



Proposal for Insurance Brokerage and Risk Management Services

City of Norman, Oklahoma

June 15, 2021

THE FOLLOWING RESPONSE IS PRESENTED BY:

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Executive Summary

Any good relationship takes time to pause and reflect on what is working, what could be improved and how the partnership should continue moving forward. Now is that time for the City of Norman, Oklahoma and Gallagher. Gallagher has proudly served as the City's trusted partner for over 10 years and we believe that our proposal will demonstrate our ability to continue to provide the City with the highest level of service as your risk management partner.

Our response reflects the City's desire to engage a firm that is experienced in working with municipalities. We firmly believe our team led by Denise Engle brings public sector experience along with the intellectual capital, creativity, and data access to continue to service the City's needs. Only Gallagher offers individualized services backed by the strength of our Public Sector Practice. By remaining with Gallagher, the City will join more than 13,500 public sector clients including:

- Thousands of individual cities, counties, parishes, schools and special districts
- More than 300 special districts
- 23 state government clients and 80 tribal government clients

Past Achievements

This response allows us to focus on the transformation of the City's risk management program since you started working with Gallagher. Gallagher has enjoyed supporting the City's evolving understanding and knowledge of risk management and insurance, and its development of techniques for effectively mitigating risk and managing the City's changing exposures. Together, we have explored several new initiatives for the City to take greater control of its total cost of risk.

The City of Norman, OK/Gallagher partnership is one defined by what we have achieved together. The following are a few key highlights of our achievements:

- Helped obtain builder's risk coverage on a project, saving the City money
- Negotiated with carriers to get them to stay on the City's account in a challenging market
- Analyzed transportation exposure and costs when the University of Oklahoma transferred the risk back to the City
- Provided CAT modeling and developed a wind/hail exposure deductible model to keep costs down
- Analyzed additional exposures as requested and quantified what the cost would be to insure them
- Assisted with identifying potential third party administrators and help identify some claim handling improvements for self-insured exposures

We confirm that we have carefully reviewed the RFP and we meet the scope of service requirements laid out in the City's RFP. Gallagher believes a few key differentiators outlined in our proposal continue to make us the ideal partner for the City's future.

GALLAGHER OFFERS THE FOLLOWING:

We collaborate and educate — Your Gallagher team will continue to work as an extension of the City's risk management department, offering a consultative approach to determine the best products and services for the City. We back this team with a deep bench of coverage and industry experts who are accessible to both your service team and you. You won't find silos; instead, you'll find team members who collaborate regularly and believe in educating clients and sharing information.

Local team backed by national expertise — Denise Engle, who currently leads your Gallagher team, is well-qualified to continue to guide our partnership into the future. She has a deep understanding of the public sector industry and has served as an insurance professional in roles from risk management, claims, underwriting, insurance broker and risk consulting services. Denise is backed regionally by Dorothy Gjerdrum, who is a former risk manager, and brings a broad array of skills and experiences to help the district control costs. Gallagher is a leader in providing strategic guidance, industry expertise and custom services to advance public sector programs. **Our robust support system allows us to manage your marketing, placement, administration, loss control and claims services as a full-service consultative broker, rather than relying on carriers to dictate or coordinate any of these crucial services.**

Understanding your risk — We recognize that public sector clients need to mitigate complex risks cost-effectively and precisely. We also have a deep understanding of the issues you face in today's economic climate. Our



experience working with our public sector clients to help lower total cost of risk while improving program structure and offering tailored solutions will bring significant benefits to the City.

Gallagher offers the insight and knowledge to assist the City with placing your coverage. By engaging experts in complex program design, using state-of-the-art modeling software and leveraging our strong relationships with the largest players in the industry, we are able to ensure that the City's programs are placed with the most competitive pricing and broadest coverage available in the market.

Your Oklahoma Gallagher team is supported by experts in all areas of risk, including public sector, cyber liability, loss control and claims advocacy. We have assembled this mix of local and national resources to provide the specialized expertise you need, serviced by a team that shares your community.

Eye on emerging risks – Gallagher will excel at placing the City's insurance programs and serving as its advocate in the marketplace, but also will provide critical counsel on emerging risk management issues. These include:

- Cyber-crime and liability
- Emergency preparedness
 - Active shooter/workplace violence
 - Civil commotion & riots
- COVID-19
- Transportation fleet
- Construction projects and wrap ups

Systematic total cost of risk approach – In an evolving environment, it is vital for the City to be offered new ideas to inject into your risk management program. Gallagher provides a more comprehensive approach to insurance brokerage and risk management consulting than our competitors through our proprietary **CORE360®** model. Gallagher will help the City understand and manage your total cost of risk by aggressively attacking all aspects of your program to optimize efficiency and realize increased insurance coverage at the best price possible.

Gallagher's culture and values – Gallagher distinguishes between compliance and ethics. Compliance tells us what we must do; ethics involves the thing that we, as a group of people, have agreed we should do. In 2021, Gallagher was named by *Ethisphere Institute*, for the tenth consecutive year, as one of the **World's Most Ethical Companies™**. Gallagher, the only insurance broker to make the list, joins a small and distinguished group of companies who are committed to operating at the highest possible standards of conduct.



Commitment to diversity

Gallagher would like to emphasize that we understand the importance of having our team represent the clients and communities we serve. One of our proudest initiatives was the launch of our Gallagher Connect Partners in 2018. This launch directly supported a top four dominant priority of our global organization – diversity and inclusion. Gallagher Connect Partners is our network of minority, women and other diverse certified partners strategically selected based on their unique perspectives and capabilities. In addition to helping our clients achieve their supplier diversity goals, Gallagher Connect Partners gives our sales team access to Gallagher-approved partners focused on delivering high quality solutions to meet our clients' needs. Although not required by this RFP, Gallagher would like to introduce the idea of partnering with RiskVersity, one of our Gallagher Connect Partners, as we move our relationship forward. RiskVersity shares in our mission of proactive and collaborative risk management. It considers the riskiest asset of any organization – its people – and works hand-in-hand with human resource departments in providing leadership development, one-on-one coaching, compliance training and implementation.

Continuing forward together

We appreciate this opportunity to reflect on the City's partnership with Gallagher while we turn an eye toward the future. We believe this proposal will show how Gallagher can continue to support the City's risk management strategy so that you can focus on *Building an Inclusive Community*. We place great value in our relationships with our clients, and believe that those relationships must be supported by expertise and innovation. We place great value on long-term relationships and a partnership approach. We appreciate the opportunity to bring a new perspective to your risk management program and demonstrate why Gallagher is the best choice as your insurance broker.

