago) that Lloyd's will be unable to take on new or unusual risks. It is highly focused on the use of data to inform pricing. So, no data, no quote.

By attempting to enforce the profitability of those constituent parts, another piece of what makes Lloyd's unique has been sacrificed. I have written before in this space about Lloyd's "Minimum Standards MS3 – Price and Rate Monitoring." It prescribes an as-yet unpublished "new Best Practice Pricing Framework… designed to give Lloyd's and its key stakeholders confidence that syndicates have in place appropriate, proportionate and well understood pricing processes which are being used in key decision making… with an aim of raising market standards across technical pricing, and portfolio management."

In practice, MS3 could mean (an underwriter said to me a few days ago) that Lloyd's will be unable to take on new or unusual risks. It is highly focused on the use of data to inform pricing. So, no data, no quote. When an insurance company's algorithm kicks out a risk, it goes to another. When all the companies say no, it goes to the surplus or specialty markets, in which Lloyd's is the principal player. If Lloyd's has become just another company, though, who knows where such risks will go? Who's left to take a punt?

I understand that the insurance companies that fund and run Lloyd's syndicates want the whole market to be profitable (who wouldn't?), controlled (that is, not writing to the top line), and—in effect—more like an insurance company. I can see why they back executive control of every market player by individuals with experience running insurance companies. But Lloyd's is a market, not an insurance company. The more it becomes one, the more its relevance diminishes.

Adrian Leonard is *Leader's Edge* foreign desk chief.

equipment breakdown and cyber insurance. **munichre.com/hsb/en.html**

HISCOX Hires Cheralyn Perry as head of distribution for Art and Private Client division, a newly created post. She moves from RSA. **hiscox.com**

KEMPER Joseph Larcher adds chairmanship to list of titles. He was already president, CEO and board director. He succeeds Robert Joyce as chairman. Joyce will remain as lead independent director. **kemper.com**

LIBERTY MUTUAL Makes executive leadership changes. Tim Sweeney named president of Liberty Mutual. He was president of Global Retail Markets. Jim MacPhee succeeds Sweeney as president of Global Retail Markets. He was president and COO of Global Retail Markets U.S. Neeti Bhalla Johnson named president of Global Risk Solutions, reporting to Sweeney. She succeeds Dennis Langwell in that post. He will retire at year-end. Vlad Barbalat takes up Bhalla's old role as president and chief investment officer of Liberty Mutual Investments. » Promotes Dennis Cook to president of IronHealth, succeeding Lainie Dorneker, who now heads healthcare at Bowhead Specialty. » Works with SecurityScorecard to provide free cyber-security analysis and recommendations to qualifying clients of Global Risk Solutions North America and Liberty Specialty Markets. » Promotes Virna Rhodes to head of workers comp claims, succeeding Wes Hyatt, who moved to chief client officer

HEALTHCARE RANSOMWARE › JODY WESTBY

Health System Cyber Attacks Put Individuals at Risk

Little help is given to those left to recover their personal health data.

Cyber criminals went on a spree during the pandemic and launched ransomware attacks across many industry sectors, and hospitals and health systems were not spared. Not all attacks, however, have an equal impact on individuals. The Colonial Pipeline attack, for example, caused the company business interruption losses and disrupted gas distribution when it shut down its 5,500-mile pipeline servicing the East Coast, but it had little impact on individuals other than a brief gas shortage caused by a run on the pumps. The healthcare attacks, however, have had a disproportionate impact on individuals.

The newer forms of ransomware being used in these attacks not only encrypt data; they delete data and exfiltrate it. The cyber criminals then demand a ransom payment to get the key to decrypt the data, and they demand an extortion payment in return for a promise that they will delete the data that was exfiltrated and not post or sell it. If the extortion payment is not made, the criminals will often post the data on the internet, sell it on the dark web, and send it to customers.

The healthcare ransomware attacks involved personal medical records, interrupted treatment programs and appointments, and in some instances shut down entire health systems. In a May 20 press release, the Federal Bureau of Investigation issued an alert regarding Conti ransomware attacks targeting U.S. healthcare, emergency medical services, 911 dispatch centers, and law enforcement agencies. More than 400 healthcare entities had been targeted by the gang, with more than 290 of them in the United States.

The FBI alert noted that attacks targeting emergency services "can delay access to real-time digital information," increasing safety risks to the public relying upon these services. The alert warns that, if the ransom is not paid to get a key to decrypt files, "the stolen data is sold or published to a public site controlled by the Conti actors." It warns that ransom amounts have been as high as $25 million. In fact, they have been higher. As the media was reporting on Colonial Pipeline's $4.4 million ransom payment, it also noted that CNA paid a $40 million dollar ransom to get its systems back up and running.

HOSPITAL ASSOCIATION CALLS FOR ACTION

The day after the FBI alert, the American Hospital Association (AHA) issued a press release noting that both the Conti and Darkside (the ransomware that hit Colonial Pipeline) attacks were "emanating from criminal networks operating from a non-cooperative foreign jurisdiction." Translated, that means a nation-state is not cooperating with cyber-criminal investigators. Essentially, the country is protecting the criminals. Does that mean these attacks are nation-state sponsored? Perhaps. Or perhaps they have a state patron or are in a state like Russia, which is famous for looking the other way as long as the cyber criminals leave Russian organizations alone.

The AHA press release was really an expression of frustration and a call to action. The AHA stated that it "believes that a ransomware attack on a hospital or health system crosses the line from an economic crime to a threat-to-life crime." Although the AHA commended the U.S. government's information sharing efforts, it issued an SOS call when it said, "Relying on victimized organizations to individually defend themselves against these attacks is not

MARKET NEWS

for Global Risk Solutions. » Moves Nicholas Garside to newly created post of chief underwriting officer. **libertymutual.com**

MLMIC Promotes Michael Schoppman to CEO and vice chair. Edward Amsler moves from CEO to chairman of the board. **mlmic.com**

MUNICH RE Bell and Clements (**bellandclements.com**), a division of Munich Re Specialty Insurance, has rolled out intellectual property legal professional liability for law firms with 65% or more of revenue generated from intellectual property law. Risk management services from Freeman Mathis & Gary are part of offering. **munichre.com**

NATIONAL FLOOD SERVICES Promotes Lindsey Erickson to CEO, replacing George Ruhana, who was serving on interim basis and moves back to role as operating partner. **nationalfloodservices.com**

NEPTUNE FLOOD Launches **sbaflood.com**, an online way for small business administration borrowers to obtain commercial flood insurance. Says it can quote and bind in less than two minutes. Meets all bank requirements and offers up to $4 million in building coverage limits, contrasted to $500,000 under NFIP policies. Also has optional business interruption coverage. **neptuneflood.com**

SCOR SCOR Canada Reinsurance promotes Olivier Gay to CEO, replacing Paul Christoff, who left to become SVP

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the solution to this national strategic threat." And it summed up the problem neatly in its statement:

> The vast majority of these attacks originate from outside the United States, often beyond the reach of U.S. law enforcement, where ransomware gangs are provided safe harbor and allowed to operate with impunity, sometimes with the active assistance of adversarial nations. The AHA has called upon the U.S. government to "embark upon a coordinated campaign…to disrupt these criminal organizations and seize their illegal proceeds, as was done so effectively during the global fight against terrorism."

The AHA's analysis is spot on and comes within days of an attack on Ireland's Health Service that caused the entire health system to shut down. A similar attack hit Ireland's Health Service Executive the following day, causing cancellations to outpatient services. The *Financial Times* reported that a sample of medical and personal data about the Irish patients was released online by the "Conti-Locker Team." The hackers claim they stole nearly a terabyte of patient data, staff employment and payroll data, and financial statements and reportedly were asking for a $20 million ransom.

Hospitals in New Zealand's Waikato District Health Board suffered a similar attack in mid-May. The New Zealand Health Board received an email from the hackers containing personal data on patients and staff, but the Health Board decided not to report this to the media and turned the email over to authorities. Holding their ground, the Health Board has reportedly refused to pay the cyber criminals and has moved to manual procedures and asked patients to find alternative treatment for non-life-threatening conditions.

The global attention from law enforcement and media regarding the Colonial Pipeline and health services attacks apparently scared the cyber criminals, at least temporarily. The Darkside ransomware attackers announced they were closing shop, and the BBC reported on May 21 that the Conti criminals handed over the decryption key to the Irish Health Service for free, even though it was accompanied by a threat to post the exfiltrated data if the $20 million payment was not made. The *Financial Times* reported that the criminals made good on the threat and posted samples of medical and personal data online.

This is a global problem. All computer systems supporting government operations, private enterprise, and civilian life are at the mercy of cyber criminals. And all too often it is the individuals who are left to singlehandedly try to recover their identity and protect their privacy, with little or no assistance from the government. The attacks on health organizations illustrate the domino effect of these attacks on individual lives and the serious consequences they can have.

Buying an insurance policy is not a substitute for cyber-security preparedness, and insurance companies cannot be expected to pay for incidents caused by poor cyber-security practices.

The hard truth is ransomware will end only when:

- Companies have comprehensive cyber-security programs tailored to counter the current threat environment
- Cyber crime laws are harmonized globally to enable law enforcement to effectively and efficiently investigate cyber crimes
- Governments provide adequate support and assistance to private sector companies under attack.

Cyber-security professionals have called for these actions for two decades. Time has run out. The bad guys are winning, and we can no longer tarry and bumble around on this. Companies have to get their cyber-security act together. Agents and brokers have an important role to play here. They need to work with their clients to ensure they perform cyber risk assessments, understand their vulnerabilities, have an action plan to improve their cyber-security maturity, and present an accurate picture to carriers during the underwriting process. These actions will help ensure that their clients can better protect against such attacks and that, in the event they do suffer a cyber attack, claims get paid.

Buying an insurance policy is not a substitute for cyber-security preparedness, and insurance companies cannot be expected to pay for incidents caused by poor cyber-security practices. Insurance is a transfer of risk, not a transfer of the responsibility to do what is necessary to protect systems, data and overall operations. Agents and brokers can play a valuable role in helping their clients bring together risk managers and IT/cyber-security personnel to share the responsibility of cyber risk management.

Jody Westby is CEO of Global Cyber Risk.

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and CFO for reinsurance at Everest RE. Gay will continue role as chief underwriting officer for SCOR Canada as well. **scor.com**

SOMPO INTERNATIONAL Hires Billy Moore as head of agency management for AgriSompo North America with overall management of agency relationships and marketing of risk management products and services. He moves from Ag Resource Management, where he was COO and president of insurance. **sompo-intl.com**

SUNZ Florida-based workers comp insurer now licensed in 13 new states: Hawaii, Iowa, Nevada, New Hampshire, New Mexico, South Carolina, South Dakota, Utah, Vermont, Virginia, West Virginia, and Wisconsin. Coverage available in all 50 states through fronting partnership. **sunzinsurance.com**

TRUPANION This U.S.-based pet insurer plans international expansion. Hires Simon Wheeler as EVP for international business, a newly created post based in the United Kingdom and starting business in October. He moves from Agria Pet Insurance. **trupanion.com**

W.R. BERKLEY Michelle Middleton hired as president of Berkley Mid-Atlantic Group, succeeding John Kearns, who moves to chairman of the operating unit. **berkley.com**

HOT BUTTON

Only 25% of U.S. hospitals fully comply with a federal rule, effective in January, requiring online publication of detailed information on pricing.

(University of Minnesota)

EEOC Says Employers Can Require Vaccines

The U.S. Equal Employment Opportunity Commission said in late May that federal law doesn't bar employers from requiring employees to be vaccinated with COVID-19 vaccines, though accommodations must be made under some circumstances for disabilities or religious beliefs. Accommodations might include face masks, working at a distance from others, or telework. Employers can also offer incentives, as long as they aren't coercive. None of the available vaccines have been approved for regular use. A handful of lawsuits against employers have been filed arguing the drugs' emergency-use authorization makes them experimental products, and the FDA's own language refers to the products as "unapproved." As of June 11 (the most recent data available at press time), the VAERS database (CDC's Vaccine Adverse Event Reporting System) showed that there were 358,379 COVID-vaccine related adverse events, including 5,993 deaths and 20,737 hospitalizations. Some states have enacted legislation or imposed executive orders barring businesses from requiring proof of vaccination as a condition of employment, so employers should check state as well as federal law.

Bill Seeks State Seat on FSOC

A bill in the U.S. House of Representatives, the Primary Regulators of Insurance Act, seeks to give a dedicated voting seat for state insurance regulators on the Financial Stability Oversight Council. The bill, co-sponsored by John Garamendi, D-Calif., and Barry Loudermilk, R-Ga., has received support from the National Association of Insurance Commissioners. Currently, there is state commissioner representation on FSOC but only in a non-voting capacity.

EU Throws Cold Water on PPP for Pandemics

The European Commission said in June proponents of a public/private scheme to create a pandemic backstop, à la TRIA, should not get their hopes up. John Berrigan, head of financial services at the European Commission, told attendees at an Insurance Europe conference that the price tag of such an endeavor might be too high for member states, which have already been hit hard due to lockdowns. He also indicated that the EU's insurance regulator, EIOPA, would need to evaluate what role insurers can play, how they can make their products easier to understand, and what coverages consumers actually need in the wake of COVID-19.

REGULATORY NEWS

CALIFORNIA Competing proposals for workers compensation rate adjustments were heard in June, with WCIRB calling for a 3.4% increase to $1.50 per $100 of payroll and Bickmore actuary Mark Priven recommending a reduction to $1.34 per $100 of payroll, from the current $1.45. The rate will be chosen by Insurance Commissioner Ricardo Lara for a Sept. 1 effective date. » Direct written premium for workers comp in the state fell 11.4% last year to $10.11 billion. **insurance.ca.gov**

FLORIDA Gov. Ron DeSantis signs SB 76, which cuts the time to file an insurance claim to two years from three, permits insurers to depreciate the value of a roof aged 10 years or older, reduces multiplier fees for attorneys, bars public adjusters from offering incentives for roof inspections, and prohibits contractors from offering incentives to file claims. » In workers comp cases, insurers must now resume sending injured workers informational brochures through the mail, a requirement that was suspended during COVID, permitting instead delivery via email or fax. » Effective July 1, insurers will receive credit for reinsurance, and reinsurers won't need additional collateral if domiciled in a reciprocal jurisdiction, among other requirements. Incorporates NAIC model reinsurance law changes. **floir.com**

INDIANA Amy Beard promoted to insurance commissioner, succeeding Stephen Robertson, who left after 11 years in the post. **in.gov/idoi/**

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Medicare Expansion? Doesn't Seem Likely

Democrats aren't united on a public option approach, focusing on exchange plans and big pharma instead.

The debate on Medicare for All or a public insurance option has gone noticeably quiet. It's rather astonishing considering that only a year ago Medicare for All was one of the biggest issues on the campaign trail and Democrats nearly nominated Bernie Sanders as their leader. They didn't, but even candidate Joe Biden gave a big nod to the cause by supporting a public option last year. So what happened? Why is the White House proposing $6 trillion of new spending without a dime of it earmarked for a Medicare expansion program?

One could argue that it's lessons learned from passing the Affordable Care Act in 2010 that's guiding Democrats' health strategy. One of the main reasons they lost the House in 2010 was because of the ACA. President Obama famously said, "If you like your healthcare, you can keep it." That wasn't the case. And enough centrist Democrats lost their jobs to relegate the party back to the congressional minority. House Speaker Nancy Pelosi and President Biden know all too well what went down. And with an evenly divided Senate and three-seat majority in the House, there are too many other issues at stake now to risk it all on expanding Medicare.

