Insurance Insights

by Ken Fuirst and Jason Schiciano
Levitt-Fuirst Associates

How Insurance Company Mergers Have Affected the Building and Realty Institute's (BRI's) Membership

TARRYTOWN

Do you remember an insurance company named St. Paul? What about one named Royal & Sun Alliance? Or USF&G? What happened to Tower Insurance Co.?

Harleysville Insurance is still around, but it's not the same as before. Fireman's Fund still sells insurance, but not personal insurance. Is Philadelphia in Pennsylvania or Tokio? Good old Chubb still sells insurance, but it has a new owner. What do these insurance companies have in common? In simple terms, they were all merged into, or acquired by, other insurance carriers.

Many Building and Realty Institute (BRI) members have their personal insurance (home, auto, valuable articles, umbrella) with Chubb. But, as most people know by now, Chubb is no longer Chubb. Chubb is ACE. Fireman's Fund, a long-time competitor of Chubb in high-end personal insurance, is also ACE! Sound confusing?

More importantly, how do insurance carrier mergers and acquisitions affect policyholders, including BRI members? Before we answer that question, here are some details of what happened to the insurance companies noted above:

INSURANCE COMPANY	WHAT HAPPENED TO IT?
Fireman's Fund	Acquired by Allianz in 1991
Aetna	Property/Casualty business purchased by Travelers in 1996
USF&G	Purchased by St. Paul in 1998
Royal & SunAlliance	Policy renewal rights purchased by Travelers in 2003
St. Paul Insurance	Merged with Travelers in 2004
Philadelphia	Acquired by Tokio Marine in 2008
Harleysville	Merged-with/Acquired-by Nationwide in 2012
Tower	Merged-with/Acquired-by AmTrust in 2014
Fireman's Fund Personal Lines	Acquired (from Allianz) by ACE in 2014
Chubb	Acquired by ACE in 2015

The insurance industry certainly has had its share of mergers and acquisitions over the past few decades, including some of the biggest and/or most notable mergers/acquisitions of their day. The 2004 St. Paul/Travelers merger was a $16 billion deal that rocked the insurance world at the time. When ACE announced a $28 billion acquisition of Chubb in 2015, many thought the press had mixed up the headline. Surely Chubb - perhaps the most famous, long-standing name in the insurance business - had been the acquirer, and not the acquired!

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From the Editor's Desk

Hanley's Highlights

by Jeff Hanley
Associate Director, Building and Realty Institute (BRI), *Impact* Editor

A Special 'Keepsake' to Help Industry Members Remember a 'Sensational 70th' for the BI-BRI

ARMONK

Most members of The Builders Institute (BI)/Building and Realty Institute (BRI) will remember 2016 as an outstanding time.

The year-long commemoration of the 70th anniversary of the formation of our association - which included a series of special Membership Meetings, programs and social events - was the highlight of an unforgettable year for our organization.

Members of the BI-BRI wishing to recall some of those programs can do so by reviewing a unique Photo Montage in the center spread of this issue. The section summarizes the 2016 programs, their tributes to our organization's 70th anniversary and the key issues of importance to the building, realty and construction industry that were covered at the meetings.

BI-BRI members attended more than 65 events as part of our organization's "Sensational 70th Celebration." Our members, as well as the readers of IMPACT, now have a 'keepsake' of a memorable year for our organization through the special section. Our staff urges you to read the report. It is well-worth a review.

Other reports of interest in this issue include:

- A Page One Commentary on the plans of President Trump regarding the Infrastructure needs of the U.S. The report was written by Albert Annunziata, the publisher of Impact.
- An analysis in Insurance Insights on a series of mergers in the insurance industry and their effects on members of the building, realty and construction industry. The piece was written by Jason Schiciano and Ken Fuirst of Levitt-Fuirst Associates, insurance manager for the BI-BRI.
- A Page One report on the recent death of Stuart R. Shamberg, an iconic and well-respected attorney. Shamberg was regarded as "a giant" by many in the building, realty and construction industry.
- The debut of "Presidential Perspectives." Carmelo Milio, president of the BI-BRI, authored the report. The column will now be a regular feature in IMPACT.
- An analysis in Counsels' Corner on the "Altman Case," a scenario of importance to members of The Apartment Owners Advisory Council (AOAC) of our organization. The commentary was written by Finger and Finger, A Professional Corporation. The firm serves as Chief Counsel to the BI-BRI.
- A review in Co-op and Condo Corner of the successful accomplishments in 2016 of The Cooperative and Condominium Advisory Council (CCAC) of the BI-BRI. Diana Virrill, chair of the CCAC, authored the report.
- A look back at key membership developments and programs that affected the members of the BI-BRI in 2016. Maggie Collins, director of membership for our association, wrote the review.

Here's wishing all of our members - as well as all of our readers – a Happy and Healthy New Year!

Co-op and Condo Corner

By Diana Virrill, Chair
The Cooperative and Condominium Advisory Council (CCAC)

A Review of an Impressive "Numbers Game!"