Sincerely,
Your Gallagher Team

V. B. - Proposal Responses

- **Broker size and location of the office from which the work on this engagement is to be performed.**

Gallagher Overview

Global Headquarters

2850 Golf Road
Rolling Meadows, IL 60008
630.773.3800

Oklahoma Servicing Office

615 East Britton Road
Oklahoma City, OK 73114
405.639.3816

Gallagher is one of the world's leading insurance brokers. We plan and administer a full array of insurance, risk management, self-insurance, claims management and employee benefit products and services through a group of highly specialized companies. These fall into three distinct categories:



RETAIL RISK MANAGEMENT

- Arthur J. Gallagher Risk Management Services
- Gallagher Benefit Services
- International Brokerage



WHOLESALE | ALTERNATIVE RISK

- Risk Placement Services
- Artex Risk Solutions
- GBS Insurance and Financial Services
- Pen Underwriting
- Alesco Risk Management Services
- Capsicum Re



THIRD PARTY CLAIMS ADMINISTRATIVE SERVICES

- Gallagher Bassett
- Western Litigation

RETAIL RISK MANAGEMENT BROKERAGE & CONSULTING

Global Retail Brokerage Services — Gallagher's largest offering specializes in property & casualty insurance, captive and alternative risk financing and risk management programs for commercial, industrial, institutional and governmental organizations. Our specialized practices target industries and areas of business where we have developed a depth of expertise and large client based. This division houses our Gallagher Connect Partners, whose capabilities extend across Gallagher's network.

Global Benefits Consulting — Gallagher is one of the world's leading employee benefit brokers and consultants. We offer expertise and guidance in all areas of benefits planning, delivery and administration for a broad range of benefit services, including executive benefits and financial planning, actuarial, data analysis, benchmarking, retirement brokerage/ consulting, benefits outsourcing and human resource services.

Retail risk management brokerage & consulting operates primarily in the U.S., Canada, the U.K., Australia, New Zealand and 44 other countries as well as through a network of strategic alliance partners in more than 150 countries.

WHOLESALE INSURANCE BROKERAGE

This team with operations in the U.S., U.K. and Bermuda, focuses on the placement of specialized and hard-to-place insurance. It can act as both a brokerage wholesaler and as a managing general agent or managing general underwriter distributing specialized insurance coverages to agents and brokers.

THIRD-PARTY CLAIMS ADMINISTRATION & SERVICES

Gallagher owns Gallagher Bassett, one of the world's largest property & casualty third-party administrators. Gallagher Bassett provides contract claim settlement and administration services for enterprises that self-insure their property & casualty coverages and for insurance companies that outsource their property & casualty claims. Gallagher Bassett also provides integrated disability management programs, information services, risk control consulting, services and appraisal services, either individually or in combination with arising claims. It operates in Australia, New Zealand, U.S., Canada and U.K.

OUR HISTORY

Gallagher's history is a compelling story of the insurance business; to learn more visit: <https://www.ajg.com/about-us/>

About Gallagher

Sustained growth. Steady focus on quality.

Family run

FOUNDED IN 1927

The Gallagher Way

25 tenets that have guided a team-oriented culture for 30+ years

SOCIAL RESPONSIBILITY

Companywide focus on ethical conduct, employee health and welfare, environmental integrity and community service.

\$6B

Total Adjusted Brokerage & Risk Management Revenues (2020)

32,000+

EMPLOYEES WORLDWIDE

850+

OFFICES IN 49 COUNTRIES

150+

COUNTRIES SERVED

GLOBAL REACH. LOCAL PRESENCE.

Shared Values + Passion of Excellence = Promises Delivered

World's Most Ethical Companies®

Ethisphere® Institute 2012-2021




Gallagher

- Whether or not the broker is licensed in the State of Oklahoma.

ARTHUR J GALLAGHER RISK MGT SERVICES INC
LICENSING DEPT
2850 W GOLF ROAD
ROLLING MEADOWS IL 60008

State of Oklahoma					
License No: 100101822		Insurance Department		NPN: 19837	
ARTHUR J GALLAGHER RISK MGT SERVICES INC					
This is to certify that the above named business entity is properly licensed in the State of Oklahoma in accordance with the provisions of the Oklahoma Insurance code, and has duly met all qualifications as provided by statute to act in the following capacity:					
LICENSE CLASS	FIRST ACTIVE DATE	LICENSE EFFECTIVE DATE	LICENSE EXPIRATION DATE	LINES OF AUTHORITY	LOA EFFECTIVE DATE
Insurance Producer	01/31/2000	03/01/2020	02/28/2022	Accident & Health or Sickness	01/31/2000
				Property	01/31/2000
				Casualty	01/31/2000
				Life	01/31/2000
Surplus Lines Broker	08/19/2005	09/01/2019	08/31/2021		

In testimony Whereof, I have affixed my signature as Insurance Commissioner in the State of Oklahoma to this Certificate and caused these letters to be made Patent.


Glen Mulready
Insurance Commissioner
State of Oklahoma Insurance

This license shall continue in force until suspended, revoked or terminated.

- Listing of underwriters to which the broker has access.

Market Relationships

As one of the largest insurance brokers in the world, we have extensive carrier and reinsurer relationships across the globe including Affiliated FM/FM Global who is currently the primary property insurer for the City of Norman. We understand that maintaining strong relationships with our carrier partners is critical to the long-term success of our clients when it comes to negotiating renewal pricing, coverage disputes, and developing creative solutions. To the right is a list of our top 10 carriers and premium volume with each.

We have relationships with hundreds of insurance companies, with relationships that have been formed over time through extensive due diligence by our executive team. New carrier partners are constantly knocking on our door attempting to establish contracts; however, our evaluation process is exhaustive in order to ensure we are consistently partnering with top-quality carriers.

Gallagher does not own any insurance companies. We do have a strategic alignment of service provider organizations including owned third-party administrators and wholesalers.

Top 10 Carriers as of 06/08/2021

ISSUING COMPANY	PREMIUM VOLUME
Lloyd's of London	\$945,388,435
Chubb Limited	\$865,204,853
Travelers Group	\$851,391,427
Zurich Financial Services Ltd	\$583,634,860
American International Group, Inc.	\$545,733,681
Liberty Mutual Insurance Company	\$503,708,177
Old Republic Insurance Group	\$406,568,216
AXA S.A.	\$396,471,044
Berkshire Hathaway Insurance Group	\$356,296,994
The Hartford Insurance Group	\$355,243,941
All Others	\$7,184,431,211

CARRIER MONITORING AND EVALUATION

Partnering with a credible and dependable carrier is extremely important to the long-term success of City of Norman, Oklahoma. Gallagher uses A.M. Best, Moody's, S&P, Fitch, and other rating services to measure an insurance carrier's financial strength. We will outline the rating of every carrier we present to City of Norman.

Monitoring the financial strength of carriers is an ongoing process that occurs throughout the policy term. In the event a carrier's financial rating is negatively impacted, we will notify you immediately. City of Norman's point of contact, Denise Engle, will discuss the carrier's financial strength and its financial outlook and help determine if it is appropriate to replace coverage with another carrier. Knowing the marketplace as extensively as we do enables us to advise our clients whether they might want to consider marketing their renewal. We will prepare an annual report of the marketplace to assist you in making better informed decisions.

In addition, Gallagher's professional standards prohibit us from placing insurance with carriers with an A.M. Best rating of A- or lower. This practice is in an effort to prevent our clients experiencing a carrier's insolvency; however, we rely on the rating bureaus above to monitor the financial stability of the carriers we work with.

