COMPANY FOCUS:
ENVIRO RE provides analyses for captive owners, either as part of a feasibility study or a reserve study or a financial projection, the basic underlying actuarial principles are the same, regardless of the domicile. In many cases it starts with a basic question: Is it better to be offshore or onshore? Often, the answer is tax-driven, but it also may be influenced by a particular domicile catering to a particular type of captive.

WHAT'S CHANGING?
Companies are taking a hard look at all areas of their business where in the past they may have focused on a more common line such as workers’ compensation, general liability and auto liability. Employee benefits like group life and long-term disability are getting more and more attention, as is health insurance. Property insurance is also finding its way into more captives.

LEADING STRATEGY:
We expect our clients to provide us with historical claim information, aggregated by policy year and also on a claim-by-claim basis for large losses. We also expect some kind of measure of the size and breadth of the client: payroll, sales, property values, the number of vehicles insured. As actuaries we like to have as much data as possible, so 20 to 30 years is not uncommon to see in our reports.

WHAT'S NEXT?
Work-force reductions do tend to affect workers’ compensation claim counts, but not in a way that many might think. Claim frequency actually tends to decrease in a down economy. When the economy is humming, companies are hiring more people, often with limited experience. These people are more likely to be injured on the job, and more likely to be first to go when the economy contracts. Work-force reductions do tend to affect workers’ compensation claim counts, but not in a way that many might think.
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Freedom for All

John Merchant, director of network security, data privacy and technology risk for Freedom Specialty Insurance, said that for anyone in business, security is a top priority. The data that companies hold should be recognized as an extremely valuable asset. The following are excerpts from that interview.

“How big of an issue is network security?” Companies that don’t take network security seriously are very easy targets for a whole number of bad actors as well as good, old-fashioned human error. If compromised they could be susceptible to the loss of the consumer’s personal information, intellectual property, either theirs or business partners’, theft of funds which can be very damaging to small businesses and an interruption of their network, causing lost revenues. Organized crime, nation states, hackers, they’re all well aware of this, so keeping your network secure should be a top priority for just about any company regardless of the size of the industry they’re in.

“How are businesses addressing this?” For some industries there’s a bit of a lack of awareness and perhaps even an “it can’t happen to us” attitude. Many companies are often lulled into a false sense of security because they’ve got the latest security software installed. However, if the likes of the Department of Defense, large companies like Google and AT&T can suffer breaches, I’d argue most companies can suffer a breach. That being said, companies are starting to see the light. With the increased publicized data breaches the interest in network security and privacy insurance has increased dramatically in the past three or four years.

“Where do you see the market headed?” I see it growing. It’s an exposure that very few companies can avoid unless they go off the grid entirely. More insurance carriers are offering coverage in some form—be it third-party liability, first-party expenses or, more commonly, some combination of the two. That being said, there are definitely other factors beyond the good, old-fashioned loss of information, which I think will drive the market. I think the most important factors are on the legislative and regulatory front. I think more case law has to be established.

“What should agents know about all this?” I think the most important things that agents, brokers, front-line producers, anyone who’s got a client that could be purchasing insurance should understand is that this is not rocket science. This coverage is the protection of valuable assets. And these assets just happen to be in electronic form.

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