

State of Insurance

A ROUNDTABLE DISCUSSION



DAVID POMS
Founder and CEO
Poms & Associates



Founded in 1991 by Dave Poms, Calabasas-based Poms & Associates emerged in response to the insurance industry's growing need for innovative problem-solving and forward-thinking risk management strategies. For over 30 years, the company has grown strategically, establishing branch offices in key locations to better serve its clients.

Throughout its journey, Poms & Associates has remained steadfast in its commitment to guiding clients through an informed and comprehensive purchasing process. The company's focus on custom-tailored solutions and a dedication to delivering exceptional customer service has fostered long-lasting, productive relationships with clients. Every Poms broker is unwavering in their commitment to prioritizing clients' best interests—a hallmark of the Poms & Associates difference.



JONATHAN SCHRETER
Executive Vice President
IMA Financial Group



IMA is a trusted leader in commercial insurance, risk management, surety, retirement, and employee benefits. IMA's team of knowledgeable and experienced professionals work tirelessly to develop customized solutions that meet the unique needs of each of its clients.

The IMA team understands that organizations face a wide range of risks and challenges, from property damage and liability claims to employee benefits and cyber threats. That's why IMA offers a comprehensive suite of services that can be tailored to each client's specific needs, including risk assessments, insurance placement, claims management and employee benefits consulting. IMA's goal is to help clients mitigate risk and achieve long-term success.



DANONE SIMPSON
CEO, Montage Insurance Solutions
Chairwoman, Simplicity Insurance Solutions



Montage Insurance Solutions is a distinguished full-service commercial insurance brokerage firm managing employee benefits and property & casualty for the mid-sized to larger employer. Montage is a third-party administrator, committed to delivering unparalleled protection and service through COBRA and Benefits Administration.

Montage has adopted the ethos of, "protecting you, like family," underpinning its dedication to empower and safeguard clients with integrity, service and unwavering dedication. The Montage culture resonates in its approach to treating each client as family, ensuring smart, cost-effective insurance solutions that endure year after year. As a leader in insurance solutions, Montage extends its expertise throughout Southern California and beyond.

STATE OF INSURANCE

Be it health care coverage for employees, workers comp policies, or the various business insurance coverages, each business has different needs and they are not simple. With the unique and uncharted scenarios that we faced over the last few years, business owners, C-suite professionals and investors have realized – perhaps more than ever before – the importance of having the right insurance policies and the right trusted advisors to help manage them, as they navigate the various forms of insurance they need.

In this special section, we turn to the expertise of some of the leading business insurance thought leaders in the region to gain insight and perspective on the state of insurance today and what businesses need to know.

Here are a series of questions the Los Angeles Business Journal posed to these experts and the unique responses they provided – offering a glimpse into the state of insurance in 2024 – from the perspectives of those in the trenches of our region today.

What are the most significant new insurance trends taking effect that could be impactful to businesses?

SIMPSON: In Southern California, the trend in employee benefits shows that HMOs are increasingly aligning costs with PPOs, leading to a rise in level funding and self-insurance options. Providers are facing mounting operational costs due to shifts in care delivery caused by COVID, investments in AI technology and the need to attract patients. Meanwhile, carriers have faced challenges from government compliance, including Covered California and Medi-Cal enrollments.



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Significant reductions in Large Group Departments occurred as California maintained the threshold at 100+ employees. The upcoming Medi-Cal expansion will cover individuals aged 26–49, regardless of immigration status, and its impact remains uncertain. Large employers are struggling to manage the costs associated with significant medical conditions, alongside anticipated Workers' Compensation rate increases of up to 11% in 2024 due to inflation, rising wages and increased living costs, all of which affect Temporary Total Disability (TTD). Effective claims management is crucial for controlling employers' Ex-Mod for cost savings.

What should businesses look for when choosing an insurance broker or agent?