- Experience providing similar brokerage services to municipalities.

Public Sector & K-12 Education Experience

Gallagher is the preeminent provider of brokerage and risk management services in the public sector. We work with thousands of cities, counties, schools, airports, utility districts, state governments and special districts including many public sector clients in Oklahoma. Our expertise and knowledge is unparalleled against our peers. Gallagher is consistently recognized by key professional associations (such as PRIMA, AGRIP and RIMS) for our commitment to the public sector and expertise in risk management operations.

We have had more public sector Power Brokers named by *Risk & Insurance* magazine than any other brokerage firm. Over 300 salespeople help our public sector clients solve problems every single day. If City of Norman hires Gallagher, it is hiring the best option available as our experience with thousands of public entities across the country is a valuable resource only we can provide.

Gallagher's Public Sector & K-12 Education Practice

Gallagher's Public Sector & K-12 Education Practice is committed to working as an extension of our clients' risk management teams. We have the resources and knowledge to help our clients solve problems.



13,500+
clients

Who we serve

- Cities, counties, parishes & villages
- Special districts (fire, water, transit & utilities)
- State governments
- Insurance pools, cooperatives, JIFs, JPAs & mutual insurance companies
- K12 public, private & charter schools



450+
dedicated experts

Our clients in numbers

- More than 4,500 schools
- 40% of the largest public schools
- Thousands of individual cities, counties, parishes, schools and special districts
- 110 public sector and K-12 education pools (covering an estimated 10,000 individual entities)
- More than 300 special districts
- 23 state government clients and 80 tribal government clients



\$1.4B+
in annual premium

What we deliver

- Insurance and risk management
- Benefits and HR consulting
- Claims management
- International solutions
- Crisis resilience services
- Pools, captives and alternative risk transfer

- **Fee structure and costs – commission or flat rate.**

Compensation

Gallagher is 100% transparent when it comes to compensation arrangements. All revenue earned by Gallagher and its affiliates is disclosed to you. All insurance carrier quotations received by Gallagher are provided to you including terms, conditions, premium and commission, if any. Our philosophy of 100% transparency holds true whether we are working on a fee in lieu of commission basis, pure commission, or combination of both compensation methods. Our goal is to work with you to develop a compensation plan that is readily understood by both parties, captures the service standards you expect and is reflective of the experience of the service team assigned to your account.

As we engage in further dialogue with the City and understand your needs a bit better, we are confident we can come to a compensation arrangement that is appropriate. At this time, we would propose to continue on a commission basis but would extend a cap that the retail commissions shall not to exceed **15%**.

- **References**

Company/Organization Name	City of Tulsa
Contact Name	Branon Dodd
Title	Risk Manager
Address	175 E 2nd Street, Suite #575, Tulsa OK 74103.
Email Address	bdodd@cityoftulsa.org
Telephone	918-596-1294
Company/Organization Name	Oklahoma City Public Schools
Contact Name	Cythia Hays
Title	Director of Risk Management
Address	2500 NE 30 th Street, Bldg #3, Oklahoma City, OK 73111
Email Address	cahays@okcps.org
Telephone	405-587-0148
Company/Organization Name	University of Oklahoma
Contact Name	Amanda Miller, JD
Title	Director of Enterprise Risk and Real Estate Management
Address	865 Research Parkway, Suite #520
Email Address	Amanda-miller@ouhsc.edu
Telephone	405-271-3287

Your Core Team



Denise Engle, MBA, CPCU, AIC

*Risk Management Consultant | Public Sector Practice
Oklahoma City, OK
Joined Gallagher in 2015*

Denise specializes in providing property & casualty insurance brokerage services for clients and prospects. She is responsible for providing risk management support while assisting clients with controlling and minimizing the total cost of risk. Denise specializes in public entity, education, non-profit and healthcare sectors providing property & casualty brokerage services and risk management consulting. She is a nationally recognized property and casualty industry leader who offers a unique perspective in her service to clients.

Denise brings 30-plus years of insurance and business experience to Gallagher. She has worked in both the private and public sectors. Before she joined Gallagher in 2015, Denise served as commissioner to the newly formed Workers' Compensation Commission following her service as the first deputy commissioner of workers' compensation and property casualty. During this time of public service, Denise helped to bring sweeping workers' compensation reform to Oklahoma as well as establishing Oklahoma as a captive friendly domicile. Before serving in the public sector, Denise enjoyed many successful years in corporate risk management, claims and risk consulting. In one of those very successful key roles, she served over a decade for a very large staffing firm developing their risk management processes and programs helping them be positioned for growth from \$200 million to \$2 billion in revenue.

Denise received her bachelor's degree from Oklahoma City University and her master's degree from Oklahoma Baptist University. She has earned a Chartered Property Casualty Underwriter and an Associate in Claims designation. Denise is a member of Oklahoma Self-Insurers Association, Greater Oklahoma City Chamber of Commerce, Risk and Insurance Management Society, University Risk Management & Insurance Association, American Staffing Association, and Independent Insurance Agents and Brokers of Oklahoma.



Lisa Davis, CIC, CISR

*Client Service Supervisor
Oklahoma City, OK
Joined Gallagher in 2005*

Lisa is a client service supervisor for both the Energy and Power & Utilities Practices. She is also a client service manager handling various types of exposures including higher education, upscale hotels, manufacturing, restaurants and lessors risk. She is a member of the professional standards audit team and mentor for the new employee orientation program and the ACHIEVE Advancement Program. In addition, Lisa assists with training and development of new employees and/or employees transitioning to new positions.

Lisa has over 22 years' experience in the insurance industry. She joined Gallagher in 2005 when her previous employer Horton Insurance was acquired in a merger.

Lisa has earned a Certified Insurance Counselor and a Certified Insurance Service Representative designation. She is currently working on an Energy Risk Insurance Specialist designation.



Aaron Horton, ARM

*Area President
Oklahoma City, OK
Joined Gallagher in 2005*

Aaron Horton is responsible for the leadership of Gallagher's property & casualty brokerage operations and growth strategies in Oklahoma. He leads a team of 120 professionals and oversees the placement of approximately \$300 million in annual premiums. Aaron also assists with direct client development, merger & acquisitions and oversight of the branch's professional standards. Aaron works directly with clients to consult on complex risks throughout the region, delivering tangible results through Gallagher's total cost of risk analysis.

Aaron has over 20 years of experience in the insurance industry and has been with Gallagher since 2005. Prior to joining Gallagher, Aaron developed expertise in underwriting excess liability working for CV Starr in San Francisco, where he built a \$20 million premium book of business in construction, trucking, and

public entity. He worked closely with the company's president on projects such as manuscripting new forms, reinsurance treaties, rate-making, filings, and claims. Wanting to work more closely with clients as a broker, Aaron returned home to Oklahoma to join Gallagher's newest merger acquisition partner Horton Insurance – his family's agency – which specialized in real estate risk. Aaron developed a firm commitment to risk management and brokerage services for real estate, public entity, and educational institutions. He primarily focused on alternative risk finance opportunities, partnering with senior brokers to help clients implement retrospective rating plans, self-insurance, and captive solutions.