That's one sound argument. But I would actually argue, more simply, that they just don't have the votes.

Consider the various options that are already vetted:

- Medicare for All and eviscerating the private markets serving 180 million Americans to the tune of $2 trillion dollars. That's what Bernie wants.
- A public option designed to compete with private insurance plans, with all the associated price setting and cost shifting.
- A "public option for those who want it." I think this just is a nicer way of saying "public option."
- Medicare X—a limited public option that would only be available to Americans that live in areas demonstrably underserved by the private markets. That's what Senators Tim Kaine (D-Va.) and Michael Bennet (D-Colo.) want.
- Medicare at 55 or 60—this is the latest proposal, tepidly supported by the White House, but the costs would be astronomical.

Two big conversations I had recently underpin what's happening in the party. The first was with Speaker Pelosi. I had some one-on-one time with her prior to an industry event that I hosted. After some very interesting small talk, she asked me what this group of insurance lobbyists that I had gathered cared about. I raised ESI and ACA, and she leaned in and said: "Bernie Sanders just called me before this to press me on Medicare at 60. I said to him, 'Show me the votes.' We're trying to get healthcare to everybody. All Americans." We do see that happening. Democrats significantly increased subsidies for exchange plans in the American Rescue Plan in March by reformulating eligibility requirements and increasing financial assistance. Because of those moves, already over one million more Americans have health insurance. They intend to make those changes permanent. That's big. And it undermines efforts to create a public option.

The other conversation that comes to mind was with Sen. Catherine Cortez Masto (D-Nev.). She's up for reelection in 2022. When we were discussing the merits and pitfalls of Medicare at 60, she interjected and noted that we can't afford Medicare's status quo, let alone inserting more expensive lives into the program. Current projections anticipate the program going broke in 2024.

REGULATORY NEWS

IOWA Signs Insurance Data Security Act, effective Jan. 1, 2022, based on NAIC model law. **iid.state.ia.us**

MAINE Adopts Insurance Data Security Act, based on NAIC model law, effective Jan. 1, 2022. **maine.gov/pfr/insurance/**

MONTANA Gov. Greg Gianforte signs HB 43, which permanently lifts telemedicine restrictions. The restrictions included having an established relationship between patient and provider for some kinds of services and geographic proximity. Those restrictions were temporarily lifted during the lockdowns. HB 43 also allows for audio-only services and requires public employee benefit plans and self-insured student health plans to adopt the telehealth measures. **sao.mt.gov**

NEVADA Gov. Steve Sisolak signs law establishing public option for health insurance, the second U.S. state to do so. State-managed plans to be rolled out by 2026, using Las Vegas medical center as home. Insurers participating in state's Medicaid and state employee plans will have to offer public option plan as well. In-network providers will be selected by state officials and must charge 5% less in premiums than average plan on state's ACA market, dropping to 15% less within four years of initial participation. Washington was first state to offer public option. **doi.nv.gov**

NEW HAMPSHIRE Insurance Department publishes FAQs on self-funded, or self-insured, health plans in

Taking all this into account, it becomes obvious that Democratic party unity behind expanding Medicare in any fashion is nowhere to be found. But they can still achieve their coverage goals by doubling down on the ACA.

GOVERNMENT ROLE IN DRUG PRICING

Democrats are now shifting their focus to rein in overall health costs by aiming directly at big pharma. It's a debate that we're following closely, and we're methodically considering our parochial interests. Employers are frankly all over the map on whether the government should be directly negotiating drug prices or capping price increases. Large employers are notably trending toward supporting government price caps on prescription drugs. Corporate CEOs are organizing to support the Centers for Medicare & Medicaid Services' increasing its authority over drug prices, with several employers and advocacy groups banding together under the umbrella group the Purchaser Business Group on Health. They're upending traditional business orthodoxy that free markets should determine costs by advocating for government intervention when it comes to drug prices. The group conducted a survey of large employers that says 83% of employers believe that a greater government role in containing costs would be better for business, and 86% thought it would be better for their employees.

Its report concluded, "The new political landscape may portend a new and more viable discussion of expanded roles for government in providing health coverage and restraining prices and costs. While this has long been controversial, the results of this study suggest that the employers are frustrated by the current health care system and their limited opportunities to address cost, and that they may be open to options that involve a broader role for government."

These changes in industry thinking are happening at a time when Democrats are trying to move forcefully to rein in drug prices, despite all the procedural constraints. Senate Finance chairman Ron Wyden (D-Ore.) recently released principles on the topic intended to guide drug pricing legislation through the Senate, while the House of Representatives already passed HR 3, which would allow CMS to directly negotiate drug prices for Medicare recipients and potentially extend its authority to impact employer plans as well. Of course, the opposition to their efforts from big pharma is fierce, with armies of lobbyists attacking the plans and spending big to counter. Democratic offices are aggressively trying to counter the opposition by organizing industry support for the measures.

Taking all this into account, it becomes obvious that Democratic party unity behind expanding Medicare in any fashion is nowhere to be found. But they can still achieve their coverage goals by doubling down on the ACA.

While it remains to be seen whether Democrats succeed in these efforts, some fear that their success might mean more cost-shifting onto consumers. That could happen if the price setting or inflation caps are limited to Medicare recipients; it's less clear what will happen if the regulations apply to the employer-sponsored market as well.

As all this unfolds, brokers can rest assured that a public insurance option and massive upheaval of the markets that threatened us as little as a year ago won't be happening anytime soon. In fact, I'm confident they won't be happening for several years, if ever. If anything, Democrats could make markets better for your clients if they succeed in reining in drug prices and avoiding cost shifting. It's an uphill battle for the party and for employers, but the fight is about to rage.

Joel Kopperud is vice president of government affairs for The Council.

the state to help consumers understand denials, appeal rights and the appeals process. **nh.gov/insurance**

NORTH CAROLINA Insurance Commissioner Mike Causey issued alert about using European lumber in construction projects, saying it isn't to code, despite labeling, and could cause failures in walls, floors and roofs. All European wood for use in construction now requires special supporting documentation assuring project designs account for the imported wood's characteristics as well as testing and evaluation for building code compliance. An engineering analysis and seal of compliance may be substituted in some cases. **ncdoi.com**

NORTH DAKOTA Enacts drug pricing transparency law, HB 1032. **nd.gov/ndins**

OKLAHOMA Jordan Russell promoted to chairman of state Workers Compensation Commission, succeeding Mark Liotta, whose term expires Aug. 25. **oid.ok.gov**

PENNSYLVANIA Rolls out pilot program to help people with criminal records obtain resident producer licenses. Called the Preliminary Licensing Determination program, it will assist applicants in understanding what crimes prevent licensure and in navigating the application process. » Seeks to encourage innovation through Keystone Smart Launch, a new program that makes it easier to navigate regulatory landscape when developing tech-forward insurance products and

MOVING ON, ACA » SCOTT SINDER AND CHELSEA GOLD

Let's Capitalize on Data Transparency

The No Surprises Act boosts transparency in data, which we can use to our advantage.

While the Affordable Care Act has been the law of the land for over a decade, it continues to face both legal and policy challenges. Just last month, the Supreme Court issued its *third* opinion rebuffing constitutional challenges to the law. In dismissing the case—because none of the plaintiffs had suffered a cognizable injury as a result of Congress's elimination of the individual mandate penalty—the court likely put a final end to these disputes. The question is, now what?

Current political efforts to supplement the ACA framework with various "public option" proposals or to "fix" it in other ways are discussed at length elsewhere in this special benefits-themed edition of *Leader's Edge*. I instead want to focus for the moment on one of the most fundamental ACA complaints—that the law did nothing to address the underlying cost of healthcare—and the developments that may begin to allow a redressing of that oversight.

First, in December, Congress enacted the No Surprises Act as part of the Consolidated Appropriations Act (CAA), 2021. Most notably, the act:

- Prohibits the balance billing of plan participants for out-of-network emergency room services and out-of-network ancillary services performed at in-network facilities
- Establishes a dispute resolution mechanism if a payer and a provider are unable to agree on the pricing for an out-of-network service governed by the act.

According to a Brookings Institute study, 20% of emergency room visits and 16% of stays at in-network hospitals had triggered "surprise billing" issues prior to passage of the CAA. I think that this is the most direct effort we have seen to date to address underlying cost issues, and the consensus is that the resulting savings should be significant. In the same study, for example, Brookings speculated that, as a result of the enactment of legislation like the No Surprises Act, the overall savings to the system could be somewhere between $12 billion and $38 billion per year and the direct impact on premiums could exceed $200 per year for individual coverage.

According to a Brookings Institute study, 20% of emergency room visits and 16% of stays at in-network hospitals had triggered "surprise billing" issues prior to passage of the CAA. I think that this is the most direct effort we have seen to date to address underlying cost issues, and the consensus is that the resulting savings should be significant.

While the impact of these surprise billing reforms will be direct, substantial and relatively immediate (after the regulatory rules are put into place which—no surprise—likely will not happen in accordance with the relatively aggressive statutorily "mandated" schedule), it is the plethora of transparency developments that have me wondering whether more fundamental cost reform may be achievable in the longer term.

TRANSPARENCY RULES IN NO SURPRISES ACT

State all-payer claims databases (APCDs) are not new, but they did get a substantial boost from a separate

REGULATORY NEWS

services that deviate from traditional framework. **insurance.pa.gov**

TENNESSEE Gov. Bill Lee signs Insurance Data Security Law, effective July 1, based on NAIC model law. » Updates captive law to authorize parametric insurance and reduce initial statutory capital required by protected cell captives to $100,000 from the previous $250,000. **tn.gov/commerce/section/insurance**

TEXAS Gov. Greg Abbott signs bill permitting videoconferencing for workers comp benefits reviews to continue post COVID-19. More formal contested case hearings must be conducted in person. » Saw 34% increase in workers comp claims in 2020 over 2019, more than 48,000 of which were COVID-19 related. » SB 827 caps insulin at $25 a month for people who are fully insured in the state. Self-funded plans don't fall under this law. **tdi.state.tx.us**

VERMONT Gov. Phil Scott signs S 88, which clarifies how a cell can convert to a different type of entity, such as a protected cell changing to a stand-alone captive. Also simplifies merger process where there is unanimous consent of the parties. **dfr.vermont.gov/industry/insurance**

WASHINGTON Publishes "Exemptions" page on WA Cares Fund website, which deals with payroll tax opt-outs for long-term care insurance. The application form to opt out is due to be released by Oct. 1. The law, passed in 2019, requires

No Surprises Act provision that both authorized money for states to create or improve existing APCDs ($2.5 million per state spread over a three-year period) and created a new state APCD Advisory Committee within the Department of Labor to aid in the evolution of these platforms.

According to the APCD Council (yes, there really is an association for everyone), there are now 17 states that have statutorily mandated APCDs up and running (Arkansas, Colorado, Connecticut, Delaware, Florida, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New York, Oregon, Rhode Island, Utah, Vermont and Virginia); another six are in the process of implementing such mandates (California, Georgia, Hawaii, Indiana, West Virginia and New Mexico); seven have voluntary APCDs in place (Michigan, Missouri, Oklahoma, South Carolina, Texas and Wisconsin); and another nine states are actively exploring the establishment of APCDs (Alaska, Idaho, Kentucky, Montana, New Jersey, Nevada, North Carolina, Tennessee and Wyoming).

The precise rules and parameters differ somewhat by platform, but collectively the vast majority of states are making unprecedented amounts of real claims-related cost data available in the marketplace. And a quick internet search surfaces multiple services that are happy to sell you APCD data sliced and diced in any way you might be able to imagine.

In addition to APCD reporting obligations, plans, insurers and healthcare providers are each now subject to new transparency obligations under federal law. The act's Transparency in Coverage rule, for example, requires health plans and insurers to make health procedure cost data (including negotiated rates with individual providers) available on the internet in a machine-readable form that can be downloaded as a whole and mined. Cost information (including those negotiated rates) for the 500 most utilized procedures is required to be posted by Jan. 1, 2023; cost information for all covered procedures and services must be posted by Jan. 1, 2024.

The Price Transparency rule—which has already started to go into effect—imposes a similar set of disclosure obligations on healthcare providers. An early complaint was that the cost information was difficult to locate on websites and not downloadable by the service providers seeking to data mine, but the agencies already have issued warnings that neither strategy complies with the applicable requirements.

Finally, the new No Surprises Act language contains comprehensive plan broker/consultant compensation disclosure rules which will take effect at the end of this year. These rules should, at the end of the day, force all plan consultants—including pharmaceutical benefit managers—to disclose all plan-related compensation. Although our immediate parochial concern is our own compliance, these rules—coupled with the new federal prohibitions on any healthcare-related cost, pricing and quality disclosure "gag orders"—should begin to put more power back in the hands of our self-insured clients so that they can better control their own plan structures and costs.

A quick internet search surfaces multiple services that are happy to sell you APCD data sliced and diced in any way you might be able to imagine.

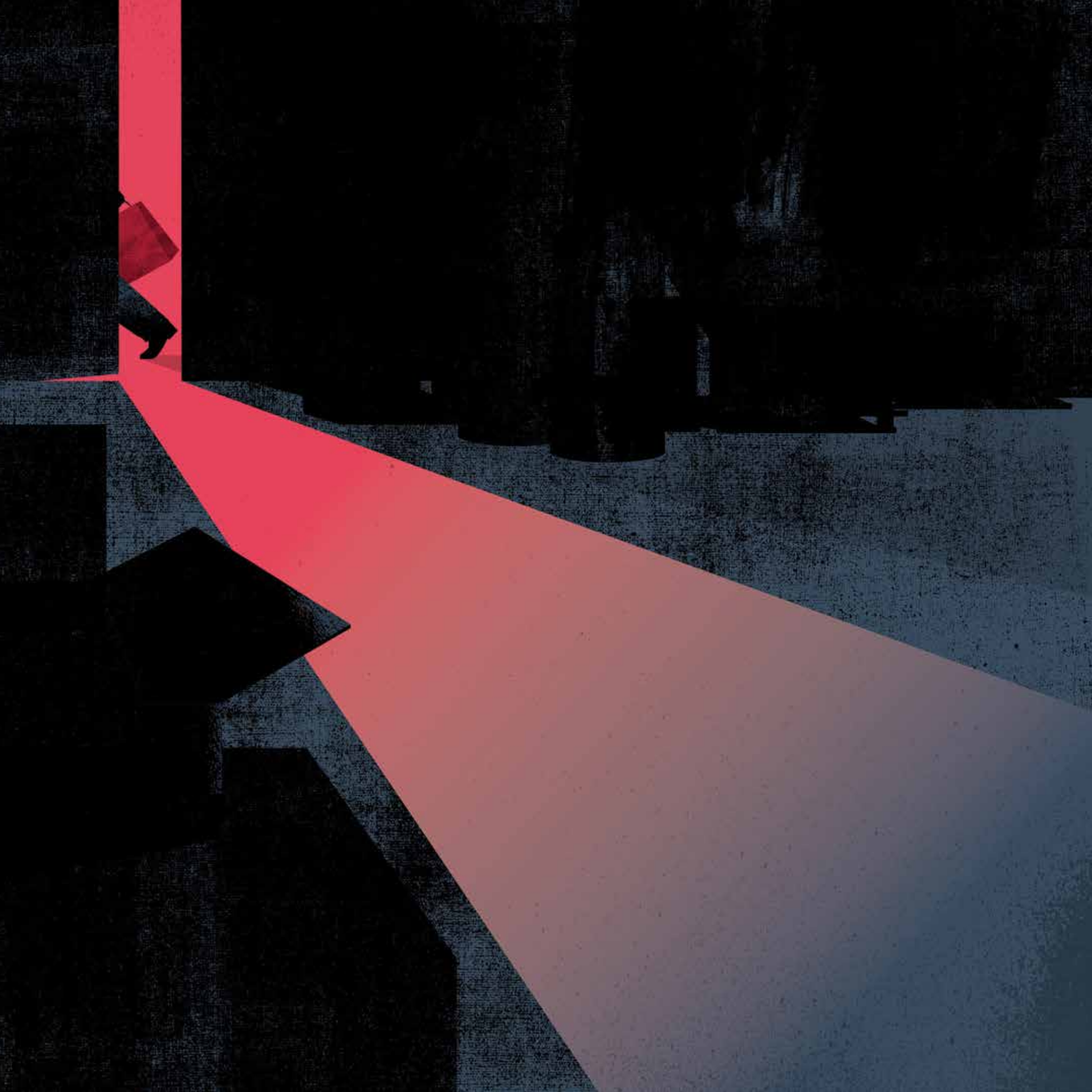
I am not strong on the technology front and I am no data scientist, but the accessibility to all of this information in this era of big data could—should?—enable us, working with our current and future insurtech partners, to start to get better leverage on the cost side of the equation. The aspiration is that we will be able to better drive our plan participants to more effective healthcare options. That's the plan at any rate, and now it is on us to help make that plan a reality. Are you ready?