POMS: When choosing an insurance broker or agent, businesses should look for the following qualities: (a) *Expertise and Specialization:* The broker should have a deep understanding of the specific industry and the associated risks. (b) *Comprehensive Services:* A good broker offers a full suite of services, including risk assessment, policy negotiation and ongoing support to ensure the business's needs are met. (c) *Strong Relationships with Insurers:* The broker should have strong connections with a wide range of insurance providers to offer competitive and comprehensive coverage options. (d) *Transparency and Trustworthiness:* The broker should be transparent about fees, coverage options and any potential conflicts of interest, providing clear and honest advice. (e) *Proactive Guidance:* Look for a broker who actively stays informed about legislative changes and market trends, offering proactive advice to help the business navigate the complex world of insurance.

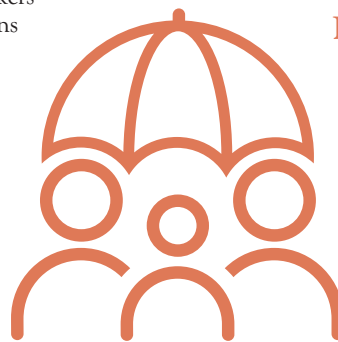


Business owners should be able to depend on their insurance brokers for valuable insights into strategies and operations that allow that business to evaluate its risks and mitigate them proactively.'

-JONATHAN SCHRETER

SCHRETER: The success of a professional golfer is dependent on the caddy who carries the clubs. A good loopier knows the layout of the course and can advise as to the risks and rewards of the golfer's next shot. Likewise, business owners should be able to depend on their insurance brokers for valuable insights into strategies and operations that allow that business to evaluate its risks and mitigate them proactively. Choose a broker that demonstrates a deep understanding of your business, and can provide the tools, resources, and carrier relationships to support the risks you have to address properly.

SIMPSON: A broker earns their compensation through commissions or fees to manage your account. To start, it's important to understand your current payment structure and consider any prospective broker's commissions or fees if you decide to make a change. Next, identify the services you expect across various lines of insurance. These may include: (a) *Workers' Compensation* - It's crucial for a broker to provide assistance with claims management, Ex-Mod projections, and marketing efforts to ensure comprehensive coverage and support. (b) *Loss Control* - Effective loss control is essential for managing safety across all industries. A broker should help implement strategies to mitigate risks. (c) *Property and Casualty* - A broker must



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have a thorough understanding of existing coverages. They should conduct a walkthrough of your company to assess assets and liabilities, and work with your CFO to review the Business Income (BI) worksheet. If a BI worksheet is not available, the broker's team should assist in creating one. (d) *Employee Benefits* - This area functions similarly; brokers should evaluate the current benefits, survey employees, and identify the best plans at competitive pricing. Continuous support for HRIS integration, COBRA administration, and claims management is also vital throughout the year. By clearly defining your expectations in these areas, you can ensure you receive the comprehensive support you need from your broker.



How does the employee health insurance landscape differ in California compared to other states, or is there a difference?

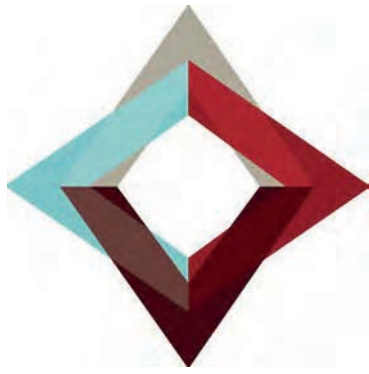
POMS: Not just in California but across the country, the legislative and regulatory environment for the insurance industry is always shifting. But California is widely regarded as particularly complex, with many first-in-the-nation legislations originating here. One notable difference specific to the employee health insurance landscape in California compared to other states is the impact of state-specific legislative changes, such as SB 525, which increases the minimum wage for healthcare workers. These regulatory changes add to the expense burdens on employers in California, potentially driving up the cost of providing health benefits more than in other states. Additionally, California's focus on equitable access to healthcare and strict regulations may lead to different insurance coverage requirements and cost structures compared to other states.