Aaron holds a bachelor's degree from the University of Oklahoma and has earned an Associate in Risk Management. He is an active member of Risk and Insurance Management Society (RIMS) and Urban Land Institute (ULI).



Richard Rogers, SCLA

*Regional Claims Manager, Claims Advocacy Leader | National Risk Control
Dallas, TX*

Joined Gallagher in 2012

Richard serves as the regional claims manager for Gallagher's South Central Region Claims Advocacy Team, and he is a part of our National Risk Control Leadership team. Richard oversees the South Central Claim Service Center and a team of regional claim advocates that handle and monitor complex and high exposure claims for our clients. When our client is in need, Richard ensures that his team responds with a sense of urgency to provide the highest quality service to achieve the best possible outcome resolution for our client through our claims advocacy.

Richard is also directly involved in our client's most complex and large loss exposure claims. He specializes in oil and gas casualty and catastrophic losses but also has multiline experience. Additionally, he is instrumentally involved in client consultation on coverage, contract and litigation matters. He provides superior client service and when needed, is involved with our clients' insurers in seeking favorable resolutions.

Richard has 30 plus years of experience handling complex casualty claim litigation. He works with general liability, automobile, product, premises, security, and personal liability exposures. Richard has extensive technical, legal, managerial, evaluation, negotiation, and leadership skills to proactively assist clients for best resolution outcomes. He has extensive contract, master service agreement, indemnity, and additional insured analysis and coverage skills spanning multiple and international jurisdictions.

Richard received a bachelor's degree from the University of Texas at Arlington. He is a licensed adjuster in Texas, Louisiana, and Oklahoma and has a Senior Claims Law Associate designation.



Dorothy Gjerdrum, ARM, ARM-P, CIRM

Senior Managing Director, Public Sector Practice | Managing Director, ERM

Rolling Meadows, IL

Joined Gallagher in 1999

Dorothy has more than 29 years of public sector risk management and insurance experience and leads Gallagher's Public Sector and Enterprise Risk Management practices. A recognized national expert on ERM, she helped develop international standards on risk management as a member of the U.S. Technical Advisory Group to ISO 31000 and served as the group's chair from 2008 to 2014. *Business Insurance* magazine named her one of its Top 25 Women to Watch and *Treasury & Risk* magazine named her one of its top 100 leaders in finance in 2012.

Dorothy leads Gallagher's ERM consulting group, overseeing the development of ERM resource material consulting for K12 education, higher education, public sector and nonprofit clients. Her ERM clients include the San Francisco Unified School District, Idyllwild Arts Foundation, University of California system, University of Cincinnati, Johnson County Community College District, and San Diego Zoo Global.

Before joining Gallagher, Dorothy was risk manager of three self-insured pools for the New Mexico Association of Counties. She has been recognized for her expertise in new building coverage programs, developing loss-focused training and prevention programs to reduce claims costs, and creating innovative risk financing strategies. She also helped form and served as a board member and treasurer of a reinsurance company for county association pools.

Dorothy partnered with the risk manager of the largest community college district in the U.S. to create an award-winning integrated program that unified traditional risk management and enterprise risk management, developed five years before the ISO standard on risk management was published.

Active with Public Risk Management Association, Risk Management and Insurance Society, Association of Governmental Risk Pools, and University Risk Management and Insurance Association, she has created curricula, served on leadership groups and presented at conferences for these organizations. She has presented numerous sessions on ERM for other leading risk organizations as well, along with Gallagher client groups.

Dorothy received a bachelor's degree at St. Catherine University and she has earned an Associate in Risk Management for Public Entities designation. She received the Power Broker Award presented by *Risk & Insurance* magazine in 2009 and 2012 and was a finalist in 2010 for the public sector category.



Paul Davis, Esq.

*Area Vice President | Cyber Liability Practice
Chicago, IL
Joined Gallagher in 2016*

Paul is a licensed attorney and dedicated cyber insurance resource for Gallagher clients. As a member of the Cyber Liability Practice, he utilizes his legal background to help clients identify unfavorable insurance policy terms and conditions, contractual risk transfer solutions and potential gaps in coverage. He uses his specialized knowledge of cyber insurance to help clients address the rapidly evolving cyber security threat environment with individually tailored risk management solutions. His clients span a wide range of industries including higher education, financial institutions and retail.

Paul began his insurance career in 2009 and joined Gallagher in 2016. He brings both insurance and legal expertise to the team.

Paul received a bachelor's degree from Tufts University and a juris doctor from the University of Denver. He is a member of the Professional Liability Underwriting Society and is a licensed Colorado attorney.



Larry Phillips

*Area Assistant Vice President, Culture and Inclusion | Gallagher Connect Partners
Rolling Meadows, IL
Joined Gallagher in 2013
Started in Insurance in 2011*

Larry brings industry experience and a passion for diverse and proactive partnerships to his culture and inclusion role with Gallagher. He serves as the Area Assistant Vice President for Culture & Inclusion and is responsible for managing Gallagher Connect Partners. As a leader in Gallagher Connect Partners, he is dedicated to establishing meaningful and deliberate diverse relationships to increase business opportunities.

Larry started his insurance career in 2011, through Gallagher's Summer Intern Program. After graduation in 2013, he became an Account Executive specializing in the Higher Education and Public Sector Practices. Some of Larry's accounts included Lake Forest Graduate School of Management, Eureka College and the Chicago Housing Authority.

Larry received a bachelor's degree from the University of Wisconsin-Madison Business School. He continues to make an impact in his community by speaking at various events such as the Gordon Tech Career Day, Loyola Academy Ramble and the Boys Hope Girls Hope Gala. He received the 2021 Hot 100 List Award presented by *Insurance Business America* magazine.

Appendix

Technology Tools

GALLAGHER'S ERISKHUB

Technology is important to the delivery of service to clients of Gallagher's Cyber Liability Practice. Gallagher provides an exclusive online portal of cyber risk management tools called the eRiskHub. The Gallagher eRiskHub® provides an interactive experience complete with risk management tools and resources to navigate the ever-changing landscape of cyber risk.

Key Features of the Gallagher eRiskHub® include:

- **Gallagher Cyber Risk Due Diligence** – a six-step process designed to walk our clients through a simple thought-provoking framework to encourage organizational communication, establish clear direction and highlight priorities to better understand your cyber risk profile.
- **Risk Manager Tools** – a collection of tools with many different purposes such as researching known breach events, calculating your potential cost of a breach event and downloading free sample policies your organization can use as templates.
- **News Center** – Keep up to date on what is going on in the world of cyber risk through handpicked articles, feeds and blogs.
- **Learning Center** – an extensive collection of white papers, articles, webinars, videos and blog posts on a variety of topics. Looking for something specific? Try the search box in the top right of the page to search the entire Gallagher | eRiskHub®.
- **Security and Privacy Training** – an overview of best practices for creating an effective security training program for your employees.
- **Strategic Third-Party Relationships and Partner Resources** – Information on third-party vendors that can assist your organization with improving your overall cyber risk.