Scott Sinder is The Council's chief legal officer and Steptoe & Johnson partner.

Chelsea Gold is an associate in Steptoe's Government Affairs & Public Policy Practice Group.

employers to deduct an assessment for the long-term care program run by the state from the paychecks of employees who don't buy private LTC coverage by Nov. 1. The assessments begin in January and equal 58 cents on every $100 earned each month. » Judge Barbara Rothstein threw out hundreds of business interruption cases that had been consolidated under claims brought after COVID-19 lockdowns. She said policies were intended to cover physical damage not the threat of a virus. » Enacts SB 5315, stipulating all captives that cover risks based in Washington must register with Office of Insurance Commissioner by Sept. 9. The law also establishes a 2% premium tax on such captives and a $2,500 registration fee. Captive owners may register on a new web page set up by the state, which is not a captive domicile. **insurance.wa.gov**

WEST VIRGINIA Maximum weekly workers comp benefits increased 3.59% July 1, corresponding to increase in average weekly wage increase. Max for temporary total disability, permanent total disability, and fatalities is $917.08, equal to 100% of average weekly wage. Minimum remains $193.33. Maximum permanent partial disability benefit is $641.96, 70% of average weekly wage in the state. **wvinsurance.gov**



Dirty Little Secret

Often seen as the enemy, professional employer organizations are becoming a profitable growth strategy for some brokers.

BY LESLIE WERSTEIN HANN

James Oliveri has been an employee benefits broker for nearly 30 years, so he knows not every client is with him for the long haul. Still, the day he lost the law firm is seared in his memory. It wasn't a big client or a tremendous loss of revenue, but the axe fell just weeks after a restaurant group also told him it no longer needed his services.

"It was the small law firm that put me on my heels," recalls Oliveri, who runs the employee benefits practice for Signature B&B Companies, an Acrisure agency based in Garden City, New York. "If these guys are going to consider leaving, there is something going on."

There was, in fact, something going on, and it hasn't stopped. Call it the invasion of the PEOs.

Like many brokers, Oliveri knew about professional employer organizations, whose co-employment arrangements give smaller businesses access to large-group insurance benefits while providing payroll and tax services, human resources support and technology, compliance assistance, and workers compensation and employment practices liability insurance in an increasingly complex regulatory landscape.

FAST FOCUS

- PEOs give smaller businesses access to large-group insurance benefits while providing payroll, human resources, and a host of other services.
- While offering PEOs is still largely a defensive move to avoid losing clients, for some brokers it has become a strategic imperative.
- By moving the right employers into PEOs, brokers can expand their book of small and midsize business clients and save on related personnel costs.

Illustration by Michael Austin

"Payroll is the Trojan horse into our accounts. We are seeing payroll companies today take over policies from the broker of record. That should scare every broker out there."

—Daniel Mannes, practice leader, AcriSource

And like many brokers, he viewed PEOs as the enemy.

Fielding an aggressive sales force, large PEOs get their tenterhooks into clients through payroll services, then sell them on the idea of cheaper insurance and an all-in-one HR solution. Some brokers can recite a litany of reasons—some true, some not—why clients should stay away from them, but it doesn't really matter. By the time they find out about the client's interest in a PEO, it's usually too late.

"They were a competitor and very much a threat," Oliveri says. "It took losing a second client to the model for me to say, 'Wait a second here, I'd better understand what's happening or I'm vulnerable.'"

LEANING IN TO PEOS

To combat that vulnerability, Oliveri and a growing number of employee benefits and property/casualty insurance brokers find themselves dancing with the enemy. While offering PEOs is still largely a defensive move to avoid losing clients, for some brokers it has become a strategic imperative. By moving the right employers into PEOs, brokers can expand their book of small and midsize business clients without a lot of the attendant handholding and personnel costs. Sometimes they can carve out part of the insurance package and maintain the relationship until the client outgrows the need for the PEO.

Acrisure and USI are among the large insurance brokerages that actively encourage producers to introduce clients to the PEO concept before payroll companies like ADP, TriNet, PayChex and Insperity come knocking.

"Part of our mission in promoting the PEO space to our agency partners and producers is so we can get ahead of those types of calls," says Daniel Mannes, practice leader for AcriSource, the division of Acrisure that focuses exclusively on helping its agency partners evaluate PEOs and negotiate contracts for their clients. "Payroll is the Trojan horse into our accounts. We are seeing payroll companies today take over policies from the broker of record. That should scare every broker out there."

Eric Raymond, the CEO of BrokerQuoter, a platform for insurance brokers to get PEO quotes, says PEOs took an estimated $40 million in commissions out of the pockets of insurance brokers last year. A former benefits broker, Raymond is developing software to ease the frustrating PEO quoting process.

"As these PEOs continue to go direct and bypass or backdoor insurance brokers, brokers are starting to understand they need to show PEOs as an option," Raymond says. "It's also an opportunity for P&C brokers, who have not penetrated the benefits of their clients as much as they may have wanted."

Oliveri's law firm client moved into its payroll company's PEO around the time the agency became part of Acrisure in 2014. Stung by the string of losses, Oliveri turned to Mannes for advice.

"If you are not taking the time to really understand this market segment, you are basically a sitting target," Oliveri says. PEOs now represent about 10% to 15% of his agency's benefits business.

Many brokers still resist placing clients with a PEO, fearing that it will reduce their compensation and damage relationships cultivated over time. But among large brokers investing in education and resources regarding PEOs, the idea is catching on.

Nicole Albicocco, an account executive with Emerson Reid, the benefits wholesaler for USI, can barely keep up with the requests for PEO quotes pouring into her office. "More often than not, the phone calls I get say, 'ADP was the incumbent payroll company. They stole my client, and now they are in the PEO,'" Albicocco says. "Well, shame on you. You need to talk to your clients and let them know if they are ever approached by a PEO—and all the big PEOs have very aggressive sales forces—please come to me, because I can help you look at various PEOs to help you negotiate and be your consultant in that regard."

POST-PANDEMIC PEO SURGE?

PEOs have been around for decades, having first gained popularity as a tax dodge so companies could set up rich pension plans for high-paid executives without also offering them to ordinary employees. After Congress closed that loophole in the mid-1980s, so-called "employee leasing" firms found new purpose providing human resources outsourcing and lower-cost benefits and workers comp insurance by pooling employees in large groups while still giving business owners control of day-to-day management.

Reducing fast-rising health insurance costs has always been a key selling point for PEOs, but interest grew after the Affordable Care Act required comprehensive coverage and community rating for small groups, driving up premiums for many businesses. This was especially true in New York, California and Colorado, which defined small groups as organizations with up to 100 workers.

Beyond containing insurance costs for small employers that lack buying power, PEOs can also be a good fit for businesses facing administrative and compliance headaches associated with employees working remotely or in offices based in different states. PEOs can be especially helpful for fast-growing businesses whose HR resources can't keep up, from life science companies to the emerging cannabis industry.

"For a growing company that is multi-site and multi-state with one person in HR, it's very hard to stay compliant with all the regulations that are coming out every day," Albicocco says. "Setting up taxes and payroll for people in different states is a monumental task, and PEOs are really good for things like that."

Some observers see another surge coming in the aftermath of the COVID-19 pandemic. Companies in PEOs had a far easier time navigating the complexities associated with layoffs and furloughs,

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—Nicole Albicocco, account executive, Emerson Reid

remote work and PPP loans and complying with fast-changing regulations on unemployment insurance, COBRA subsidies and paid-leave policies.

"During COVID, a lot of employers found out a lot that they didn't know and that they needed to know," Mannes says. "The PEOs can really plug a lot of holes inside a company, and compliance is a big one."

PEOs may also be appealing to businesses that downsized during the pandemic to replace some functions with technology as they retool and rebuild.

"There is a little more recognition of PEOs' being not as much the enemy as they could be a strategic partner," says Anne Burkett, USI's national practice leader for workforce solutions. "If we have clients that are shrinking with tight budgets and they are considering other options from an HR perspective, that certainly could be a way for us to maintain a client even if we are outsourcing that to the PEO."

As more millennials move into leadership, Mannes expects technology-based outsourcing to accelerate. "The future is going to be more tech-driven versus relationship driven," Mannes says, maintaining that brokers play an important role guiding clients through this evolution. "If my broker is endorsing it, I feel better about my decision. They bring security to the equation."

GROWING MARKET SHARE

At the end of 2020, just over 15% of businesses with 10 to 99 employees were in PEOs, up from 7.8% in 2008, according to *The PEO Industry Footprint 2021*, published in May by the National Association of Professional Employer Organizations (NAPEO).

Employment in PEOs has grown much faster than overall U.S. employment. The number of worksite employees in the nation's 487 PEOs grew by an average

How Did They Get Here?

Nicole Albicocco and Daniel Mannes bring broad PEO perspectives to their work.

Nicole Albicocco was not hired to be the PEO point person for USI when she joined its benefits wholesaler, Emerson Reid, as an account executive in mid-2018. But the evolution should have been obvious. In her previous job, Albicocco played for the other side, overseeing the broker and general agency channel in the Northeast for TriNet, the nation's second-largest PEO.

In a way, she had come full circle. Before pausing her career to raise two daughters, Albicocco was key accounts manager for Aetna, where one of the brokers she worked with was Arthur Hall, now employee benefits practice leader for USI. Soon after Albicocco joined Emerson Reid, Hall tapped her to be the liaison between USI and ADP TotalSource, a relationship that suffered from neglect. As word of her expertise got out, Albicocco became the go-to person for producers whose clients were defecting to PEOs.

Mannes comes from a deep well of experience with PEOs: he was employed by one, helped to run one, and hired one for a family business. After owning an outsourcing business for transportation, food and janitorial services, Mannes joined Michigan-based agency The Campbell Group in 1997 to start a PEO division aimed at helping clients struggling with workers comp costs. He became licensed to sell life/health and property/casualty insurance to understand the perspective and earn the trust of the skeptical producers he was hired to help.

"They were very hesitant at first. But our producers started to trust my instincts and my understanding of business in general, and they were happy with the results," he says. "Without that element of trust and mutual respect, it wouldn't have really taken off."

Ultimately, The Campbell Group hired a PEO for its agency. "I was co-employed by a PEO for a number of years, so I lived that experience," he says.

When Acrisure bought The Campbell Group in 2012—its first major acquisition—the agency established its own PEO, which Mannes helped run until Acrisure spun it off in 2015. Today, in addition to leading AcriSource, Mannes is part owner in a family oil-and-gas drilling company that uses a PEO for its employees.

"I got a new perspective on how the system operates," he says. "It has helped me put the pieces of the puzzle together from the PEO perspective, the customer's perspective and the broker's perspective."

"As these PEOs continue to go direct and bypass or backdoor insurance brokers, brokers are starting to understand they need to show PEOs as an option. It's also an opportunity for P&C brokers, who have not penetrated the benefits of their clients as much as they may have wanted."

—Eric Raymond, CEO, BrokerQuoter

annual rate of 7.6% from 2008 to nearly four million in 2020. While the pandemic caused overall employment to sink by 6% in 2020, the PEO workforce was relatively stable, declining just 0.4%, according to NAPEO.

The average employer signing up with a PEO has about 20 employees, but the number varies widely, and larger insurance brokerages tend to feel the heat from PEOs going after larger fish. The typical business AcriSource places in a PEO has 40 to 45 employees, though some are much larger. G&A Partners, a midsize PEO based in Houston, has clients ranging from five to 1,800 employees, with the average at about 35, says John Allen, president and CEO.

While Albicocco's typical case today is a business with 75 to 100 employees, she's no longer surprised when asked to provide PEO quotes for companies with 500 employees.

"I am seeing much larger companies come to me, either because they have gotten skinny on the HR infrastructure or their HR people are not savvy enough to know enough about COVID to understand all of this guidance," she says.

BROKER REVENUE GENERATOR

While PEOs will never be an insurance broker's bread and butter, "it's important to embrace a PEO as another tool in the toolbox," says Tracy Podzimek, executive vice president of Ahern Insurance Brokerage, an Acrisure agency in San Diego that specializes in providing insurance for small to midsize law firms. "For smaller clients, it really is a good solution."

After losing a few clients to PEOs, Podzimek now discusses them before each benefits renewal for clients that might be a good fit.

"Having a department completely dedicated to the PEO market has been a game changer for us. Some may not be interested out of the gate, but it is still something we include to be sure they know we are experts in this area," Podzimek says. "PEOs are only a small subset of our overall business, but they are an important part now that we have subject matter experts that tap us into the right PEO for the right client."

One reason brokers are reluctant to put clients in PEOs is that they pay lower commissions than health insurance carriers. Podzimek acknowledges that she earns higher commissions when she places business directly with insurance carriers, but she sees PEOs as a growth opportunity.

"Once that business is placed, we never hear a peep from them," she says. "We check in, they renew with the PEO every year, they are happy. We continue to make revenue, and I don't have the cost associated with personnel supporting that client. I'd rather have a client on the books earning fewer dollars that could turn into a revenue channel for us rather than going after those big dollars and perhaps losing the client to somebody else in the future."

Albicocco says many brokers fail to understand that, while they receive less per employee from a PEO than they do placing the business directly with an insurance company, PEO compensation is based on every employee on the payroll, not just those that enroll in the benefits program. And when it's to the client's advantage to carve out the benefits, the broker can get a windfall.

"They can get paid for all people in the PEO for workers comp and payroll and HR and also carve out the medical and get paid on both," Albicocco says. "It's an incredible revenue stream because the PEOs do everything—from compliance to HR, they have benefits specialists, payroll specialists, some of them even provide legal counsel. You don't have to assign account managers, so it's like a pass through for revenue."

BROKER FRIENDLY PEOS

While many PEOs make more money if they can sever clients' relationships with benefits brokers, a few actively seek them out as partners, protecting their status as broker of record, sharing revenue and paying referral fees.

"There was antipathy between PEOs and insurance brokers because they each perceived the other as trying to go after the same customer with a perceived winner and loser," says Todd Cohn, who founded the consulting firm Fidelio Business Advisors in September 2019 after a decade at TriNet, the second-largest PEO. "But the most successful PEOs have figured out that brokers are a more trusted advisor for clients than the PEO will ever be."