How is AI affecting the insurance industry and in what ways?

SCHRETER: The rise of artificial intelligence platforms has allowed insurance companies to mine large swaths of data, making it easier to assess risk more precisely and generate more personalized underwriting decisions. As with any tool like this, the key is to ask the right questions, backed by strong critical thinking, to generate an effective analysis. Brokerages that are investing in supporting their clients with those resources and insights will be in high demand moving forward.

How can businesses ensure they are not underinsured or overinsured?

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"Whether in times of prosperity or uncertainty, Montage is here to support you and your employees as though they are our family.

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SIMPSON: Conducting a policy review is crucial, yet many employers simply renew their policies without fully understanding their coverage. It's essential to avoid being overinsured or underinsured. Clear policies and robust loss control in Property & Casualty are vital for effective claims management. Recently, we encountered a company that was significantly underinsured, yet they continued to renew their policy without any adjustments. By accessing data from our software that pulls data from various government agencies, we estimated the values of their assets, allowing us to help them strategically increase their limits and better understand their evolving risks. I have spoken with CFOs who didn't even have copies of their policies and were part of a program that was severely underfunded, sharing costs with a growing pool of other entities. By providing tailored limits and working directly with carriers, we were able to save this organization over \$100,000.



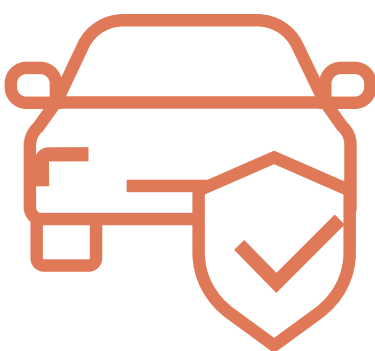
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What benefits are most important to employees in 2024?

POMS: In our recently-released "2024 Employee Benefits State of the Market" report, our dedicated benefits leaders identified the increased popularity of holistic wellness programs, personalized and customizable benefits, and technology integration. Employees are looking for benefits that address not just their physical health but also their mental well-being, financial stability and work-life balance. Just as is true in every other realm of consumer decision making in 2024, personalization is key, as employees demand more flexible options that can be tailored to their own unique needs. The integration of technology to streamline benefits administration, communication, and data is becoming increasingly important for enhancing the overall employee experience. Companies that offer comprehensive and attractive benefits solutions see better employee retention and a healthier overall work culture. Especially post-COVID, wellness is a priority to employees and employers—maybe more so than ever.

SIMPSON: Employers are increasingly interested in childcare solutions to support working parents and those in the sandwich generation caring for dependent parents. Companies like KinderCare and Upwards offer licensed caregivers who can assist with both emergency and planned caregiving needs. Additionally, the popularity of pet insurance is on the rise, given the substantial veterinary



costs associated with our beloved pets. Just like children, pet owners are often willing to spend whatever it takes to ensure the health and well-being of their pets, making pet insurance a valuable offering, either employer-paid or voluntary. Also, discount programs such as Great Work Perks and Access Perks provide specialized lifestyle plans that support employees when they face financial challenges or need resources for personal care, like gym memberships. These programs allow employees to contribute funds to assist colleagues experiencing life crises, fostering a supportive community within the workplace.



What are the key factors that influence the cost of business insurance premiums?

SCHRETER: I fight a daily battle against a little lizard that promises fifteen minutes could save you 15% or more on your insurance. While that's a good advertising slogan, it's just not the reality of the insurance marketplace today. Insurance premiums are driven by two factors: how likely is the loss and how severe is the loss going to be? The more likely and the more severe, the more expensive the premium will be. It becomes incumbent on businesses to spend time thinking about their company's risks and proactively addressing them to mitigate the chance of loss in the first place. This is the primary way to control insurance costs for the foreseeable future.