As a cyber resource, the Gallagher eRisk Hub offers a “hotline” crisis help desk for cyber-related claims, and a list of trusted technical and legal vendors spanning key areas as identified below. Each vendor on the site posts educational materials on a quarterly basis to advise the participating Risk Managers on pre- and post- incident support matters, to make them a better risk. The services offered include the assistance of experts covering the spectrum of cyber risk.

- Legal/Lawyers: hands-on assistance for any 'breach notice' issues, such as crafting letters per compliance with state & federal laws and regulations, AND help with various compliance issues (FACTA; PCI DSS, GLBA, e-discovery)
- Computer forensics experts (assist with claims investigations)
- Security remediation experts & PCI guidance
- Incident Help Hotline
- Public Relations Crisis support to assist in dealing with the media
- Credit monitoring services -post breach packages
- Privacy experts
- Law Enforcement partners – FBI
- Business Continuity experts
- Risk Manager Tools: including forms to assist IT teams report internal incident & track man hours associated with remedial efforts
- Forensic Accounting services (to assist with Business Interruption valuation)
- Cyber Risk News: the latest and greatest happenings, various BLOGS from outside security/privacy experts



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The Gallagher Way

Shared Values at Arthur J. Gallagher & Co. are the rock foundation of the Company and our Culture. What is a Shared Value? These are concepts that the vast majority of the movers and shakers in the Company passionately adhere to. What are some of Arthur J. Gallagher's & Co.'s Shared Values?

- 01 WE ARE A SALES AND MARKETING COMPANY DEDICATED TO PROVIDING EXCELLENCE IN RISK MANAGEMENT SERVICES TO OUR CLIENTS.
- 02 WE SUPPORT ONE ANOTHER. WE BELIEVE IN ONE ANOTHER. WE ACKNOWLEDGE AND RESPECT THE ABILITY OF ONE ANOTHER.
- 03 WE PUSH FOR PROFESSIONAL EXCELLENCE.
- 04 WE CAN ALL IMPROVE AND LEARN FROM ONE ANOTHER.
- 05 THERE ARE NO SECOND-CLASS CITIZENS – EVERYONE IS IMPORTANT AND EVERYONE'S JOB IS IMPORTANT.
- 06 WE'RE AN OPEN SOCIETY.
- 07 EMPATHY FOR THE OTHER PERSON IS NOT A WEAKNESS.
- 08 SUSPICION BREEDS MORE SUSPICION. TO TRUST AND BE TRUSTED IS VITAL.
- 09 LEADERS NEED FOLLOWERS. HOW LEADERS TREAT FOLLOWERS HAS A DIRECT IMPACT ON THE EFFECTIVENESS OF THE LEADER.
- 10 INTERPERSONAL BUSINESS RELATIONSHIPS SHOULD BE BUILT.
- 11 WE ALL NEED ONE ANOTHER. WE ARE ALL COGS IN A WHEEL.
- 12 NO DEPARTMENT OR PERSON IS AN ISLAND.
- 13 PROFESSIONAL COURTESY IS EXPECTED.
- 14 NEVER ASK SOMEONE TO DO SOMETHING YOU WOULDN'T DO YOURSELF.
- 15 I CONSIDER MYSELF SUPPORT FOR OUR SALES AND MARKETING. WE CAN'T MAKE THINGS HAPPEN WITHOUT EACH OTHER. WE ARE A TEAM.
- 16 LOYALTY AND RESPECT ARE EARNED – NOT DICTATED.
- 17 FEAR IS A TURN-OFF.
- 18 PEOPLE SKILLS ARE VERY IMPORTANT AT ARTHUR J. GALLAGHER & CO.
- 19 WE'RE A VERY COMPETITIVE AND AGGRESSIVE COMPANY.
- 20 WE RUN TO PROBLEMS – NOT AWAY FROM THEM.
- 21 WE ADHERE TO THE HIGHEST STANDARDS OF MORAL AND ETHICAL BEHAVIOR.
- 22 PEOPLE WORK HARDER AND ARE MORE EFFECTIVE WHEN THEY'RE TURNED ON – NOT TURNED OFF.
- 23 WE ARE A WARM, CLOSE COMPANY. THIS IS A STRENGTH – NOT A WEAKNESS.
- 24 WE MUST CONTINUE BUILDING A PROFESSIONAL COMPANY – TOGETHER – AS A TEAM.
- 25 SHARED VALUES CAN BE ALTERED WITH CIRCUMSTANCES – BUT CAREFULLY AND WITH TACT AND CONSIDERATION FOR ONE ANOTHER'S NEEDS.

When accepted Shared Values are changed or challenged, the emotional impact and negative feelings can damage the Company.

– ROBERT E. GALLAGHER, MAY 1984

Spring/Summer Insurance Market Update – June 2021

As we reach the midpoint of 2021, the market remains very challenging and is pretty similar to 2020. While there is optimism toward some moderation in premium increases, it has yet to be widely seen in year-to-date 2021 renewals. Across the industry, renewals for many companies have been upwards of 20%, which was unsettling after an already difficult year. What has made this market even more troubling is that there is no one single event to point to as the cause. Instead, a confluence of factors have challenged the industry, including social inflation, increased storm activity and pandemic losses. Additionally, carriers' ability to offset these results through investment income remains a challenge due to the lower interest rate environment.

Unfortunately, these factors likely will impact the market for some time. Despite pushing significant rate increases across most lines in 2020, the industry's combined ratio hovered around 100%. Accordingly, all market indicators point to a continuation of premium increases for the balance of the year and possibly into 2022.

However, there is optimism for some moderation in certain lines as we move into the latter half of 2021. Many carriers have reported stronger results in the first quarter of this year, but that progress must be sustained for several quarters to see a market shift. The challenges have not kept out new capital and the market is seeing some expansion, which will inevitably lead to more competition. Finally, despite across-the-board increases on January 1 reinsurance renewals, the rate increases ultimately ended up at the lower end of initial projections.

In this report, we will analyze the market conditions for each major line of coverage and offer guidance to help you ensure a successful renewal outcome.

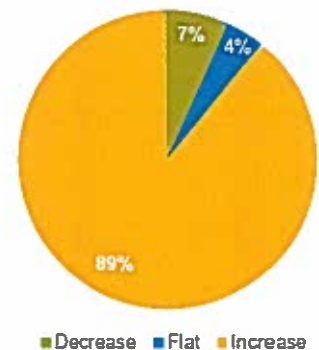
Property

Natural disasters and catastrophic losses remain a key driver for the property market. The rise in unmodeled losses (such as the Midwest derecho and Winter Storm Uri in Texas) continues to impact the industry.

WHAT WE SAW IN 2020

- 2020 was the most active Atlantic hurricane season on record with 30 named storms, according to the National Oceanic and Atmospheric Administration.
- The continuation of unmodeled risks continued to plague the property marketplace (e.g., wildfires in California).
- Carriers scrutinized their clients' statements of values, demanding in many cases that values be raised.
- For the third straight year, carriers obtained significant rate increases across their property portfolios.