While many PEOs describe themselves as "broker friendly," Mannes estimates that just 10% really fit the bill.

Every two years, G&A Partners resurrects a marketing campaign called "We Are Not the Enemy." It targets life/health and property/casualty brokers whose clients represent at least a third of the PEO's new business each year.

"There is definitely a perception that PEOs are brokers' enemy, that we steal business, and there is some truth to that in that some PEOs disregard the broker relationship and pursue business no matter what the cost," says John Allen, G&A's CEO. "But there are a number of broker-friendly PEOs that understand clients, and prospects have a number of trusted advisors they count on. Rather than fighting against them, we want to work with them."

G&A is one of the few PEOs where the insurance broker retains the broker-of-record designation and insurance commission, in addition to receiving

compensation based on the fees the employer generates for the PEO. Developing and strengthening broker relationships are key performance indictors on which G&A's 40 sales representatives are evaluated.

"It increases the broker's income, but it also increases client retention," Allen says. "They are building a wall around their book of business so other PEOS or other brokers can't easily steal that business."

While that's a costly proposition for G&A, Allen says it's worth it.

"Brokers have sound working relationships with their clients, who trust their advice," he says. "We get a number of referrals from brokers that trust us to take care of their clients, so we've been able to grow faster than we otherwise would have if we had treated brokers as the enemy."

CLIENT SERVICE

Whatever the revenue calculus, brokers demonstrate their own value when they provide clients a clear picture of the costs and benefits of using a PEO and can recommend those that have the financial, management and technology wherewithal to serve the client. And if the client outgrows the PEO, wants to carve out some of the insurance pieces, or, as happens on occasion, is dissatisfied, the broker-client relationship will still be intact.

"Internally, we have two paths: we have assistance to help a client come out of a PEO when they are ready, and we want to also recognize that there are reasons why an employer would be better off in a PEO," USI's Burkett says. "Having the ability to assist a client in either direction is important to us because we want to be consultative to our clients and to be able to help them in all sorts of scenarios."

While it's hard to break through the enmity that has built up over the years between brokers and PEOs, Burkett says the knowledge, experience and education an expert like Albicocco provides raises the comfort level. "Some producers still say, 'Nope, they are the enemy, and I can't let a PEO in there," Burkett says. "But if you ignore it, it's going to bite you at some point."

Mannes remembers the day five years ago when he visited one of Acrisure's agencies to talk about PEOs. He could see the doubtful looks, but only one person was bold enough to say what was on everyone else's mind: "I specialize in taking companies out of PEOs. I don't put them in them."

He asked for a show of hands: how many accounts did you take out of PEOs? The answer was four or five. How many producers lost business to PEOs? At least 20 hands went up.

"Brokers are frustrated with PEOs because they are not all good, and PEOs are taking their business away," Mannes says. But he contends it doesn't have to be that way. "We have a lot of brokers that say they specialize in taking companies out of PEOs, and my response to that is: 'Why?'" he says. "The shift in mentality is happening where we are going to be customer-focused no matter what. Ultimately, that's what's going to win the day for us."

EVALUATING PEOS

Operating on different coasts and with different types of clientele, Oliveri and Podzimek both take comfort in the ability of Mannes and Michelle Yeager, the AcriSource sales operations manager, to lay out the best PEO options for their clients. AcriSource receives commissions, which flow to its brokers, from about 60 PEOs, actively places business with about 25, and presents each client to three or four that are a good fit. Once Mannes and the brokers get to recommending the best options, 50% of clients close the deal with the PEO, and in 90% of those cases, the arrangement lasts at least six years.

Today, USI promotes PEOs as a new business offering for its producers across the country. When a USI or Emerson Reid broker wants to help clients evaluate

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"If we have clients that are shrinking with tight budgets and they are considering other options from an HR perspective, that certainly could be a way for us to maintain a client even if we are outsourcing that to the PEO."

—Anne Burkett, national practice leader for workforce solutions, USI

PEO options, Albicocco gets to know the business, obtains quotes, performs a financial analysis comparing the current program to the PEO model with various plan designs, then negotiates contracts and assists with implementation. She's also working with clients and private equity firms interested in getting into the PEO business, advising them on compliance issues and helping to obtain master health insurance contracts.

"If you are a PEO rep and write 200 to 300 lives in a year, you are a superstar," Albicocco says. "My department has written thousands of lives. It's incredible and growing and scaling. I wouldn't doubt if they have to hire somebody else on my team because it's becoming unmanageable.

"I was like this dirty little secret, and not everybody knew about me unless you really needed a PEO or somebody brought it up. Now this is the new sexy."

THE DATA DRAG

Albicocco works with a broader universe of producers, some who want to seriously evaluate PEO options and others who use it as a defensive play. She can tell who is serious by how committed they are to collecting the necessary data.

An accurate assessment requires much more information than a benefits broker will typically know about a client: payroll and tax data, the workers compensation declaration page and codes for employees, up to five years of currently valued loss runs, details about the status of open workers comp and EPLI losses, a dependent-level census for health insurance, plan design summaries, a detailed health insurance invoice as well as state-specific reports.

"We have a universal RFP form and a universal census template, where I try to make it easier to facilitate collecting all the documentation," she says. "But it's a laborious task and usually it is the biggest obstacle."

Raymond, the BrokerQuoter CEO, is on a mission to make that task easier with software he developed over the past two years out of his own frustration trying to evaluate PEOs for clients. "Getting quotes is so, so very difficult," he says. "Getting multiple quotes and figuring out how to compare and present them is a horrible experience."

Raymond is convinced that making it easy for brokers to gather employer information for submissions and to compare PEO offerings can help end the feud between PEOs and insurance brokers. His thinking is that if the process were easier—and if PEOs valued brokers' client relationships and paid fair compensation—brokers would be less resistant. And if brokers were less resistant, PEOs wouldn't have to use aggressive direct tactics to claw clients away.

"An amicable solution between brokers and PEOs could quadruple the size of the industry," Raymond writes in an upcoming article for NAPEO. "If we manage that, all our boats will rise on the new tide."

Despite their growing success helping producers establish successful PEO relationships for their clients, Mannes and Albicocco are clear-eyed about their revenue impact on the large organizations they work for. "On a scale of one to five, I'm probably number nine in importance," Albicocco deadpans.

Mannes estimates that, of Acrisure's more than one million commercial clients, about 1,600 use a PEO, amounting to about 50,000 employees.

"It's very humbling for me to say I don't move the needle that much inside a $2 billion company," Mannes says. "In our world, we have just barely scratched the tip of the iceberg."

Yet Mannes clearly sees PEOs as an important part of Acrisure's future, which includes using artificial intelligence to pinpoint clients' risks and technology to help address them. "We see Acrisure now as a distribution company with a primary focus today on insurance products, but that is changing very rapidly, and the mentality is let's find out what our customers need," he says. "PEO is one component of something much bigger in the quiver of things that bring value to our agency partners and our customers." **enge**

Leslie Werstein Hann is editor at large for *Leader's Edge*.

Q & A

The Evolution of Personal and Medical Leave

Q&A with Scott Ault, Executive Vice President, Workplace Solutions, Mutual of Omaha Insurance Company

Q What is driving changing employee needs in terms of leave?

Experiencing a personal or family health problem can put a huge strain on an employee both emotionally and financially. Whether it be taking care of a parent or spouse, the birth of a child, or even military leave, these types of events can cause complications for an employee if they don't have the flexibility they need from work to deal with a personal or family illness.

In fact, the demand and need for adequate work and family leave benefits is consistently growing. For example, consider the aging population. Many aging adults receive care from an adult child who often needs to balance work and caregiving responsibilities. This typically falls outside normal leave benefits in most states. It is becoming more apparent that the need to continuously evaluate these changing and evolving circumstances is essential.

Q How can employers maintain trust in their workforce as they navigate needs for flexibility?

Culture, communication and technology are key elements to help maintain trust within an organization. Focusing on those one-on-one relationships and having the technology available helps keep you connected regardless of the situation. This is especially important with employees you don't see every day or who work remotely.

Q As the physical boundaries of the workplace have changed during COVID-19 with work bleeding more into home life, how can employers ensure their employees are taking appropriate amounts of leave so they don't risk burning out?

Burnout is a serious issue in today's working environment. You often hear people reference the importance of work/life balance, but many often struggle with actually achieving that balance.

With that said, well-being is such an important element in organizational culture to prevent your employees from burnout. Providing employees with resources and encouragement to live healthy lives and to find ways to keep that balance is key.

There are several ways to do this:

- Keep open communication with your employees. Be sure to check in with your employees regularly to see how they are doing. This helps spot imbalances and lets your employees know you care.
- Host events that encourage physical activities, such as a walk in the park.
- Provide employees opportunities to attend lunch-and-learns or webinars that help illustrate how to recognize burnout.
- Encourage your employees to keep a regular work schedule and establish a routine that includes frequent breaks and work/life boundaries. Finally, ensure they take time off and find ways to disconnect regularly.

Q How can employee benefits consultants best serve their clients who are trying to respond to these changing workforce needs?

Over the years, brokers have faced many hurdles within the benefits space, including changes to legislation, the addition of paid family and medical leave programs, and most recently, the global pandemic. Not only has each of these examples had a significant impact on how employers and employees view benefits, but they've also changed the way brokers work with their clients.

As employees' benefits needs shift, employers are listening and looking to revise their benefit strategies to include both benefits and technology that are most important and life-changing to their employee population.

Today's brokers have an unlimited opportunity to proactively collaborate and explore benefit strategies with their employer clients by providing coaching, guidance and expertise in this ever-changing landscape.

Q Employee paid leave is a topic of discussion in Congress, with members saying that the economic case for supporting the workforce is a key piece of American infrastructure. What changes do you think are necessary from a policy perspective to meet changing employee needs?

While paid family medical leave (PFML) programs provide job-protected medical and family leaves of absence for many employees, they also leave behind or inadequately cover employees who are not eligible should an issue arise. Employees who work in a flexible or hybrid type work environment often fall into this category. Changes toward loosening eligibility restrictions for employees who work in this type of environment would ensure they have the protection they need when they need it.

Scott Ault
Executive Vice President,
Workplace Solutions,
Mutual of Omaha Insurance Company

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Rewriting the Social Contract

Employers are preparing to bring workers back. But workers have their own ideas about what the new workplace should look like.

BY TAMMY WORTH

The HR Team, a human resources outsourcing firm based in Maryland, organized a spa day for its 2019 holiday party. The company provided facials, massages and lunch for the staff at its headquarters in Columbia, about 20 miles southwest of Baltimore. That was about three months before the pandemic hit. This year, the company sent do-it-yourself spa kits.

Altering holiday events was merely a blip among the litany of challenges employers have dealt with over the past 18 months as they learned to live and work amid the specter of COVID-19. Now, as coronavirus cases drop nationwide and governors have loosened mask mandates and social distancing requirements, many employers will have to figure out how to return to workplaces that may just loosely resemble life as it used to be.

"Employers have to recognize that there is no one size fits all and no software program that's going to tell you what to do," says Eileen Levitt, CEO at The HR Team. "And I would be shocked if we got guidance from the CDC … and, if we did, if employers would even be able to follow it."

FAST FOCUS

- During the pandemic, the workplace social contract—fair wages and healthcare benefits make for a loyal workforce—was flipped on its head.
- Even employers that functioned somewhat regularly over the past year dealt with mask mandates, social distancing, sickness and death.
- Employers need to figure out how to return to post-pandemic workplaces that barely resemble their pre-pandemic selves.

Illustration by Chris Gash

> **"Employers took unambiguous and aggressive stances in terms of dedicating themselves to the fact that the health and wellness of their employees was their main concern. You get no take-backs on that now and say, 'We only meant that during the pandemic.' And that will shape the return to work."**
>
> **—Joseph Fuller, professor of management practice, Harvard Business School**

This is the case with something as basic as mask wearing. The Centers for Disease Control and Prevention (CDC) announced in May that people who are fully vaccinated no longer need to wear masks in public places. But a study conducted in April and May by Mercer, a large benefits consulting firm, found that 93% of employers were still requiring their staffs to wear masks in common areas.

Few employers have not been touched in some way by COVID-19. Even those that were functioning somewhat regularly over the past year dealt with mask mandates, social distancing, increased cleaning requirements, reduced staffing and, far too often, sickness and death. Now, as many organizations begin calling people back to the workplace, employers will grapple with issues like employee vaccination status; in-person, distance and hybrid scheduling; and the new expectations of a workforce that has retooled its routines.

Remedying Employee Burnout

More than 70% of employer respondents in a national survey by Mercer have seen burnout and fatigue among employees. Ways they are remedying this include:

- Encouraging employees to take time off and recharge: **60%**
- Providing physical well-being apps or classes: **41%**
- Meditation or relaxation apps: **39%**
- Extra time off: **21%**
- Work-style changes like days with no meetings or cameras, walking calls, etc.: **23%**

THE SOCIAL CONTRACT

The pandemic made clear what many Americans already knew: there is a vast divide between people who have and those who don't. The workplace social contract—that employees will be a loyal workforce in exchange for wages and health insurance—was flipped on its head.

Organizations with large numbers of "essential" employees took a hit for forcing people to work and risk their health. Some companies broke the social contract by firing large numbers of employees.

But other organizations opted to pay benefits and wages even when employees were no longer working. Some expanded leave or began offering paid time off. Companies helped with childcare expenses and gave out gas and grocery cards for employees in need.

"Employers took unambiguous and aggressive stances in terms of dedicating themselves to the fact that the health and wellness of their employees was their main concern," says Joseph Fuller, professor of management practice at Harvard Business School. "You get no take-backs on that now and say, 'We only meant that during the pandemic.' And that will shape the return to work."

Mathieu Despard, a faculty director with the Social Policy Institute at Washington University in St. Louis, says he and colleagues recently wrapped up a study of hotel workers in New Orleans, who together took a particularly hard hit as the country halted travel and large numbers lost jobs or were furloughed over the past year. Their employers worked with financial services companies and philanthropic groups to organize an emergency assistance program.

While Despard saw a number of similar examples, particularly in industries where the cutbacks were almost impossible to ignore, he says, this wasn't true of a majority of employers. Despard and colleagues surveyed U.S. households several times during the pandemic and asked if their employers were doing anything differently, such as increasing paid sick leave. The numbers were low.

Despard says well under 10% of the people he surveyed said their employers had made a change to their benefits, like adding paid sick leave, student loan reimbursement or financial counseling.

Levitt says the year was as much about separating the wheat from the chaff: being tested showed who was and was not a good employer.

"If you don't care about your employees, you can't fake it," she says. "Maybe in the past they could, but they can't fake it now."

According to a recent study from Businessolver, an employee benefits technology administrator, there likely is a divide between what the C-suite thinks they are doing for employees and what employees feel they are receiving. In the 2021 "State of Workplace Empathy" report, 96% of CEOs say their organizations were empathetic. But only 72% of employees say the same about their companies.

"There is a disconnect between CEOs and what they like and value being in the office environment and maybe what the day-to-day workforce wants," says Jon Shanahan, Businessolver's president and CEO.

The study also found that Gen Z and millennials were less happy with the empathy shown at their organizations than baby boomers and Gen Xers. This statistic should concern employers, Shanahan says, because these younger groups will make up a majority of the workforce in just a few years.

"As we edge closer to that, companies will be experiencing a shift in what employees value," he says. "There is a big shift from Gen Xers to boomers."