SIMPSON: Increasing incidents of fires, tornadoes and floods are driving up costs associated with climate-related disasters, impacting homeowners and businesses near fire zones. The resulting billions in fire damage have created a challenging environment, forcing carriers to raise premiums and reduce coverage limits, particularly in litigious sectors. Claims related to Employment Practices Liability Insurance, Educators Risk, and other liability insurance types lead to significant increases in premiums and deductibles. Effectively managing risks and claims is crucial for businesses navigating this landscape. California's litigious environment is pushing some companies to relocate. Partnering with an insurance broker who can guide you through the complexities of risks and coverage options is invaluable. For example, we assisted one company in saving over \$650,000 in employee benefits over two years by transitioning its employees to Texas, shifting to EPOs and a MERP plan, which ultimately set the stage for self-funding as their workforce expanded from 250 to 1,000 employees.

How should businesses assess their insurance needs in the current economic climate?

SCHRETER: Whether a business is planning for growth or a recession, insurance needs should be assessed through



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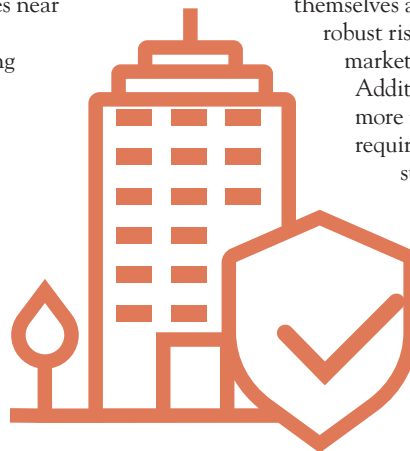
a lens of risk tolerance. Higher deductibles or reduced coverage could help lower insurance premiums – at the cost of increasing your risk profile. Ask your insurance broker for benchmarking data on industry insurance standards. It's a great way to see what the competition is doing and how your business might turn its portfolio into a competitive advantage.



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POMS: Working closely with a knowledgeable broker is essential. Brokers with experience in hard markets can offer invaluable insights and assist in identifying potential coverage gaps. They can also help businesses present themselves as "quality risks" by demonstrating robust risk control measures, which is critical in a market where insurers are increasingly selective. Additionally, businesses should prepare for more rigorous underwriting scrutiny, which may require providing additional documentation, such as loss history, risk management strategies and financial statements. Starting the renewal process early—ideally three to six months before the policy expiration date—is crucial to allow sufficient time for negotiations and adjustments. Moreover, businesses should consider the impact of external factors, such as inflation, supply chain disruptions, and geographical risks, on their insurance needs. By taking these steps, businesses can better navigate the current hard market, mitigate premium increases, and position themselves for more favorable terms when market conditions stabilize.



What are the benefits and drawbacks of self-insurance for businesses?

SIMPSON: We are witnessing growing interest among employers in partially self-insured plans, particularly Level Funding plans where the carrier assesses costs and bills as if it were a fully insured plan, but the savings generated remain with the employer. At the end of the year, employers may qualify for a potential surplus refund that can be applied to the following year's premium. Self-insurance provides employers with insight into their claims experience—focusing on the types of claims rather than the individuals making them. This allows for targeted disease management through wellness programs and offers employees greater flexibility in choosing providers compared to traditional Health Maintenance Organization (HMO) plans. In Administrative Services Only (ASO) plans, high claims can be financially burdensome, making stop-loss coverage essential. This coverage protects the employer if an individual's claims surpass a predetermined deductible. Additionally, an aggregate deductible establishes a ceiling on the total claims costs the employer would incur over the course of an entire year.

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KNOWLEDGE IS THE BEST INSURANCE.

-DAVID A. POMS, FOUNDER OF POMS & ASSOCIATES

By serving as not just an insurance broker, but also an educator, Poms helps organizations adopt risk-management protocols that are efficient, proactive, comprehensive and self-administering. Find out more at pomsassoc.com.