Q1 2021 Property Rate Changes
Gallagher – U.S. Clients



13.7%

median rate change
in Q1 2021*

WHAT WE ARE SEEING NOW

- The winter storm (Uri) that hit Texas in February is the latest catastrophic event to occur with losses likely exceeding \$20 billion.**
- Carriers are continuing to push sizable rate increases in the national property space (rates more than 20%).
- Carriers are demanding more data and are more selective regarding which submissions they quote.
- Changes in coverage terms and conditions in the property marketplace remain significant.
 - Increasing deductibles, shrinking sublimits—especially in catastrophe-exposed geographies (CAT)—and carriers’ conservative limit deployment have led to less favorable terms and conditions for clients.
- Some clients are buying less insurance (or taking on higher retentions) to offset the rate increases.

WHAT WE ARE WATCHING

- New capacity entering the marketplace (specifically in Bermuda and London).
- Court decisions on U.S. business interruption (BI) exposure due to past COVID-19-related losses.
- Impact of economy reopening.
 - Implications of new working models and supply chains.
 - Underreporting values will not serve or save premium in the long run.
 - Impact on BI exposure.
- Full long-term impact yet to be determined with so many unusual losses and claims this year.

NAVIGATING THE MANY RISK MANAGEMENT DISRUPTERS THAT EXIST

COVID-19 impact on revenue	Civil unrest	Convective storms
Idle and vacant facilities	Facilities reopening	Cyber risk/cyber attacks
Maintenance concerns	New COVID-19 protocols	Energy storage systems
Natural catastrophe losses	Non-modeled losses	Increased storage heights
Remote working	On-site loss control visits delayed	Solar installations
Supply chain interruptions	Water damage	Valuation
Winter freeze		Wildfires

** Source: <https://www.claimspages.com/news/2021/03/15/uri-could-signal-aboveaverage-cat-loss-year/>

MAXIMIZING OUTCOMES

- Communicate, communicate and communicate.
- Obtain third-party engineering.
- Focus on loss control recommendations (loss mitigation strategies).
 - Carriers are not afraid to walk away from long-term clients.
 - Carriers want to partner with clients who demonstrate a willingness to implement loss control recommendations.
- **The amount of information carriers are requiring has increased dramatically in the past 10–15 years.** Some models can require more than 100 data points. Get your data early and have it ready to go well in advance of your renewal (four to six months).
- **Historical loss history matters.** Create a narrative regarding lessons learned from losses and steps you are taking to prevent such losses.

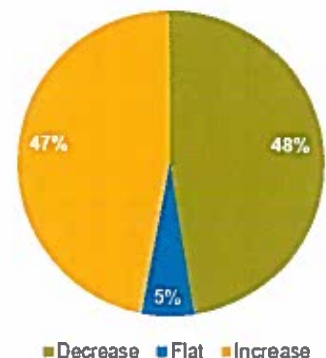
Bottom line: Risk managers need to be willing to change and evolve with the times or face an uphill battle with regard to renewal.

Workers' Compensation

WHAT WE SAW IN 2020

- Claim counts fell across all industries except healthcare.
- There was a significant spike in healthcare claims.
- The claim mix has shifted toward higher severity.
- Changes in the workforce including higher turnover and fewer women in the workforce.
- Presumption laws created additional compensable claims.
- The choppy recovery corresponded to COVID-19 waves and reopenings.

Q1 2021 WC Rate Changes
Gallagher – U.S. Clients



WHAT WE ARE SEEING NOW

- Mass vaccinations causing a drop in COVID-19 claims volume, some vaccine reaction claims, new COVID-19 variants, reopenings, and changes in state COVID-19 guidelines.
- Stimulus, savings buildup and pent-up demand from extended quarantine

0%
median rate change
in Q1 2021*

WHAT WE ARE WATCHING

- Industries are recovering, but there is room to go.
- Employees are returning, but are they prepared?
 - Are newer workers going to have higher accident frequency?
- Claim trends are impacted by the changing nature of the workplace (i.e., more work from home).
 - COVID-19 is still active in the country.
 - COVID-19 long haulers continue to feel symptoms long after the days or weeks that represent a typical course of the disease.
 - Presumptive laws Introduction of legislation in at least 12 states that create workers' compensation presumption of compensability, which could apply to infection diseases and pandemics beyond COVID-19, which will make it interesting to see how carriers, regulators and employers respond.
 - Delayed medical treatment.
 - Potential increase in mental health claims.
 - Potential changes to workers' compensation regulation on infectious disease.

MAXIMIZING OUTCOMES

For employees

- Protocols for COVID-19 exposures
- Processes and safety practices
- Training and monitoring

With underwriters and actuaries

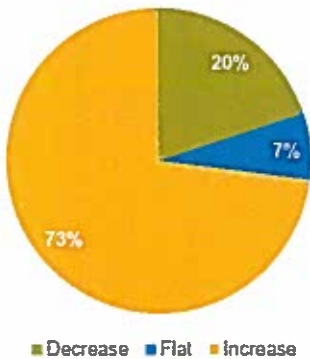
- Communication is key: Remember, you control the story.
- Ensure all safety and loss control efforts are documented and up to date.
- Analyze claim trends — volume, severity and complexity (with and without COVID-19).

Casualty

WHAT WE SAW IN 2020

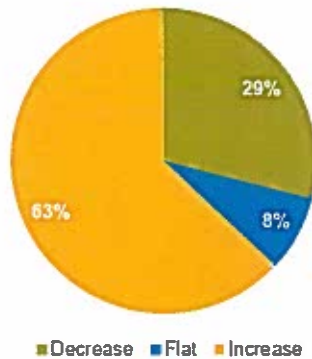
- Frequency of claims associated with the economic shutdown were down in 2020, with the biggest reduction in commercial auto.
- COVID-19 may have paused some of the impact of social inflation in 2020, but social inflation is not going anywhere.
 - Increase in plaintiff activity (rate of attorney involvement was up)
 - Continued increase in litigation funding
 - Attorney's leveraging technology and sharing tactics/information
 - Jury makeup and millennials' views toward more social and corporate accountability
 - Nuclear verdicts, large judgments and settlements targeting the deep pockets of large corporations, leading to a hefty swing in rate increases for Fortune 500 companies
- Many primary umbrella/excess markets are requiring higher auto liability limits of \$2 million to \$5 million or, in some cases, \$10 million.
- 2020 umbrella/excess rates continued to climb to their highest levels in recent years— more than 15% on almost every renewal—with significantly higher increases on the vast majority of larger clients, especially clients with heavy auto fleet exposures or clients who operate in higher-hazard industries.
- Rate increases were not limited to the primary carrier. Rate increases continued through the excess liability tower as excess markets are focused on rate relativity and rate adequacy.