PREPARING FOR VARIED PERSPECTIVES

As people return to work, both C-level and human resources staff should be trained to show and create policies that are empathetic. Offices will have a mixture of vaccinated and unvaccinated workers. Some staff will want to continue to wear masks and social distance. Others won't.

Some states, including California, have required employers to determine the vaccination status of all employees before allowing them back in the office. Meanwhile, in Utah, parents protested when their children were required to wear masks in school. The back-to-the-office atmosphere, then, will be rife with potential conflict.

"Each employee is going to have their own perspective, and there will be complaints on both sides," says Jared Hansen, population health manager at Moreton & Company, a Salt Lake City-based insurance brokerage. "Once we get past the mask mandate, people will be saying, 'So and so came in with a runny nose,' and that person could say, 'I'm being discriminated against because I have allergies.'"

Hansen recommends adapting policies and preparing to face pushback from both sides. When creating work-from-home policies or safety standards, employers should try to find a middle ground on everything from elevator protocols to kitchen use and, of course, social distancing.

RETHINKING BENEFITS

The pandemic has forced many employers to rethink their benefits packages. Furloughed employees were probably much more concerned with good health benefits or money for savings than having a ping-pong table in the break room. Experts recommend employers look through their benefit packages and refocus on the basics to help employees as they return to work.

"First focus on base wages and then focus on benefits," Levitt says. "People who have had to go into the office during the pandemic are usually making the least money and can least afford the increased costs we are all facing," she says. "If an employer is not paying a living wage, what difference does it make if you give them a gas card?"

Despard says even within industries it might be wise to look at changing benefits by occupation. For instance, at a car manufacturer, the engineers and sales and marketing staff have likely been able to work from home. Meanwhile, assembly-line workers might be paying for daycare, parking and transportation. New benefits could take those additional costs into account for specific groups.

Health insurance is another space employers might want to reconsider as the pandemic winds down. According to Despard, research has shown that, when employees' out-of-pocket costs are high and their employer doesn't pay into a health savings account, people put off getting needed care. With healthcare facilities closed this past year, there will be a large backlog of care that needs to be performed for many employees. That should be considered when offering health plans.

Another (unsurprising) lesson gleaned from pandemic-era research is that people who previously had savings were better able to cope if they lost their jobs than those without money in the bank. Employers are generally good about helping employees with long-term savings and retirement, but Despard recommends also promoting short-term savings to help weather storms like the pandemic. "Employers can offer to auto deduct money to put into a savings account and could provide incentives for depositing in savings," he says.

Families who were strapped financially may be interested in benefits like assistance repaying student loans or rent and access to financial counseling.

"You need to think fundamentally about what a dollar spent on a benefit does to improve employees' financial stability," Despard says.

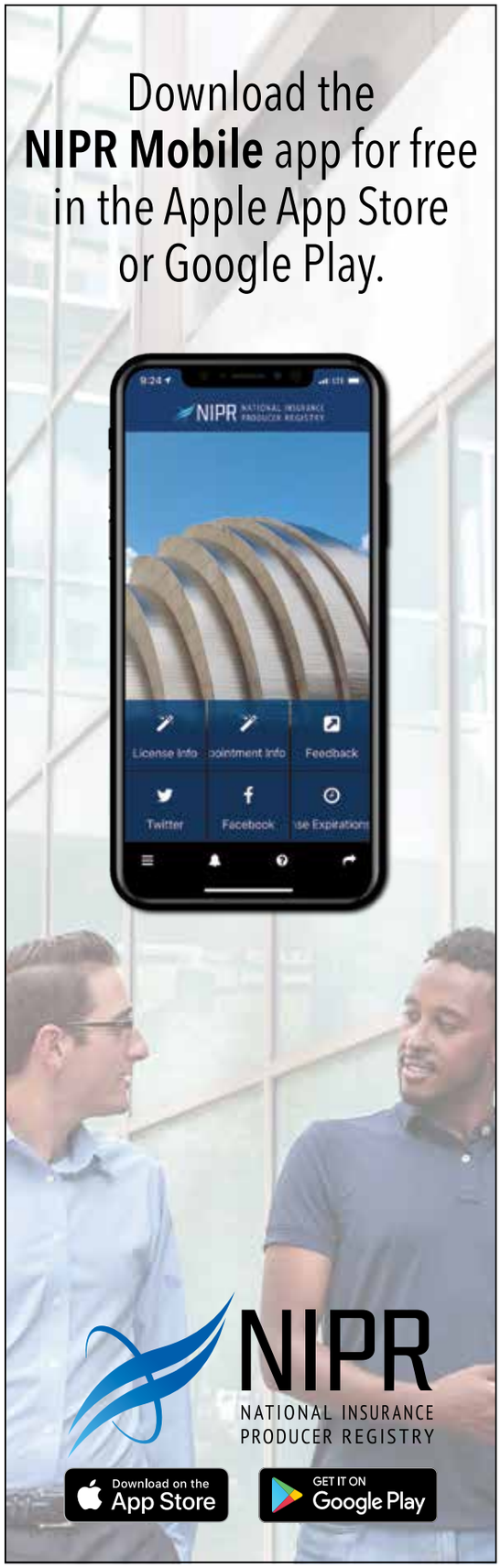
Improving benefits can be an additional expense when times are tight, but there are also some creative solutions that don't require a large financial outlay. Ellen Frank-Miller, founder and chief scientific officer of the Work Research Center, says low-cost solutions may be particularly effective for front-line workers, for whom, research shows, improving working practices has a positive effect.

Frank-Miller worked with two childcare centers in low-income communities where pay was low and turnover high. Wage increases weren't an option to boost employee retention. Frank-Miller determined that most of the turnover was in the first 60 days, when new employees were placed directly into classrooms without training. The centers revamped their practices, pairing new hires with onboarding mentors who offered resources to help with the adjustment into a classroom.

A long-term care facility Frank-Miller worked with instituted thrice-weekly meetings so employees could voice concerns and keep lines of communication open, even during the pandemic, when time was scarce.

"Evidence demonstrates that perceived organizational support—when employees believe a company has their back—creates a reduction in turnover and burnout and improves performance," Frank-Miller says. "Interventions don't have to be dramatic or expensive. They have to be thoughtful and include employees' voices."

Some other benefits that were popular during the pandemic included programs that helped Gen Xers find the proper care for their aging parents. The nation's lack of sufficient childcare resources also came to the fore. Some employers turned to options like childcare subsidies, subscriptions to sites like Care.com, and paying for tutoring for children going to school virtually.



The latter may continue to be helpful as children come back from their "lost" pandemic school year.

Fuller says this is the time for brokers to be talking to both clients and vendors. Brokers can work with human resources staff to determine what types of products their workforce will need and what kinds of things they could experiment with. Brokers can then look to vendors to find or create solutions to those needs.

For instance, large employers may decide to open a daycare center on site if it would get high use after the pandemic. Smaller companies might find it more practical to work together to build a daycare for a number of offices or start an afterschool program for employees' children. "Disruption often leads to interesting changes," Fuller says, "and this pandemic might lead to some of them as well."

FOCUS ON MENTAL HEALTH

It became clear early in the pandemic that COVID-19 was taking a toll on people's mental health. Isolation, loss of work, physical health scares, and the uncertainty of when things would return to normal were overwhelming even for people with no history of mental illness.

According to a survey by the Kaiser Family Foundation, about four of every 10 American adults have reported symptoms of anxiety or depression during the pandemic, a fourfold increase from 2019. Specifically, people have had difficulty sleeping, loss of appetite, increased use of alcohol, and deteriorating chronic health conditions.

Leia Spoor, a senior clinical consultant with Holmes Murphy, says the most-asked question from clients looking for advice on returning to work is this: "What do we do around mental health?"

Employee assistance programs (EAPs) are one way to address mental health issues in the workplace. There are effective, inexpensive programs that companies can add. Many companies already have them, but they aren't well used. This can be remedied by getting the word out better and actively directing employees who need them to the assistance programs.

Despite an increase in mental health issues during the pandemic, 66% of employee respondents in a Businessolver study said people with mental health issues are viewed as weak or as a burden to their companies. Seventy-five percent of HR professionals and 82% of CEOs felt the same way.

Ben Isgur, leader of PwC's Health Research Institute, says he has seen employers ramp up the mental health services on their benefit plans and reduce cost sharing. Isgur also notes that stressors from the pandemic are not affecting everyone equally. Many employers might be surprised to find that 18- to 24-year-olds have reported experiencing more stress, depression and anxiety than older people during the pandemic. One of PwC's surveys also found that younger individuals were more interested in nontraditional services, including video health visits, and were three times more likely than older workers to use an emotional support app.

Spoor says employers are taking a range of approaches to mental health concerns. Some companies are ensuring their EAPs have plentiful offerings. Some have launched full-blown initiatives that include leadership training on how to recognize and address mental health issues in the workplace. Some are teaching employees how to break the stigma of mental illness and incorporate the topic into leadership and staff meetings. She has also seen employers create communities in which staff members lead discussions on specific mental health topics.

FLEXIBLE SCHEDULING

One benefit of the pandemic may have been that even the most avid of workaholics had to take time off. People were forced into spending time alone or with families, and many created new habits. They started baking bread, learning new languages or playing instruments. Some took their kids to school or were suddenly able to attend kids' sports activities. And many will be unwilling to give that up completely as they return to the office.

"People are saying they want to make sure they are continuing to spend their time doing something meaningful or they are thinking about what they do for work and making sure it means something to them," says Julia Lamm, workforce strategy leader for PwC.

PwC surveys have shown an increasing number of people saying they would give up a portion of their salary to get more paid time off to do things like volunteer. Others said they would give up 10% of their pay for unlimited vacation days.

Where benefits and paid time off used to be lumped into different categories, the workforce is increasingly seeing it as a necessary part of their benefits package. Shanahan says he has seen people leave their jobs and go to other organizations that offer more flexible schedules. "Companies that embrace that will get the best talent," he says. "It's the easiest extension of benefits they have to offer."

Employers should recognize that the nation's white-collar workforce had a major upheaval going from working in offices to their homes. They learned to juggle work while caring for children and pets, all while taking on new technology challenges. They created new patterns and habits and cycles for managing their days. What companies may not be anticipating as much is the turmoil that will be created when they are asked to form new patterns, yet again, going back into the office.

"If employers have the latitude and flexibility to do it, the best thing to do is extend trust and flexibility to figure this out and let employees know you will stay in tune with what works for them and you are not going to impose a situation that will make them quickly adapt again," Shanahan says.

White-collar workers, Fuller says, will increasingly be asking for more paid time off as long as they can still get their jobs done. Companies that comply could end up saving money in the long run. When someone has unlimited paid time off, a business doesn't have to spend money tracking time or creating policies for different employees based on things like years of service or job title.

How Strong Is Your Social Contract?

Companies can ask these questions to determine how strong their social contract is with their employees:

- How aligned are your employee benefit programs with today's needs?
- How can you close employees' economic and medical vulnerability gaps?
- Do you identify emerging social issues?
- How can you react to social changes and get an "early mover" advantage?
- What metrics can you use to measure the long-term value you are delivering to a broad set of stakeholders?
- How are you reshaping your whole enterprise to align with your social- and purpose-driven goals?
- How are you partnering with others in all sectors to achieve these goals?

Source: The McKinsey Global Institute

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>
> **—Ellen Frank-Miller, founder and chief scientific officer, Work Research Center**

"When companies do that, something interesting happens," Fuller says. "People take 12 Fridays off in a row because they are going to their lake house. Or they leave every day after 3 p.m. from May to September because their kids play baseball, and they want to see their games. There is a lot of self-customization that happens, and that is going to be just fine."

Hansen says employers will be required to have long discussions about what each company needs and what their employees want. The current landscape will require companies to think about their flexibility or watch their employees move on to other companies the employees believe will take better care of them.

"I've seen people leave when they have to negotiate or fight for one more day of PTO," Hansen says, "and another company says, 'Let's not make this a big deal; just take it when you need it. Do your job no matter where you are, and if you need to pick your kids up from school—as long as can still do your job, that's all we care about.' That sends a strong message from a company."

COMING BACK ... OR NOT

When offices across the country began shutting down to prevent the spread of COVID-19, businesses adapted quickly. Amy Steadman, chief people officer at The ABD Team, says it took three days to get everyone home and working at 90% capacity and just a few more to get to 100%.

And many people have adjusted very well to being home most of the time. "Companies have been surprised about the lack of interest workers have about coming back under historical ways," Fuller says. "A couple of companies I know have beautiful campuses and a great sense of community, but a very large number of workers are saying, 'Well, I can come back for certain things, but I'm used to eating breakfast with my kids, and my dog will get lonely if I'm not home.'"

For employees who do not miss long commutes and do enjoy going to Little League games, working from home may be the most important benefit employers can offer over the next few months. "As soon as that cat's out of the bag," Steadman says, "you can never say, 'This job needs to be performed at the office. You can't really tell people their job requires it when so many were able to do all of what they needed to do from home."

The recent Mercer Study found that 18% of employers are expecting staff to return to work with no phase-in scheduling; 48% will do so with a phase-in; and only about one third of companies plan to allow employees to choose whether they want to work in the office or virtually on an indefinite basis.

Though many of the employees, human resource professionals and CEOs surveyed in the Businessolver study thought companies should respect the need for time off, flexible scheduling and the option to work from home, less than half of the organizations surveyed are actually doing these things.

Not only does flexible time and working from home show workers that their company cares about them, but it may be a crucial competitive advantage for companies. Lamm says a large voluntary turnover is anticipated in the next six to 12 months. And she has already seen turnover increasing by 5% to 10% among employers who do not want to offer at least a hybrid work model.

Even employers flexible enough to offer work-from-home options may face challenges. It can be difficult to manage people and track their contributions when they are out of the office. Or some employees may go into the office to brainstorm only to find none of their colleagues are there. Or meetings may pop up with half the staff in the office and the rest working virtually.

"I think we are going to be moving around like a stranger in a dark house," Fuller says, "trying not to stub our toes and kick the furniture for a while."

Flexibility will be a major component of new schedules and different benefit offerings. And for now, at least, it might be best to write out any major workplace policy plans in pencil instead of pen.

Spoor recommends letting employees know a company is doing its best to accommodate everyone and that no one knows how the cards will fall. Instead of committing fully to a particular schedule, present a 90-day plan instead. After 90 days, evaluate the plan and proceed from there.

"There is going to be a rough transitional period that will be just as clunky as things were at the beginning of the pandemic," she says. "Coming back will be another change and require some sort of balance and figuring out how to make it work."

The same goes for benefit packages. Benefits may be viewed very differently by employees than they were before the pandemic. "Acknowledge that," Despard says. "Tell people, 'We've been through a lot, things have changed, and we need to understand what is and is not working for you in terms of what we offer."

Getting different opinions—and a lot of them—is likely going to be one part of the new norm. But that shouldn't scare companies away from making changes.

"People will always collectively feel things could be better," Despard says. "Employers need to be able to step into that space bravely to see how they can be more flexible and creative." **enge**

Tammy Worth is healthcare editor for *Leader's Edge*.

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Illustration vy Beppe Giacobbe

Does Complementarity WORK?

While public/private hybrid health insurance may provide basic care, employer coverage brings the perks.

BY ANDREA DE BONO

The United States' healthcare system is often compared with those of other countries that have mandated universal health coverage, and the system's efficiency (or lack thereof) has long been a topic of debate in national and international forums.