WHITE PLAINS

Numbers, very often, tell a big part of a story.

That phrase is most definitely accurate when summarizing the recent Membership Meetings of The Cooperative and Condominium Advisory Council (CCAC) of Westchester and The Mid-Hudson Region.

The CCAC, which represents more than 400 co-ops and condos in our region, recorded some impressive attendance figures at its Membership Meetings in 2016.

Here is a look at those attendance numbers:

- ✦ Wednesday, January 20, 2016, "An Insurance Check Up For Boards!" – 74 members;
- ✦ Wednesday, March 16, 2016, "Enforcing Your House Rules: How to Deal with the Associated Challenges and the Enforcement of Fines!" - 90 Members;
- ✦ Tuesday, June 14, 2016, "Major Capital Improvements – The Ramifications of Needed Work!" - 76 Members;
- ✦ Wednesday, October 5, 2016, "A Complete Review of Disaster Preparedness Procedures for Multi-Family Buildings and Complexes" - 56 Members;
- ✦ Thursday, November 9, 2016, "Apartment Alterations – What Is Required For All Parties?" – 45 members.

The numbers associated with our Membership Meetings for 2016 bring a great level of satisfaction to the Board of Directors of the CCAC, as well as its staff.

Jeff Hanley, the associate executive director of the CCAC and its affiliate organization, The Building and Realty Institute of Westchester and The Mid-Hudson Region (BRI), often tells members of the CCAC's Board of Directors that the attendance figures at the CCAC's Membership Meetings impress representatives of other membership associations in our region.

That, of course, is extremely nice to hear. A primary function of the CCAC is to educate and advise Boards of Directors of local co-ops and condos on the many issues that they face in the daily operations of their respective buildings and complexes.

Messages of Thanks

Accordingly, I would like to take this opportunity to thank the Board of Directors of the CCAC for its coordination efforts in producing the topics for our 2016 Membership Meetings. The board - and its consultants - most definitely did a superb job. Many thanks to the Directors of the CCAC:

*Jane Curtis and Angelo Ponzi, Vice Chairs;

*Clementine Carbo, Carol Carney, Peg Conover, Dori Engley, Kathleen Jensen-Graham, Pat Kinsey, Sondra Laskay, Michele Lavarde, Cesare Manfredi, Joe McCarthy, Monica Picarelli, Members of our Board of Directors;

*Daniel Finger, Esq. (of Finger and Finger, A Professional Corporation, chief counsel to the CCAC/BRI), and Jason Schiciano (co-president of Levitt-Fuirst Associates, insurance manager for the CCAC/BRI), consultants involved in the planning of our Membership Meetings.

One additional note of thanks goes to all of the panel members who issued such outstanding presentations at our Membership Meetings. You all know who you are. Please know that we totally appreciate your efforts.

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Buyers Are Now Willing to Trade Square Footage for Amenities, Building & Realty Industry Report Shows

By Jeff Hanley, IMPACT Editor

WASHINGTON, D.C.

The average size of newly built homes decreased in 2016, a sign that the home building industry is preparing for the coming wave of first-time buyers as Millennials begin to dip their toes into the market.

Those findings were in a building and realty industry report from The National Association of Home Builders (NAHB) that was released on Jan. 12, association officials said.

In 2015, the typical new home had 2,689 square feet. In 2016, it dropped to 2,634, according to figures supplied by the U.S. Census Bureau and contained in the NAHB report. The figure represents the first drop in size since 2009, according to Rose Quint, NAHB's assistant vice president for survey research.

"The data on new home characteristics show a pattern," she said in the study. "2016 marked the end of an era that began in 2009, when homes got bigger and bigger with more amenities. I expect the size of homes to continue to decline, as the demand (for amenities) increases from first-time buyers."

Specifics

The NAHB report said that those homes must include specific amenities. A separate laundry room tops the list of must-haves across all income groups. Energy-efficient features, like low-E windows, Energy Star-rated appliances, ceiling fans and programmable thermostats, are also at the top of buyers' wish lists. Home buyers also want their homes to have a patio, exterior lighting and a full bath on the main level, the NAHB report added.

Some features not as popular among buyers in 2017 will include cork flooring and solar and geothermal energy, as well as features such as pet-washing stations, outdoor kitchens and sunrooms, the NAHB study said.

"Builders are not going to include them in the average home," Quint said.

Preferences

A majority of home buyers say they would prefer a new home to an existing home, the NAHB report said. A total of 65 percent of those home buyers want that home to be in the suburbs. Size preference goes up as income goes up, with buyers in the $150,000-plus income bracket preferring homes around 2,500 square feet. But no matter what the income, buyers overwhelmingly prefer a smaller house with more features and amenities over sheer size, the NAHB study added.

"More than two-thirds are willing to trade size for high-quality products and features," Quint said.

The NAHB report said that new research from Better Homes and Gardens targets a subset of these home owners – "First Millennials," those between the ages of 22-to-39 who are living in their first home.

