



**TUESDAY**  
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# DAILY NEWS

## NRRA, Networking & Education to Be Focus of New NAPSLO Prez

By Mark E. Ruquet

**R**obert Sargent, the incoming president of the National Association of Professional Surplus Lines Offices, is president, CEO and a founding partner of Tennant Risk Services. The firm, founded in 1987, specializes in employment-practices liability insurance, including cyber risk.

Sargent himself has over 25 years of experience dealing with professional liability, starting on the company side of the business in both actuarial and underwriting. He has also worked as a reinsurance broker.

He has a long association with NAPSLO, serving on the executive board and on carrier advisory boards. He served as NAPSLO's vice president the past year.

"This is a critically important

organization for specialty lines and wholesale distribution, and this organization has an outstanding history," says Sargent. "I am honored and privileged to be elected NAPSLO president for the coming year."

Reflecting on matters of urgency for the coming year of his leadership, Sargent says the No. 1 priority for the association and its

**"This is a critically important organization for specialty lines and wholesale distribution, and this organization has an outstanding history."**

*Robert Sargent, incoming NAPSLO president.*



members is the implementation of the Nonadmitted and Reinsurance Reform Act (NRRA). This is the

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## With Risks and Dangers Increasing, Cyber-Risk Coverage Poised for Explosive Growth

By Dave Lenokus

**T**he risk of suffering a cyber attack is expanding for businesses of all shapes and sizes—and the damages associated with a breach are getting costlier, with the losses easily reaching the multi-million-dollar level, even billions in rare cases.

As a result, many more insurers are now offering increasingly broader cyber-risk policies, driving up capacity.

Yet most companies outside of financial institutions and the healthcare industries are not covered for the myriad third-party liability and first-party property risks they assume when collecting, storing or otherwise using consumers' personal information, insur-



ance and cyber-risk experts say.

### IDENTIFYING THE DANGERS

"Underwriters realize that everyone is vulnerable" to a systems attack that could compromise their customers' or clients' personal-identification information—or their own or their business partners' intellectual property, observes

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## Incoming Prez Offers Praise for Outgoing Executive Director

When reached for an interview, Robert Sargent, the incoming president of the National Association of Professional Surplus Lines Offices, was most eager to discuss the work and legacy of the association's outgoing executive director.

"The president is president for a year, but what drives the organization is the staff and committee structure," Sargent says. "This organization has been led by [Executive Director] Dick Bouhan for 30 years. I've known him for many years, both personally and as the leader of this association and spokesperson for the wholesale distribution and specialty-lines business.

"He has been a leading light of this business for as long as I can remember. Much of what this association has accomplished has been through his leadership, which

has brought immense value to this organization.

"We will miss him, but hopefully we will be calling on him from time to time for his vast knowledge and experience," says Sargent.

And of Bouhan's replacement, Brady R. Kelley, Sargent says: "He brings a very enthusiastic perspective to the leadership of this association. He has been here a short time, and he has already dug into the important work of the association."

Sargent calls the transition in the executive leadership "critically important" to continue the strong work of the long time staff and the more than 100 volunteers that run the association's committees and "make us go."

Sargent says "It's not about me; it's about the association."

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issue that is "front and center" of concern to NAPSLO members.

"[Implementing NRRRA] is taking up a lot of resources, but it is progressing," says Sargent. "It has been a long time coming, and it will ultimately have a big impact on surplus lines."

### NETWORKING, NEXT GEN & EDUCATION

Networking opportunities, too, remain an important part of the association's mission, Sargent says—a membership benefit, he adds, that sometimes people lose sight of. This year's meeting—case in point—will be another opportunity for underwriters and brokers to meet, network and trade ideas.

Education is another area he sees where members can find value in their association with NAPSLO.

The programs continue to grow with three schools: the E&S school, the advanced school and the leadership school. In addition there is an internship and continuing-education program.

There are also scholarships and other programs aimed at underscoring the importance the association and its members are placing on education.

"It is another critically important component and value to members," says Sargent.

Another important effort that NAPSLO will continue to pursue is engaging the next generation of surplus-lines professionals—bringing younger people into the organization and developing their expertise and skills.

The Next Generation program, an increasingly important component of NAPSLO, has reached a critical mass where it is attracting growing numbers of young professionals interested in learning more about the profession, says Sargent.

The effort will continue to attract people who might not otherwise be interested in a career in insurance, much less surplus lines, and bring them into the business.

What he would like to see more members do is participate in committees and in ongoing NAPSLO events. He also emphasizes that members should be taking advantage of the educational opportunities available to them.

"I think participation would be the biggest thing I would like to see for the coming year," says Sargent.

Summing up, Sargent says he will be focused as president on "increasing the value [of the association] to our members." ■

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Kevin Kalinich, a Chicago-based managing director with the Financial Services Group at Aon Risk Solutions, a unit of Aon Corp.

"So now they're looking at how prepared you are for a loss," Kalinich says.

The three main dangers for officials at companies that handle customers' personal-identification information are 1) treating the cyber threat too lightly; 2) assuming the organization is better protected than it is; and 3) underestimating the potential financial impact of a loss, says Larry Collins, the New York-based head of E-Solutions for Zurich Services Corp., the risk-management arm of Zurich Financial Services Group.

And while financial institutions and healthcare companies are high-value targets because of the type and amount of personal information they collect and store, cyber criminals aren't fussy, says Shane Sims, a director in the forensics practice at consultant PricewaterhouseCoopers LLP in Washington, D.C.

"Every industry is a target," he says. "This is going on a million times a day."

Broker Peter Foster, an executive vice president at Willis Group in Boston, agrees, saying he "would be remiss" if he suggested that any company was not at risk.

### WHO'S AT RISK— AND WHO'S NOT COVERED

And the threat is only growing worse, with companies facing multiple layers of criminal activity, according to experts.

An early generation of problems were so-called script kiddies, or youthful hackers only modestly capable of threatening a computer system, Zurich's Collins said. Their prime motivation was "the thrill of getting in."

Twenty years ago, the big risk was from foreign intelligence agencies—"real spy game stuff," says Sims of PricewaterhouseCoopers.

Organized crime also jumped

in, stealing payment-card information, Sims notes.

Financial-services companies were the prime focus early on and continue to be popular targets, Sims adds. But today, "nobody is immune," he says.

Currently, oil and gas companies and their service providers—including their attorneys, investment bankers and technology providers—are key targets, Sims says. The targets appear to be victims of state-sponsored economic espionage, he says. "So it's going back to the old spy game."



"It's real chilling," Collins adds.

But the level of interest in cyber coverage varies widely by industry, with a large percentage of financial institutions buying the coverage, followed by healthcare companies. The level of interest drops off considerably among companies in other sectors.

Kalinich estimates that, among Aon's clients, 75 percent of financial institutions and around half of healthcare companies will be purchasing the coverage by year-end 2011.

Still, among those groups, "you'd be surprised who doesn't have the insurance," Willis' Foster observes.

Among companies of various sizes in all other industries, only about 42 percent purchase the coverage, Kalinich says. And even that minority figure reflects a dramatic increase in buyers: The number of buyers has tripled since 2007.

Foster notes that manufacturers comprise the group that resists buying the coverage the most, since they manage little, if any, customer personal-identification information. He says few manufacturers, however, appreciate the supply-chain business-interruption

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