In the United States, says Jeffrey Capone, principal of global business solutions at Mercer, "the traditional employee benefit market continues to evolve, in part due to the consolidation of major health systems. With fewer options, employers and those individuals who buy their health insurance on a direct-pay basis have limited options in many parts of the United States. This consolidation also challenges health carriers in their pricing negotiation efforts with these health systems."

FAST FOCUS

» A comparison of healthcare systems across the globe shows the efficiency (or lack thereof) of the American model.

» In Switzerland, most employers do not provide health insurance, though it's a common practice among multinational companies based there.

» Singapore's healthcare system is often considered a model for balancing universal healthcare with a competitive private market.

> "We have built multiple solutions to offset the regulatory requirements. We have developed new services, such as digital tools for HR managers and employees, short- and long-term disability data analysis, prevention measures and many more. We constantly have to adapt our range of services."
>
> **—Juliette Kolb, employee and benefits consultant, Verlingue**

Are other countries more effectively providing for the health of their people? We took a look at how five other countries—Switzerland, France, Singapore, the United Kingdom, and Australia—fund and regulate healthcare to see where they land in terms of cost, quality and access to care.

SWITZERLAND'S RISING INSURANCE PREMIUMS

Unlike many European countries (but similar to the United States), Switzerland has left a large portion of the health insurance sector under private enterprise. The government does mandate, however, that residents purchase basic health insurance coverage from private insurers. If an individual fails to purchase the mandated health insurance within a three-month deadline, the local authority signs that person up for a plan that might charge higher premiums.

When it comes to the mandatory insurance, the Swiss government is strict on regulating the market. For example, coverage requirements are set by law (and are thus identical across all providers). Benefits include 80% to 90% of medical costs, including most physician visits, hospital care and pharmaceuticals. Also, by Swiss law, health insurers must accept all health insurance applications for the mandatory insurance regardless of an applicant's age or health risks and without stipulating any conditions or a waiting period. Insurers are also required to offer a minimum annual deductible of $334 (CHF300) for adults and a minimum deductible of zero for children up to age 18. Finally, insurers are not allowed to make any profit from the sale of the basic health insurance, though they can profit from supplemental coverage.

In addition to the mandatory health coverage, insurers can offer supplemental plans for services that are not covered by the basic health insurance, to secure greater choice of physicians, and to ensure better hospital accommodations. Given the country's focus on individual health coverage, most employers do not offer health insurance coverage for their workforce, though it's a common practice among multinational companies with foreign workers based in Switzerland. Such employer-sponsored plans generally offer additional employee perks.

Despite the Swiss government's regulatory control, insurance premiums for the basic health insurance coverage can vary from one insurer to another based on deductibles, place of residence, and the degree of supplementary benefit coverage chosen.

Worryingly, however, the cost of healthcare services in Switzerland continues to increase drastically. According to a 2017 report from SantéSuisse, the country's healthcare costs rose by 4.9% in 2016. According to EY research, Switzerland's healthcare costs are expected to grow by 60% by 2030 due to drivers including advances in medical technology, an increasing incidence of chronic diseases, and an aging society. EY notes these factors are creating an unsustainable healthcare system in which many won't be able to afford the required coverage. The research calls for insurers to work within their means and use technology to develop preventive care and other tools to help people get and stay healthy. As the cost of healthcare continues to climb, so does the cost of health insurance. Since the introduction of basic health insurance in Switzerland in 1996, the average premiums have increased by 4.6% per year.

FRANCE BALANCES PUBLIC/PRIVATE MARKET

The French healthcare system, similar to many European countries, offers mandatory national health insurance coverage, which allows French citizens and residents to be covered—from 70% to 100%—for most hospital, physician, long-term care and prescription drug costs. The public insurance system is primarily funded by payroll taxes (paid by both employers and employees), a national

Three Common Uses of Private Health Insurance

	IN PLACE OF PUBLIC INSURANCE	TO SUPPLEMENT PUBLIC INSURANCE	TO COMPLEMENT PUBLIC INSURANCE
PUBLIC PLAN	No public plan	Offers basic coverage	Offers basic coverage
PRIVATE PLANS	Provide basic coverage at regulated prices	Provide coverage for treatments, procedures, etc., that are not covered in a country's public plan, such as vision, dental, prescription drugs	Provide coverage for upgraded versions of treatments, procedures, etc., that are covered in the public plan, such as better hospital amenities or shorter wait times
COUNTRIES	**Switzerland**	**France, Singapore, Australia**	**United Kingdom**

income tax, as well as taxes levied on tobacco, alcohol and pharmaceuticals.

Differing from its neighboring countries, however, France also has a well-developed private insurance market that was built to supplement the national healthcare system. In fact, 95% of the population is covered by private medical insurance on top of the country's national health insurance. Private plans cover co-payments as well as treatments not included in the national health insurance, such as dental, hearing and vision care. Private, for-profit insurers mostly offer this supplementary insurance. Not-for-profit mutual insurers (called mutuelle) also operate in France, mainly providing complementary insurance to the national plan that is not the main basis of support for the system.

Health insurers and brokers are flourishing within the French market, thanks to the country's recent health reforms. Five years ago the French government passed the Employment Security Law, requiring all employers to provide private medical insurance to their employees. The law increased both supply and demand, leading to a drastic expansion of private medical insurance in France. Despite this growth, the market for private medical insurance remains under the watchful eye of the French government, which is very involved in maintaining a balanced and affordable public/private healthcare system that remains accessible to all who reside in France.

Since the mandate in 2016, the French government has continuously updated the regulations for the employer-sponsored health insurance market. Failing to comply with these

Private insurance in the (United Kingdom) offers more rapid access to care, choice of specialists, and better hospital amenities but not services. However, only around 11% of the population actually purchases private medical insurance.

regulations is a large risk within the country, and so are the constant regulatory updates, which lead to less innovation within the market.

In France, says Juliette Kolb, employee and benefits consultant at Verlingue, a French-based insurance brokerage, "the change in private health insurance regulation has limited our product creation. However, we have managed to be even more innovative in order to enable our corporate clients to implement their social strategy. We have built multiple solutions to offset the regulatory requirements. We have developed new services, such as digital tools for HR managers and employees, short- and long-term disability data analysis, prevention measures and many more. We constantly have to adapt our range of services."

How Do Countries Compare from a Health Perspective?

RANKINGS »	WORLD HEALTH ORGANIZATION REPORT (OUT OF 191)	THE COMMONWEALTH FUND (OUT OF 11)	WORLD INDEX OF HEALTHCARE INNOVATION (OUT OF 31)
Australia	32	2	11
France	1	10	28
Singapore	6	N/A	7
Switzerland	20	6	1
United Kingdom	18	1	13
United States	37	11	4

Due to various reasons, including political pressure, it is increasingly difficult to rank countries around the globe based on their respective healthcare systems. In a 2000 report based on global standards, the World Health Organization ranked the overall performance of countries' health systems. The rating analyzed the quality and the equity distribution of health services within each country based on the overall health of its citizens, the responsiveness of the health system, and the fairness in medical financing. Similarly, once a decade, The Commonwealth Fund updates its comparison of the performance of the American healthcare system with that of 10 other high-income countries.

Across the majority of reports ranking the quality and efficiency of healthcare systems across the globe, the United States fails to be rated highly due to the relatively low age expectancy for U.S. citizens and the high costs of health services and pharmaceutical products.

The recent World Index of Healthcare Innovation, compiled by The Foundation for Research on Equal Opportunity, offers a fresh way to analyze countries using four metrics: quality of healthcare, choice of health services, science and technology innovation within the healthcare industry, and the fiscal sustainability of the healthcare system. Among 31 selected countries, the United States ranks fourth, carried by high scores in the choice of health services and the science and technology innovation categories.

SINGAPORE FOCUSES ON LOW COST OF CARE

Singapore's healthcare system has often been proposed as a model for balancing universal basic healthcare with a competitive private insurance market. The universal health coverage in Singapore is achieved through a mixed financing system based on three mandatory programs: MediSave, a national medical savings scheme funded by personal and employer salary contributions (8% to 10.5%) for out-of-pocket expenses; MediShield Life, a universal basic health insurance for large hospital expenses funded via the MediSave account; and MediFund, a government-funded safety net for low-income citizens who cannot cover out-of-pocket expenses via MediSave.

Private health insurance in Singapore is available from different health insurers. The most common coverage is through Integrated Shield Plans, which include the MediShield Life component as well as additional coverage from private insurers. These types of plans are approved by the government and can be paid for using MediSave. Patients can also purchase private insurance offered by for-profit insurers, but private plans cannot be integrated with MediShield Life or paid for with MediSave. Because of the many insurance options available, however, the combination of MediShield Life, personal health insurance and employer benefits results in varying degrees of coverage duplication.

The Singapore government is very active in maintaining affordable insurance premiums, reducing out-of-pocket costs, and holding down the cost of prescription drugs through government subsidies. For example, to keep drug prices low, the Ministry of Health publishes an extensive list of drugs that the government believes to be cost-effective and essential. Those drugs are provided at subsidized rates to patients and can be bought with MediSave funds. Drugs that don't appear on the list may still be available but at prohibitive prices. The government also has strict pricing transparency rules in place, such as including all costs and fees in the total headline price to eliminate drip pricing and mandating fair pricing comparisons.

Given the government's tight grip on the healthcare system, insurers and brokers in Singapore are limited in terms of prices, which can affect company returns. In fact, according to Statista, underwriting profits of health insurance companies in Singapore have been largely negative since 2014. For example, underwriting profits for health insurers were negative SGD44.2 million (US$33.4 million) and negative SGD11.2 (US$8.5 million) in 2018 and 2019, respectively. Only in 2020 did Singapore's health insurers make SGD17.9 million (US$13.5 million) in underwriting profit, which may be the effect of COVID-19 on delaying elective and non-emergency services. Thus, innovation and increased efficiency are likely the only routes to gaining a competitive advantage.

UK PUBLIC SYSTEM CROWDS OUT PRIVATE PLAYERS

The United Kingdom has one of the largest public sector healthcare systems in the world. Through the National Health Service (NHS), all U.K. residents are automatically entitled to free public healthcare, which includes hospital, physician and mental health care. The majority of NHS funding comes from general taxes as well as payroll taxes paid by both employers and employees.

The private medical insurance market in the United Kingdom is small due to the country's large investment in the public healthcare system. Private insurance in the country is complementary, offering upgraded options to the public plan including more rapid access to care, choice of specialists, and better hospital amenities but not services. However, only around 11% of the population actually purchases private medical insurance.

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– Tom Grove, Chief Business Development Officer

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> **"From a price perspective, private medical insurance is a major expense for individuals and as such is highly valued as a funded benefit. The biggest deterrent to more companies' offering funded private medical as a core benefit is the high cost of cover due to the government's fringe benefits tax, which adds significantly to the cost."**
>
> **—Michael Atta, head of employee and benefits sales, Honan**

Of those, only two thirds are covered by health insurance purchased by their employers. In addition to the low demand for private health insurance, the number of health insurers providing cover has fallen over the last 10 years. In fact, according to a 2014 investigation by the British government, four insurers accounted for 87.5% of the private insurance market in the country, with small companies making up the rest.

An updated report, released in 2019, showed the top four health insurers in the United Kingdom making up almost 94% of the private health insurance market.

AUSTRALIA TAXES EMPLOYER-SPONSORED HEALTH INSURANCE

Australia also has a universal public health insurance program, called Medicare, which is financed through general tax revenues. Australian citizens, who are automatically enrolled in their country's Medicare program, receive free public hospital care and substantial coverage for physician services and pharmaceuticals. Similar to France, dental and vision services are not covered by the public health insurance system, so Australians purchase private supplementary insurance to cover those costs as well as expenses from private medical facilities.

Supplementary medical insurance is not widespread, however, as just over half of the population owns any private insurance coverage. "Offering private medical insurance in addition to core funded benefits of group life, disability and income protection is not common when we look across all employment sectors in Australia," says Michael Atta, head of employee and benefits sales at Honan, an Australian-based insurance brokerage. "Generally, this is offered as a funded benefit by multinationals operating in highly competitive sectors such as technology, pharmaceutical and high-end finance sectors. We are witnessing some increased enquiries due to COVID; however, it still tends to be these primary sectors where cover is offered.

"From a price perspective, private medical insurance is a major expense for individuals and as such is highly valued as a funded benefit. The biggest deterrent to more companies' offering funded private medical as a core benefit is the high cost of cover due to the government's fringe benefits tax, which adds significantly to the cost."

The Australian government, in fact, has a 48% tax on the cost of such products and services for employers that provide fringe benefits to employees because of their employment. Unfortunately for insurers and brokers, paying for an employee's private health insurance is considered a fringe benefit in Australia.

ESI LEADS PRIVATE MARKET

When looking at healthcare systems across the globe, employer-provided health insurance seems to be the most predominant player in terms of private insurance regardless of the presence of universal health insurance coverage (although the presence of a public system generally dampens the employer market). Nevertheless, the heavy regulatory oversight of local governments continues to limit health insurance providers and brokers. In most countries, in fact, health insurers and brokers have little room for differentiation when it comes to insurance solutions and prices, a situation that tends to stifle innovation and competition. In some countries, however, the regulation has served to keep costs affordable for consumers. edge

Andrea De Bono is a content associate for *Leader's Edge*.

"Everything-Is-Almost-Back-To-Normal Hot Line. Oh, sorry. I was holding my phone upside down."

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Value-Based Payment Edges into Employer Programs

Q&A with David Snow, Chairman and CEO, Cedar Gate Technologies

BY SANDY LAYCOX

David Snow has spent more than 40 years *in healthcare with diverse experience running pharmacy benefit managers, health plans, hospitals and physician groups. Snow founded Cedar Gate Technologies in 2014, with the strategic intent to deliver an end-to-end platform for payers, providers and employers to move from fee-for-service to value-based care.*

Let's start with a basic discussion of the challenges of value-based care adoption.

I used to run health plans all the way back to the early '80s. We used to capitate delivery systems, and we used to try to get them off of this perverse incentive called "fee for service." We've been doing it for decades. Delivery systems were willing to try it back in the '80s, but the problem was always the technology didn't support that play from an analytics perspective and the payers wouldn't supply the data needed. So the payers (and by the way, I was a payer) would put you at risk as a provider but not give you data or the meaningful analytics that are actionable so you can be successful. They lost money, they got burned, and they backed out.

Flash-forward to today, the delivery systems have to be pushed back into value-based care because of those bad experiences going back decades. We are making enormous progress now with delivery systems that are willing to take risk and are willing to go direct to employers, which is a big opportunity for both the employer and the provider.

But remember, there's a lot of competition going on, and payers are feeling disintermediated when the providers who are willing to go at risk go direct. So trying to get all these parties aligned is the difficulty now, but the good news is we are seeing a dramatic move to value-based care across the three verticals we serve today—from the provider side, the payer side and the employer side.

What type of movement specifically are you seeing in the employer-sponsored insurance market?

We have customers doing all types of value-based care, from primary care attribution upside-only to upside-downside risk primary care attribution, to retrospective bundles, to prospective, to global capitation all the way out to the end, primary care cap, specialty cap, global cap. It's a journey, and people are starting to take the journey.

Our job is to make sure those who move from fee for service into those risk arrangements are successful so they keep on going and don't turn back to this place we call fee for service, which is the root cause problem for all of healthcare's ills, both in terms of cost and quality. I'm convinced of it after doing this for 40 years—fee for service drives all the wrong behaviors.