Q1 2021 Auto Rate Changes
Gallagher – U.S. Clients



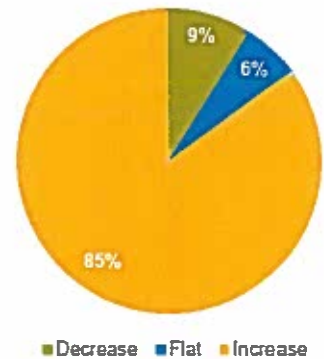
9.1%
median rate change
in Q1 2021*

Q1 2021 GL Rate Changes
Gallagher – U.S. Clients



3.5%
median rate change
in Q1 2021*

Q1 2021 Umbrella Rate Changes
Gallagher – U.S. Clients



15.5%
median rate change
in Q1 2021*

WHAT WE ARE SEEING NOW

- As courts reopen and handle their backlogs, we expect frequency to return to (or exceed) pre-pandemic levels.
- In a post-COVID-19 environment, communicable disease exclusions are also being added. These exclusions are wide-ranging, with some eliminating all communicable diseases and others only COVID-19.
- Restrictive terms and conditions might have a material impact on the value of upon renewal.
- In addition to communicable disease exclusions, underwriters have added a host of others, including sexual abuse and misconduct (SAM), traumatic brain injury (TBI), wildfires, opioids, cannabis, glyphosate and on-premises violent acts.
- **Certain claims are shaking the market.**
 - Active shooter and general stand-alone terrorism-related incidents are increasing.
 - Increases in both frequency and severity of wildfires have triggered new litigation.
 - The increase in carelessness of construction workers lead to construction liability losses.

WHAT WE ARE WATCHING

- Many carriers are also restricting the amount of limit they are willing to put forth or repositioning their capacity at a higher level (e.g., carriers that historically offered \$25 million lead umbrella policies are now limiting their lead positions to \$10 million or less, in most cases).
- With additional capital entering the marketplace and improved carrier earnings, will carriers rethink their capacity management?
- **Capacity management:** Carriers want to limit exposure to higher umbrella and excess layers. We've experienced multiple instances in which clients were unable to buy the limits they purchased in the prior year because of a lack of availability. Clients need to involve substantially more carriers and often substantially more premium to achieve the same limits as those expiring.
- **Lead umbrella rates:**
 - Carriers finally appear to be at a point where rate is exceeding lost cost trends.
 - Although most clients are seeing rate increases in umbrella, clients with revenue in excess of \$500 million are still seeing more sizable rate increases.

MAXIMIZING OUTCOMES

- Develop a plan to align with your risk management goals moving forward for years to come.
 - Conduct a strategic review of your exposures and risk management goals. Get an overview of the market condition and possible outcomes with regards to the renewal.
 - Align primary and excess marketing strategies to maximize options.
 - Potential is there for packaging with the primary to support a stable lead umbrella option.
 - Obtain alternative primary underlying limits to maximize options for the excess.
 - Try and find other coverage lines, such as property, to find economies and maximize relationships clients have with different markets across the board.
 - Look at different attachment points.
 - Review options for higher limits through buffers of selective self-insurance.
 - Submit renewal to various lead markets, and obtain feedback on various attachment points, maximum capacity (block and ventilated), and any new minimum and mandatory coverage restriction.
- Market continues to be challenging, but there are options that contain built-in flexibility levers.

In the excess casualty space, there are options and a number of different ways that we can approach the market in conjunction with other coverage lines to maximize options and explore a wide range of solutions.

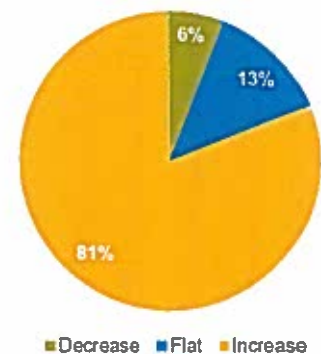
Directors & Officers

The Directors & Officers (D&O) marketplace has been distressed for several quarters, with every aspect impacted, including premium, retention, capacity, attachment, and terms and conditions. That said, the market seems to have ameliorated in the second quarter, with average increases between 15%–50%. The market for privately held companies is not nearly as difficult as the publicly traded D&O market, although larger private companies are continuing to see double-digit increases.

WHAT WE HAVE SEEN

- Frequency of securities class actions has increased.
- Core filings have been on the rise since 2015.
 - Emerging plaintiff attorneys have entered the securities litigation arena, bringing what some have suggested are lower-quality cases and targeting smaller companies, including smaller market cap drops.
 - The shift from state court to federal court for merger objection cases has also contributed to the increase.

**Q1 2021 D&O Private Company
Rate Changes
Gallagher – U.S. Clients**



10.1%

median rate change
in Q1 2021*



- Event-driven securities claims have increased—cyber breaches, COVID-19, the #MeToo movement and others.
- The reasons we are in a difficult D&O market can be distilled to three main categories:

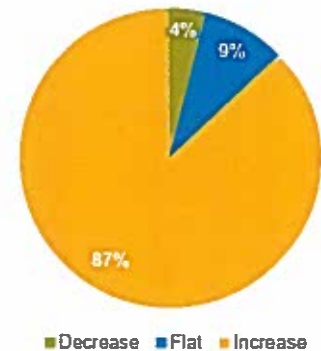
1. **Frequency**—As stated above, we've had many years of elevated claims frequency due to increases in both core filing and M&A filings. Looking forward, we may continue to see increased frequency. A record number of companies went public in 2020. According to Cornerstone Research, nearly 20% of IPO companies have a core filing made against them within four years of going public, and the median lag for a Section 11 or state 1933 Act claim is about nine months post-IPO.

2. **Severity**—While the average settlement in 2020 increased to \$54.5 million, it is only 15% higher than the prior nine-year average. Carriers are concerned about mega-settlements, which are D&O claims that settle for more than \$100 million. There is also quite a backlog of securities class actions that have not yet settled or been dismissed — over 500 in the pipeline. Regarding severity, the question will be whether the backlog will cost more per case than the ones we've seen thus far and what the aggregate cost to the industry will be given the large pipeline?

- Defense costs are going up dramatically. There are more attorneys on each claim these days, and their rates are going up sharply. One carrier said they are paying almost double the defense costs compared to seven years ago.

3. **Other Complications**—The Supreme Court's 2018 ruling in Cyan also had an instant impact on the hardening market. The court found that Section 11 claims could be brought in state court and can't be removed to federal court under the provisions of the Securities Litigation Uniform Standards Act (SLUSA). D&O pricing for IPOs increased dramatically, with many fearing that fewer cases would be dismissed, discovery costs would not be stayed in state court, and companies would face litigation in multiple states. Fortunately, last year the Delaware Supreme Court held in Sciabacucchi that federal forum selection clauses in company charters were facially valid. This was viewed as a big win for insureds, but the question remained: How would other states view the issue? Since then, California has also upheld their use. We are currently seeing the impact of these rulings, as Cornerstone Research has reported a sharp decline in state court 1933 filings.

Q1 2021 D&O Public Company
Rate Changes
Gallagher – U.S. Clients



20.5%
median rate change
in Q1 2021*

MAXIMIZING OUTCOMES

Beating the averages

- Start early (120 days out or even earlier), but anticipate delays in the quoting process.
- Communicate early and often with internal stakeholders.
- Develop relationships with underwriters—incumbent as well as alternatives.
- Showcase positive risk factors.
- Consider leveraging ancillary lines.