PROPERTY &
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EMPLOYEE
BENEFITS



RISK
MANAGEMENT



CLAIMS
MANAGEMENT



POMS

RISK CONTROL
& INSURANCE
SMARTER INSURANCE
FOR SMARTER BUSINESS.

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What steps should businesses take to prepare for natural disasters in terms of insurance coverage?

POMS: Californians are well aware of the power of natural disasters to disrupt our lives, livelihood and work. Understanding how to prepare for these events and minimize the toll they can take on businesses and individuals is the real science behind insurance. Preparing for catastrophic weather events, wildfires and other natural disasters requires companies and individuals to think about two core approaches: securing comprehensive insurance (to respond in the event of a claim) and participating in risk management practices (to proactively prevent or reduce the frequency and severity of claims). As both a leading insurance broker and risk management firm, Poms & Associates brings together insurance and risk management strategies so that our clients are prepared ahead of and able to make themselves whole again after a disaster. We work with some of the best insurance companies in the country and the world to help our clients secure insurance coverage for their property, business interruption, liability, worker's compensation, and other needs. Simultaneously our team of risk management professionals offer risk assessments, custom-tailored trainings, safety protocol guidance, and other services to evaluate clients' susceptibility to claims in these events. This allows us to help reduce or eliminate some of the damage and loss that can occur. Lower claims frequency and severity helps keep insurance premiums lower for everyone.



How can businesses effectively manage and reduce their operational risks?

SCHRETER: A comprehensive enterprise risk management (ERM) process is the most effective way for businesses to manage and reduce operational risks. Start by building a committee of stakeholders throughout the company, from entry-level employees to board members. Include trusted advisors like lawyers, accountants, and insurance brokers, and charge them with identifying and evaluating risks throughout all areas of the company. Focus on those risks that are most likely to occur and could have the greatest impact on the company, then build a system that allows for transparency and accountability to address those risks. And then each year, wash, rinse and repeat. You'll be a better business just by making the effort.

POMS: Businesses can effectively manage and reduce operational risks by implementing a few key strategies: (a) *Proactive Risk Assessment:* Regularly assess and identify potential risks across all areas of the business, including financial, operational, legal, and technological risks. (b) *Comprehensive Insurance Coverage:* Ensure they have adequate insurance coverage tailored to their specific risks, including general liability, professional liability, and property insurance. (c) *Risk Mitigation Strategies:* Develop and enforce strong internal controls, safety protocols, and employee training programs to minimize the likelihood of risks occurring. (d) *Technology Integration:* Leverage technology for

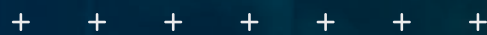


risk management, such as automated monitoring systems for early detection of issues, data analytics for predicting risks, and cybersecurity measures to protect against data breaches.

When should a company consider international business insurance?

SIMPSON: As businesses expand overseas, it's essential to consider various factors regarding insurance coverage. Many countries have different healthcare systems, prompting the need for specific policies designed to protect expatriates living abroad. These policies typically include medical, dental, life coverage and long-term disability, which are vital for expats. For shorter trips, travel insurance policies can provide emergency coverage, ensuring protection during unexpected situations. Foreign Voluntary Workers' Compensation (FVWC) offers coverage for employees working outside their home country, including lost wages and medical expenses for treatment at embassy health units or medical facilities abroad. Fortunately, these policies tend to be relatively affordable. Additionally, kidnap and ransom insurance is crucial for salespeople, executives and others who frequently travel to high-risk countries. Schools that organize international trips for students also need to consider comprehensive coverage, including accident plans, kidnap and ransom insurance, and FVWC for teachers and chaperones accompanying students. Such coverage helps ensure safety and peace of mind during these international experiences.

Navigate the future with an insurance broker who is on your side, protecting assets and foreseeing challenges. So when the future arrives, you'll be ready.



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