Employers are starting to take action in all kinds of ways. You've seen some of those actions not work, like Haven, which was the JP Morgan, Amazon, Berkshire Hathaway deal, but now Morgan Health

Illustration by Michael Austin

"The most powerful thing is meaningful, objective data organized in a way that's easy to digest. Without the data, it's really hard for them to make decisions. I would say we're just entering the golden age of meaningful data being presented to that self-insured employer."

—David Snow, chairman and CEO, Cedar Gate Technologies

has been announced. You see Amazon taking initiatives of their own. Walmart's taking initiatives of their own. We have enormous numbers of brokers and consulting houses on our platform using our analytics today, and they are taking these analytics to help these self-insured employers diagnose their problems and create their opportunities so they can control their destiny. That was not happening five years ago. It's happening in big volumes today.

We have four of the top 10 broker/consulting houses using our technologies and analytics today. Their whole goal is to figure out how these self-insured employers can take advantage of providers who are world class in terms of quality and willing to take bundled or capitated risk, and our job is to help them. But we're seeing great movement. I would say we're in the first inning of this movement, but what I love is all the key players in this space, including the government, have woken up and they're on the same page about where we must go and they all understand why we must go there. It's taken a long time, but I finally believe the players are in the right mindset to make a material difference.

What about the small to midsize businesses that may not be self-insured? How are they adopting alternative payment methods, and what types are they adopting?

Brokers primarily serve the middle market and the small-market employer. We have a ton of them on our platform. From any employer they sell, they're putting on our platform and using our analytics to help teach and help create solutions for these employers, whether it be administrative or analytic or care management oriented. And that, again, was not how it was happening five years ago.

And are they finding receptive payers, receptive plan options for them?

We have 50 TPAs on our platform, so if the big health plans aren't working with them, the employer has alternatives through TPAs. And TPAs absolutely want to delight those customers. So there's some friction and competition. The large health plans know that there's competition, and they don't want to be disintermediated. So their job is to also delight those employers. And by the way, the employer is the fiduciary; they have the right to know. So getting the data, putting it into a consumable format such that the employer can be the good fiduciary, is important. I would say all the health plans that are on our chassis understand that. They're being cooperative, and they're trying to be part of the solution, not the problem.

Let's talk about adoption among the employers you're working with. Are they getting good uptake among their employees? Are they seeing better outcomes? Lower costs?

We have a large employer who has been on our platform for a year and a half doing cardiovascular and orthopedic centers of excellence. They have seen dramatic savings, dramatic reduction in hospital days, dramatic reduction in admissions.

The number one tool for a self-insured employer that's the easiest to understand and the easiest to implement is prospective bundles. So bundled risk versus capitated risk is a lever they can pull very easily. The improvements in both cost and quality are dramatic when you look at the case studies we've developed tied to those customers we work with. We also have a very large customer who's been on our bundled platform—we're doing four centers of excellence for them—they've been on it for 20 years. The results get better and better and better over time because the employees understand the benefit better over time; they get very comfortable with the high performance nature of that network. The network is performing all kinds of concierge services to make sure those patients feel welcome and well treated when they come. Because the delivery system loves those arrangements as well, it's very much a win-win situation.

There are all kinds of best practices to drive adoption. Sometimes the employers are reluctant to do it, so they

don't get the same kind of results as quickly. A great way to drive adoption is to educate your employees through the Summary Benefit Plan Design—have them understand what a center of excellence is and why it's a good idea and make their names well known.

More important, create a benefit design that encourages that use—whether it be the elimination of a co-pay, a reduction in the co-insurance or an elimination of the co-insurance, even providing travel arrangements.

The more you make it a value prop that crosses the spectrum from quality to service to dollars, the quicker the adoption is. And again, the employer controls benefit design levers. If you're reluctant to tilt the playing field toward your centers of excellence, you're doing yourself a disservice. But we have seen people who are reluctant to "discriminate." When we run our analytics on a market and what providers are truly to the left of the mean of the bell curve in the market, they're the ones you want to create these centers of excellence relationships with. If you aren't willing to lean toward them, you've got people practicing their way to the right of the mean, that fundamental arbitrage is just a wasted opportunity. And you really do need to drive it. I think employers are just beginning to get comfortable with that. They prefer not to pick sides, they prefer not to make those kinds of decisions. But at the end of the day, they aren't solving their problems if they don't.

You've talked about how brokers are working with you and in this platform, but can you talk more about their role as consultants? What else can they be doing or should they be doing to push this forward a little bit?

The most powerful thing is meaningful, objective data organized in a way that's easy to digest. Without the data, it's really hard for them to make decisions. I would say we're just entering the golden age of meaningful data being presented to that self-insured employer. They have been the fiduciary without the data for just way too long. Before anything else, if you want an employer to make these decisions, they need to have information and have things explained to them and have people lay out the alternatives. Our analytics empower that community, those trusted advisors to the employer, to help them along that path.

What kind of data are you getting, and how are you analyzing and then distributing back out to the brokers?

We take enormous numbers of sources of data—over 35 different sources, 350 different players across the country. We take medical claim data, we take PBM data, we have EMR connectivity, we take EMR data, we can take wearables, we can take benchmark data, we can take workers comp data. We load data real time, weekly, monthly, quarterly, whatever the need is, and we rerun all the data together to show progress period over period when you make a decision and you change a benefit design or you enter a center of excellence, so you're always getting feedback on the decisions you're making so you can do continuous improvement relative to your performance, just like any business would.

The employer has not had that until very recently. And that's where we're doing a ton of innovation. [Employers] are more in the driver's seat today than they were five years ago. Some of them don't know it, but the opportunities are enormous.

Let's talk about telemedicine. Do you foresee different types of plans or bundles being put in place that include use of telemedicine or prompt it?

COVID-19 was a massive tailwind to the telemedicine industry. The funny side-story to me is that, prior to COVID-19, physician societies and medical boards fought telemedicine, and as always they hid behind, "Oh, that's not quality to diagnose and treat using vehicles other than face to face." We all knew it wasn't true. But we also knew if you've been in healthcare a long time, you know the ultimate driver of that kind of argument is money. And the truth is telemedicine wasn't reimbursed by most commercial insurers. So of course you're gonna say, "Oh, no quality, you can't do it." But as soon as COVID-19 hit and everyone changed their reimbursement, the physicians took it on like it was the best thing in the world. They've realized they can optimize, get paid for what they do and their knowledge but they can care for a patient over video, over the telephone, or in face to face depending on the situation, make the employees' time more efficient, make their time more efficient, get more done in a day. So it was a forced education plus a forced change in the reimbursement mechanisms inside most payers. It's here to stay. It's going to grow, and more innovation will occur.

For example, virtual primary care is coming. The ability for those virtual entities to also help the referral side to high-performance specialties as needed, it's on the way. Ultimately, we're going to have a hybrid capability that is leveraged as we move the delivery systems away from fee for service to value-based care where the choices will be optimized. It's like site of service. You do a surgery in a freestanding ambulatory surgical center for low risk, easy stuff. Costs are dramatically lower versus paying for the overhead of a tertiary care institution. Massive difference in cost for absolutely no difference in quality, arguably many times better. Now, virtual medicine is just another tool, another choice, another place of service, and that's how it will be integrated. The more we move to value-based care where the delivery system has risk, the more efficient they'll want to become, the more the uptake will be in virtual care and telemedicine.

> **"And the truth is telemedicine wasn't reimbursed by most commercial insurers. So of course you're gonna say, 'Oh, no quality, you can't do it.' But as soon as COVID-19 hit and everyone changed their reimbursement, the physicians took it on like it was the best thing in the world."**
>
> **—David Snow, chairman and CEO, Cedar Gate Technologies**

Drug pricing is a particularly opaque segment of the industry in terms of payment. What is the opportunity to bring value-based contracting into conversations on managing pharmacy benefits?

I think value-based care can help. There are a lot of problems, there are a lot of structural issues—I'm going to just start by saying that. But I will say that, in fee for service, a physician who knows a generic drug is absolutely perfect for the problem being faced will order a brand if the patient saw it on TV and says, "I want that brand name." They will write the script for the brand because they don't want to upset the patient. When you're at risk because those dollars are coming out of your financial pool, physicians won't write that script so easily. So that's kind of a fundamental.

But I would also say that we as a country have a bigger problem that can be solved with public policy, because for all of our government programs, the government doesn't negotiate price. I know because, when I ran Medco, we had business in Canada, we had business in Europe, we had business here. America really subsidizes the research and development of drugs across the world because we just pay in a very different way and our government doesn't promulgate policies where they too are levering their scale to get reasonable price. That affects everything downstream.

I think a combination of value-based care's growth and the awareness of both the consumer through high-deductible plans and the provider through being at risk for a pool of dollars around specific clinical pathways or diagnoses together make a very big difference. And I think the government has to rethink some of its policies.

For example, when I was a PBM, I was a big believer in transparency. I wanted to negotiate flat discounts off of average wholesale price [AWP]. Just pure discounts, no rebates, just discounts. And I'll be paid for my services in other ways. It's against the law. I can't negotiate discounts off of AWP; I'm not allowed to. The only way I can get savings for my customers is through this word called rebates. And everyone says, "Oh, that middleman is not transparent." But the truth is you could have looked at my financials and seen that, on my $70 billion in revenue, I had pre-tax margins of like 2%. If I charged a PMPM admin fee, it would have had to be in the same zone. And everyone would have said, "Hey, there's full transparency here." The law didn't allow me to do it in a way that would have made people happier. So it's a complex area and it's problematic, but there are solutions that are pretty obvious to me. The one thing that's happening today is value-based care that will fix things. The other leg of that stool has got to be regulation.

"It was bad enough falling down the rabbit hole, but now all these new regulations keep falling down after me."

© 2021 Ted Goff

Where will we be with this in the next five years?

I don't have a crystal ball, but I can tell you where I hope we'll be. And that is better than 50% of all care delivered is in a value-based model, not a fee-for-service model. Right now, it's 80% fee for service, 20% value based. We have to march toward 100% value based, where the incentives are aligned for the patient and the delivery system and the payer, whether it be a self-insured employer or anyone who's proxy for that health plan. That is my hope. We will see not only great results from that movement when everyone determines this is real and it's here to stay, [but] I think you'll see a lot more innovation that will fundamentally improve cost and quality. So it's a self-fulfilling prophecy. As we move, people realize it's real, then they move. Then when you realize that's where everything's going, more people are willing to invest money in that future and do transformative things. We're just entering that phase right now. **enge**

Sandy Laycox is editor in chief of *Leader's Edge*.

THE THINGS THAT MATTER TO ME

Family and friends.

Helping others grow.

Giving back or making a difference.

Getting better.

Playing great golf courses.

Feynman and Halberstam.

Having a voice on Capitol Hill.

WORDS I LIVE BY

"Someone's sitting in the shade today because someone planted a tree a long time ago."

– Warren Buffett

David Becker
CEO
Cottingham & Butler, Inc.
CouncilPAC Chairman's Club Member

The Council of Insurance Agents & Brokers

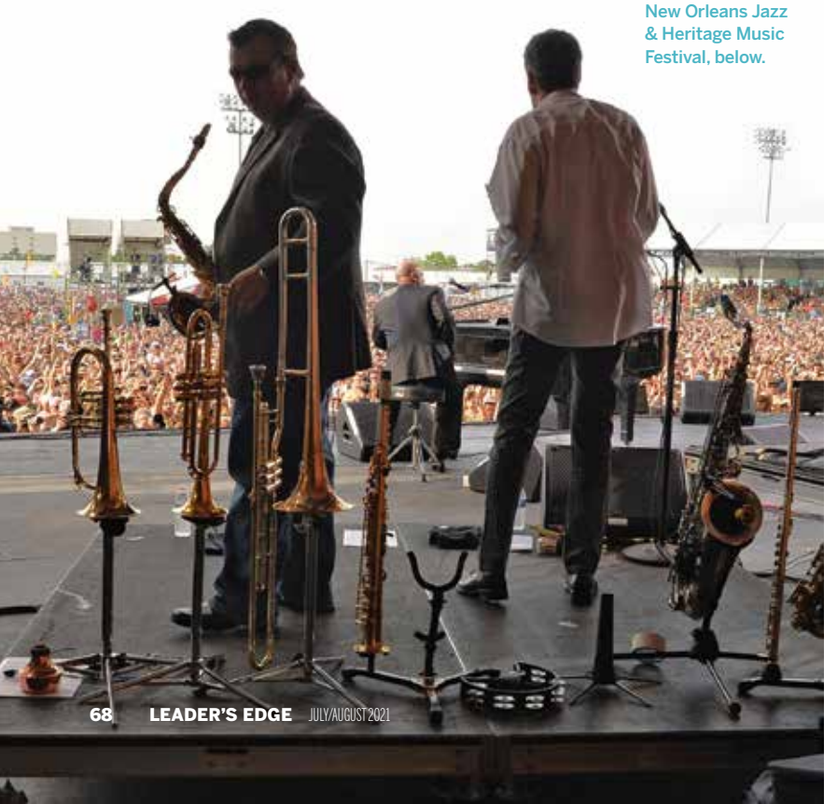
FALL TRAVEL

State of the Arts

"Even the darkest night *will end and the sun will rise."* —Les Misérables

After being dark for more than a year, most Broadway theaters in New York City will reopen at full capacity on Sept. 14, 2021, the first time since the pandemic. Down south, the New Orleans Jazz & Heritage Festival in Louisiana will welcome fans back to the Big Easy Oct. 8-17, 2021, for the first time since Aaron and Cyril Neville helped Trombone Shorty & Orleans Avenue close out the festival in the spring of 2019. These two American cities, icons of culture loved by people around the world, were among the hardest hit by COVID-19. But with 30 Broadway shows in NYC and four festivals in New Orleans on the fall calendar, if the state of the arts is any indication, their revivals are in full swing.

Broadway lights, above. Billy Joel performs at the 2013 New Orleans Jazz & Heritage Music Festival, below.



The outdoor swimming pool, top, at Aman New York; the baby banana at Jungsik, right; and the Metropolitan Museum of Art, left.

Theater › New York, New York

STAY

NEW AND NOTABLE

» **Aman New York** is slated to open by fall in the Crown Building, the first home of the Museum of Modern Art. The hotel design pays homage to the neoclassical beaux arts building and Aman's Asian roots.

» The contemporary rooms and suites have a functioning fireplace, and many have views of **Central Park**.

» The three-floor **Aman Spa** boasts an indoor swimming pool, a sauna, steam room, hot and cold plunge pools, and an outdoor terrace.

» Rounding out the amenities are a Garden Terrace, Wine Room and subterranean Jazz Club as well as two restaurants Arva (Italian) and Nama (traditional Japanese washoku). **aman.com/hotels/aman-new-york**

EAT

UNDER THE STARS

» Modern Korean restaurant **Jungsik** in Tribeca has earned two Michelin stars for its imaginative five- and seven-course menus. Star dishes include a crispy branzino on a bed of white kimchi and baby banana dessert. Start with the banchan, a delightful array of amuse bouches. There's outdoor dining, nicely set up with heaters. **jungsik.com**

» Michelin two-star Alsatian restaurant **Gabriel Kreuther** in Midtown is a treat for a pre- or post-theater dinner. Chef Gabriel Kreuther masterfully prepares and artistically presents each offering on the three- and four-course seasonal menus. Specialties include a sturgeon and sauerkraut tart with caviar mousseline. Dine outdoors under a canopy with heaters. **gknyc.com**

DO

ENJOY THE ARTS

» **See a show.** Classics like *Chicago*, newer productions like *Jagged Little Pill*, and brand-new ones such as *Diana* are among the 30 shows that are reopening or opening in September and throughout the year. Check out The Broadway League's official website for schedules, show details and tickets. **broadway.org/info/guide-to-buying-a-broadway-show-ticket**

» **Go to The Met.** "In America: A Lexicon of Fashion" will open at The Costume Institute at The Metropolitan Museum of Art on Sept. 18, 2021, and run through Sept. 5, 2022. This first of a two-part major exhibition will coincide with the Met Gala, another staple of the fall arts scene that has returned. **metmuseum.org**

Left to right: Rick Diamond/Getty Images; Urbanmyth / Alamy; Aman Resorts Ltd; Shutterstock; Jungsik

Festivals › New Orleans, Louisiana

STAY

NEW AND NOTABLE

» **Four Seasons Hotel New Orleans** will make its grand entrance in mid-2021 in the former World Trade Center building on the banks of the Mississippi River.