Possibly improved market conditions

- 2021's increase might be muted compared to 2020 because:
 - Most carriers have reduced their loss ratios significantly during the past two years.
 - Carriers may see further benefit from either reduced 2020 SCA claim frequency or sustained case dismissal rates above 50%.
 - New or rejuvenated capacity may enter the D&O marketplace throughout 2021.

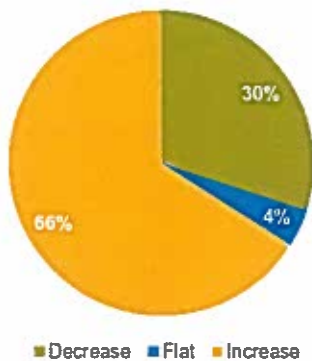
What to expect for the remainder of 2021 in order of carrier priority

- Capacity: Even though most cuts in capacity took place in 2019–2020, capacity will be reviewed intently.
- Excess attachment points: Expect upward movement.
- Retentions: Most retention increases took place in 2020; expect fewer increases in 2021 absent large growth in exposures.
- Premium: Price increases continue to take effect across the board and remain in the double digits.
- Terms and conditions: Tightening of ERP, Side A reinstatements, and reductions in derivative demand investigative costs are seen frequently.

Cyber

For the majority of its relatively short life, the cyber insurance market saw rapid expansion and nimbly evolved to meet changing cyber threats. Cyber insurance buyers enjoyed expanding coverage terms, plentiful capacity and flat to falling rates in a highly competitive marketplace. With the rise in ransomware attacks across the U.S. and increases in carrier-reported losses, the cyber insurance market hit an inflection point in 2020.

Q1 2021 Cyber Rate Changes Gallagher – U.S. Clients



12.6%

median rate change
in Q1 2021*

WHAT WE SAW IN 2020

- Carriers became pressured due to the increasing frequency and severity of cyber claims and a more stringent regulatory environment at the state, federal and international levels.
- We have moved from a long period of flat to falling cyber insurance premiums to a marketplace where underwriters are regularly seeking rate increases in an approximate range of 10% to 50% or more.
- We're seeing rate increases cut across most industry sectors, with larger companies subject to greater increases and increased underwriting scrutiny.
- 2020 began with the first real signs of a hardening market as the larger, more sophisticated risks in specific industry sectors became subject to greater underwriting scrutiny and ultimately increased premiums. In fact, even those clients with optimal data security controls were seeing rate increases in the 25%–50% range. Less attractive risks saw 100% and greater increases, if they were offered terms at all.

These trends continued and accelerated into the latter half of 2020, and continue to be even more challenging in 2021.

WHAT WE ARE SEEING NOW

- **Ransomware** attacks today usually involve six-figure extortion demands. Meet them or very sensitive information will get released to the world. Ransomware attacks are very high stakes, and this is the single most contributing factor to the hardening of the cyber market. Carriers are responding with higher rates, higher retentions and coinsurance requirements.
- **Phishing** is the fraudulent attempt to obtain sensitive information or data, such as usernames, passwords, credit card numbers or other sensitive details by impersonating a person or company to get access to that information.
- **Email intrusion/spear-phishing** targets specific people in an organization who have access to data that hackers want (e.g., HR director, finance employees, CEO).
- **Vendor risks** can be caused by an outsourced IT provider or HR consultant potentially exposing your data.
- **Supply chain risks** can result from an attack on a vendor or someone you have no direct connection to, but it could lead to a domino effect.
- **System failures** like a network going down for one reason or another, for example, may have consequences. Think about the structure of your system.
- **Business Interruptions** may come with significant costs. They can be five to 10 times more expensive than the ransomware demand.
- **Litigation** is constantly evolving and can come from anywhere.

WHAT WE ARE WATCHING

- We are in a hard market, seeing 10%–50% increases or more in certain sectors. Are we at the peak?
- Competition remains robust, but capacity is starting to shrink — what will carriers' appetite be?
- Ransomware attacks are attracting increased scrutiny.
 - Underwriting techniques are evolving, as is the use of vulnerability scans and technology.
 - An extensive set of questions from underwriters specific to controls in place to prevent and mitigate ransomware attacks, creating friction at renewal.

MAXIMIZING OUTCOMES

What steps can be taken to prevent a cyber attack?

- **Assess cyber risks.**
 - Vulnerability scans
 - Penetration testing by hackers for hire
 - Physical security controls
 - Leverage threat intelligence
 - Understand and prepare for insider threats
- **Review incident response plans.**
 - Roles and responsibilities
 - Interdisciplinary approach
- **Establish IT security policies.**
 - Data governance
 - Information security frameworks
 - Risk management
- Conduct a tabletop exercise to test your incident response plan.
- Train employees to recognize cyber attacks and escalate issues.
- Manage vendor subcontractor risk.

Cyber risk transfer: cyber insurance

- **Crisis management costs:** Leverages the cyber risk management ecosystem that the policy provides (i.e., breach coach attorneys, IT forensics investigators, credit monitoring firms, mailing and call centers, public relations experts, data asset restoration professionals)
- **Extortion costs:** Immediate access to Bitcoin and trained negotiators
- **Business interruption:** Lost income due to downtime
- **Data asset restoration:** Restores data that is damaged or destroyed
- **Third-party liability:** Coverage for lawsuits from regulators, business partners and affected individuals

Cyber coverage questions

- **Ransomware:** What are the latest applications, sublimits and coverage?
- **Remote workforce:** How is a computer system defined?
- **Supply chain:** What is your contingent business interruption coverage?
- **Wrongful data collection:** Is a breach required to trigger coverage?

Conclusion

A recent carrier partner used the phrase “the big five” to describe this marketplace; that is, the big five lines of insurance that are causing the most pain are auto, property, umbrella/ excess, D&O and cyber. These five lines of insurance will continue to challenge brokers and clients alike throughout the rest of 2021. But we are beginning to see improved underwriting results and additional capital entering the marketplace, which could lead to some potential moderation in the second half of 2021. We will not be returning to a flat marketplace anytime soon, but hopefully, we have reached or are near the peak for at least four of the “big five”: auto, property, umbrella/excess, and D&O. Unfortunately, we believe cyber is still in the early stages of a market correction.

Because of the highly nuanced nature of this market, it is imperative that you are working with an insurance broker who specializes in your particular industry or line of coverage. Gallagher has a vast network of specialists that understand your industry and business, along with the best solutions in the marketplace for your specific challenges.

* **Source:** Gallagher Drive US Client Data, Jan. 2021 – March 2021. The median is the value separating the higher half from the lower half data sample (or the middle value). Due to the variability that we’re seeing in this market and specific account characteristics, individual rates may vary.

Times Change. Ethics Don't.



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Gallagher at a glance

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- More than 850 offices in 56 countries and over \$6 billion in brokerage & risk management revenues.
- Client-service capabilities in more than 150 countries around the world through a global network of correspondent brokers and consultants.
- Founded in 1927, publicly traded since 1984.

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