» Designed by the architect of the Museum of Modern Art, the mid-century modern tower—and the setting—inspired the hotel's design.

» 280 rooms and 61 suites feature a plaster wall relief depicting magnolia flowers over the beds, white shiplap walls and river views.

» Among the amenities are a spa, fitness center, observation deck, and crescent-shaped infinity pool.

» Award-winning New Orleans chefs Alon Shaya and Donald Link will each helm a restaurant, and the **Chandelier Bar** will serve classic New Orleans cocktails, champagne and caviar. **fourseasons.com/neworleans/**

EAT

UNDER THE STARS

» Bywater eatery **N7** is the hard-to-get reservation in New Orleans. The vegetable, meat and seafood offerings are a marriage of French and Japanese—for example, grilled bok choy with blue cheese apple sauce, and there's a selection of house-made charcuterie. Housed in a stucco building and surrounded by a garden patio, it feels like dining in France. **n7nola.com**

» Housed in a pink stucco landmark property, **Brennan's** in the French Quarter is exquisite. The modern Creole menu features mouthwatering dishes such as Brennan's famous turtle soup and a butter-poached bass with Louisiana crawfish. Dine in the brick courtyard, where a musician plays most evenings. **brennansneworleans.com**

DO

ENJOY THE ARTS

» **Listen to Music**
The New Orleans Jazz & Heritage Festival (Oct. 8-17, 2021) hasn't announced the lineup as of press time, but you can expect to see headliners like Jimmy Buffet and New Orleans' finest jazz, blues, funk, folk and rock acts. The French Quarter Fest (Sept. 30-Oct. 2, 2021) is an all-New Orleans musicians, free event. **nojazzfest.com frenchquarterfest.org**

» **Check out Prospect.5**
Art lovers will descend upon New Orleans from Oct. 23, 2021, through Jan. 23, 2022, to experience this citywide exhibit of contemporary paintings, sculpture, folk art and site-specific installations. Historical buildings and museums provide the backdrop for the works created by international and local artists. **prospectneworleans.org**

The Four Seasons Hotel New Orleans, left, and one of their river-view rooms, above. Caviar and Custard, right, at Brennan's.

From left to right: Four Seasons Hotels Limited; Rush Jagoe; Eugenia Uhl; The Frick Collection

Indulge › SPIRITS

Cocktails with a Curator

The pandemic has spawned several interesting trends in libations. Cocktails in a can. Virtual wine tastings. The ubiquity of go-cups. The latter—being able to legally take an adult beverage to-go from a bar or restaurant—was once unique to New Orleans. But many cities have relaxed their laws to allow go-cups as a way of sustaining the hospitality industry, and some are making these laws permanent.

Another spirited byproduct of the pandemic is **The Frick Collection: Cocktails with a Curator**. Known for its Old Master paintings and European sculpture and decorative arts, the New York museum's creative pivot was to launch a happy-hour-timed YouTube series, featuring a Frick curator discussing a work of art from its collection and posting a recipe on its website for a complementary cocktail (or mocktail) for viewers to make at home. The wildly popular series airs at 5 p.m. on Fridays. In the meantime, travel to another time and place in history with these three episodes. **frick.org/interact/miniseries/cocktails_curator**

Deputy Director and Peter Jay Sharp Chief Curator, Xavier F. Salomon, right, during an episode of Cocktails with a Curator.

Work of Art: "Regatta in Venice" and "View of Cannaregio Canal in Venice" – This pair of "vedute" (views) by Francesco Guardi present Venice in the 18th century with color-coordinated boatmen, laundry hanging from balconies, and liveried attendants greeting dignitaries.

Featured Cocktail: Sgroppino, a Venetian refreshment dating to the 16th century

Work of Art: "Polish Rider" – Rembrandt's "mysterious" 17th-century painting of a young man traveling on horseback through a murky landscape has generated a lot of debate among art scholars.

Featured Cocktail: Szarlotka, a Polish drink made with Żubrówka (a vodka infused with bison grass)

Work of Art: "Bullfight" – This painting by Édouard Manet was derided and caricatured by critics when the artist exhibited at the Salon of 1864. Manet cut it into pieces, and it wasn't until a 1999 exhibition at the Frick that the two surviving fragments were brought together for the first and only time.

Featured Cocktail: The Toreador, a tequila concoction (of course)

Armchair Traveler

Shop Now, Visit Later

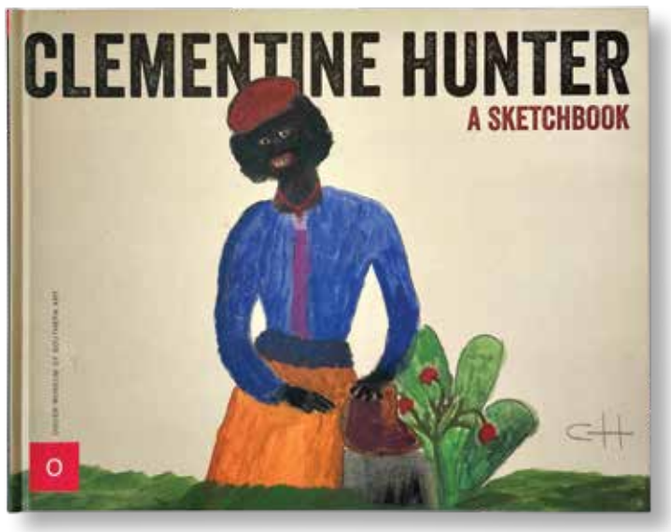
If you can't make it to New York or New Orleans this fall, lift your spirits with some retail therapy. Along with T-shirts and mugs with logos, you can find an array of unique clothing, books and gifts from the online shops affiliated with festivals, plays and museums.

Art 4 Now A good portion of the crowd at the New Orleans Jazz & Heritage Festival is dressed in BayouWear's colorfully patterned shirts, shorts, skirts, dresses and tops. The lightweight clothing is perfect for "festing in place" or a barbecue on a hot summer's day. For collectors there is an online gallery of Jazz Fest posters dating back 1975. **art4now.com**

Drama Book Shop This book store in Manhattan is the city's best source for theatrical works, with over 8,000 plays regularly in stock. It struggled for years, but four fellows of Hamilton fame, including musical creator and star Lin-Manuel Miranda, banded together in 2019 to buy this cultural institution. It just reopened in a new location on West 38th Street. The online shop has branded journals, pens, coffee cups and book bags for theater lovers and budding playwrights. **dramabookshop.com**

Ogden Museum of Southern Art Shop This museum, one of the venues for the Prospect.5 exhibits, holds the largest and most comprehensive collection of Southern art. Items like a book of sketches by renowned Louisiana self-taught artist Clementine Hunter and a framed print of a New Orleans street scene by acclaimed local photographer Trinity Thomas provide a window into the culture of the South. **shop.ogdenmuseum.org**

The Met Store Oh, the glorious things you'll find at the Metropolitan Museum of Art's online store! A professional watercolor set comes wrapped in a beautiful linen pouch made in Italy. The gardens at The Met Cloisters, the branch devoted to the art and architecture of medieval Europe, is the inspiration for a Sage Leaf Cuff bracelet. Art from The Met infuses the design of the board game Monopoly: The Met Edition. Who knew? **store.metmuseum.org**



A book of sketches by renowned Louisiana self-taught artist Clementine Hunter at the Ogden Museum of Southern Art Shop

Briefcase › FALL TRAVEL

4 New Things to Buy for Your Fall Trip

Apple AirTag In April, Apple introduced its latest techno gadget, the AirTag, an iPhone accessory that provides a secure way to track and locate your important items. The tag is made of polished stainless steel and comes with a polyurethane or leather loop that you can attach to your bag, keys, backpack and other things you don't want to misplace when traveling. Just bring AirTag close to your iPhone, and it will connect to the Find My app, where you can see the item's current or last known location on a map. If it's within Bluetooth range, the app will play a sound so you can locate it. Available in one and four packs for $29 and $99. **apple.com/airtag/**

Away Travel Accessories Known for their cool rolling suitcases, Away has debuted a new line of travel accessories. The collection includes a reusable, adjustable mask that comes with two filters and a pouch (as of now, masks are still required when you're using public transportation). There is also a neck pillow, blanket and sleep mask, all of which are made of fabric using 37.5 thermoregulating technology to "personalize climate control." If you get hot, 37.5 active particles help to cool you down. If you get cold, these same particles work to warm you up. Prices range from $35 to $95. **awaytravel.com**

Rothy's Shoes This eco-friendly company has become a go-to for women on the go who love their stylish, comfortable and washable flats, purses and bags made from recycled plastics. The San Francisco-based startup just launched its first collection of men's shoes with a classic sneaker and a driving loafer, both of which come in a variety of colors. Light and stretchy, they're an ideal choice for traveling. $175 and $185 respectively. **rothys.com**

Yeti Crossroads Collection Luggage Yeti made a name for itself for its coolers that are so well engineered that your grandchildren will one day inherit them. In February, the company launched the new Crossroads Collection of three backpacks, two duffels and two soft-sided wheeled suitcases. Made of "Tuffskin Nylon," an expedition-grade, water-repellent material, and designed with features like Modular Compression Straps and divider panels, these bags are made for hitting the road. Prices range from $199 to $449. **yeti.com**

Left to right: Ogden Museum Store; Clayton Cotterell; Apple Inc.

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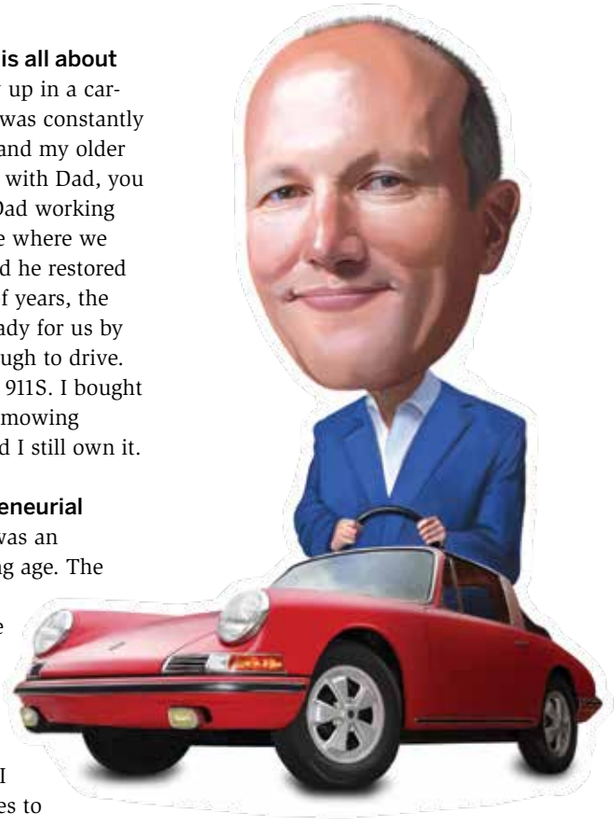
PRESIDENT AND CEO, HAGERTY INSURANCE, TRAVERSE CITY, MICHIGAN

"I think a lot about human needs and human nature, and I let the business come out of that."



As a company, Hagerty is all about cars. Why cars? » I grew up in a car-loving family. Our father was constantly working on cars. For me and my older sister, if you wanted time with Dad, you were in the garage with Dad working on cars. He had a practice where we kids each picked a car and he restored it with us over a couple of years, the idea being it would be ready for us by the time we were old enough to drive. Mine was a 1967 Porsche 911S. I bought it for $500 with my lawn-mowing money. I was 13 then, and I still own it.

Where did your entrepreneurial streak come from? » I was an entrepreneur from a young age. The same year I bought the Porsche I started an apple orchard with 600 trees. I discovered early it's really hard to make money selling apples. But I learned something. I decided to bring my apples to the market in our 1933 pickup truck. They put me front and center. Now I was a 16-year-old kid with a great truck. I'd sell out by 9 a.m. I figured I'd go to college to study business.

But you ended up earning your bachelor's degree in English and philosophy from Pepperdine University. What happened? » When I went to preregister, all the business courses were full, so I signed up for a bunch of English literature classes. I learned that I loved it.

Later, you earned your master's degree in theology from Saint Vladimir's Orthodox Seminary in New York, then you studied classics and philosophy at Boston College. What was your goal? » I wanted to get my Ph.D. in ancient philosophy and become a philosophy professor. But during a class on Plato, something in the text got me thinking about the family business. My parents owned an insurance agency insuring classic wooden boats, and I helped out during the summers. I loved philosophy and still do, but the entrepreneur in me won out. So I left school and came home and took over the business.

Five years ago you were elected as international board chair of Young Presidents Organization (YPO), the global group of chief executives. What was that experience like? » It became my MBA. I needed a business network outside of the insurance world. I traveled to over 40 countries. I met countless heads of state on almost every continent. It was a master class in leadership and global dynamics. It turbocharged my network way beyond what I could have done in the automotive or insurance world. I grew a lot as a leader in that time.

And you became especially impressed by mayors of great cities. » When I met Michael Bloomberg, he had just come out of being mayor of New York. He's the one who made me realize that mayors are something special. They have to be very solution-oriented, very pragmatic. It's like, "We can talk about politics all we want, but first we have to fix the sewer system." The mayor of London, Sadiq Khan, the city's first Muslim mayor, told me that London is going from eight million to 12 million people by 2030. He kept using that number over and over again. He said: "I don't have time to think about politics. I have to think about public transportation, infrastructure. Otherwise, you're not going to like London in 2030."

If you could change one thing about the insurance industry, what would it be? » I think the industry needs to get itself ready to attract better talent. We tend to sit there and say, "Well, we can't be like Apple." My view is, "Let's make ourselves like Apple. Let's make ourselves that cool."

Last question: What gives you your leader's edge? » I think a lot about human needs and human nature, and I let the business come out of that. Having a growth mindset is critical.

THE HAGERTY FILE

FAVORITE VACATION SPOT: Maui ("There isn't a bad view in Maui.")

FAVORITE MOVIE: *Gladiator*

FAVORITE ACTOR: Anthony Hopkins

FAVORITE BAND: Van Halen ("I was running to Van Halen this morning.")

FAVORITE BOOK OR AUTHOR: "I'm a big reader, but the book I give the most is *Meditations* by Marcus Aurelius." (A.D. 121-180)

FAVORITE RESTAURANT IN TRAVERSE CITY: The Good Bowl. ("It was started by my wife, Soon Hagerty, in 2018. It's a mission-driven business with premium fast-casual Vietnamese food that is to die for.")

FAVORITE DISH AT THE GOOD BOWL: Beef Pho Bo

Illustration by Mark Hammermeister

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