Those first-time home buyers generally purchase older housing stock in need of fixing up, said Better Homes and Gardens Executive Editor Jill Waage in the NAHB study.

The trend means that "88 percent of them are very interested in learning about home improvement and repair," she stressed in the NAHB report.

Added Waage: "They don't want to spend too much money, and they are willing to wait for high-quality products and finishes until their next home. They're scarred, from the recent economic downturn, but they aren't scared."

The NAHB report added that, surrounded by a culture that watches home improvement reality shows and how-to videos on social media - and remembering their parents' experiences in the Great Recession – "First Millennials" overwhelmingly prefer do-it-yourself projects, according to Waage, even if they ultimately have to turn it over to a professional to complete.

"Amenities for outside living continue to be popular and increasingly include 'she sheds,' stand-alone buildings from a kit or built onsite to be used for outdoor entertaining, crafting, reading or just to get away," Waage said. "Seventy-five percent of Millennials want relaxing outdoor spaces, and vegetable gardens, and fences and decks top their list of projects."

But, the NAHB study said, it's all about value, as the "Millennials Group" thinks ahead to building equity to enable them to purchase their next home.

"And when that happens, they aren't looking for oversized master suites or over-the-top finishes - they want mud rooms, that important separate laundry room, and plenty of gathering space," Waage said. "This generation likes being together. They don't want to be separate."

The NAHB study was sponsored by Reverse Mortgage Funding (RMF), a company interested in serving the needs of baby boomers as they consider what they want in their homes, NAHB officials said.

"We are excited by the conclusions outlined in the research and believe the patterns uncovered will benefit our company and the entire real estate industry," said Rob Cooper, RMF's national director for its Builder/Realtor Home Equity Conversion Mortgage for Purchase Program.

A Local Look

Gus Boniello, a former president of The Builders Institute (BI)/Building and Realty Institute (BRI) of Westchester and The Mid-Hudson Region and a current member of the organization's Board of Trustees, said the NAHB report was on target.

"Our industry, in recent years, has seen a series of changes, and the findings of the NAHB study illustrate a definite series of current changes and trends," said Boniello, a senior partner with Boniello Development of Katonah. "The results of the study are accurate."

How Insurance Company Mergers Have Affected the Building and Realty Institute's (BRI's) Membership,

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Nope! ACE now owns Chubb, and wisely has decided to use the venerable, pristine "Chubb" name for all operations of the combined company.

The Combination

So what happens when two insurance companies combine into one? Usually, a reduction of competition is bad news for the consumer, but not always. Here's an opinion of how a few of these mergers/acquisitions have affected BRI members:

ST. PAUL/TRAVELERS MERGER (2004)

This merger created the second-largest insurance carrier at the time (second only to AIG). BRI members may have had their homes, autos, buildings, and/or businesses insured by either St. Paul or Travelers, so this deal effectively eliminated a competitive option for both personal and commercial insurance. On the positive side, the combined company - now known as The Travelers Companies - experienced incredible growth, and now offers consumers many more insurance products, and insures a wider variety of industries. BRI member companies now rely on Travelers as a leading provider for construction contractors insurance, construction bonding, and condo/co-op/apartment/Home Owners Association (HOA) insurance (including Package, Directors and Officers (D&O), and Crime policies).

TOKIO MARINE ACQUIRES PHILADELPHIA INSURANCE (2008)

Condominiums, cooperatives, and HOA's had cause for concern when Tokio Marine, Japan's largest insurance company, acquired Philadelphia Insurance Companies for $4.7 billion in 2008. In the years leading-up to the acquisition, Philadelphia had earned a significant share of the habitational real estate market by providing broad coverages at reasonable (and sometimes ultra-competitive) premiums. Perhaps Philadelphia was consciously writing policies at low premiums, to just build-up its worth, ahead of being acquired; or perhaps the new owners didn't like the prospects for the habitational real estate book of business. Whatever the cause, following Tokio's acquisition, Philadelphia rapidly tightened its underwriting standards, and increased pricing.

While Philadelphia is still a significant player in the New York habitational real estate market, insuring many BRI-member condos, co-ops, and HOAs, it is no longer the "hot ticket" carrier it was, prior to being acquired by Tokio Marine.

NATIONWIDE ACQUIRES HARLEYSVILLE (2012)

This is a somewhat similar story to Tokio/Philadelphia. Prior to being acquired by Nationwide, Harleysville was a major regional insurance carrier, insuring a wide variety of BRI members, including condos, co-ops, HOA's, apartments and commercial buildings. Perhaps most importantly, Harleysville served the underserved construction subcontractor and general contractor segments, providing high-quality insurance at very reasonable premiums. Now four years post-merger, Harleysville still insures real estate and construction risks, but underwriting has become more strict, and the carrier has in some cases non-renewed what it now considers bad risks, relative to its tighter underwriting standards. Many contractors who have recently been non-renewed, or have experienced price increases from Harleysville, are disappointed to find that other carriers will not meet the low premiums offered by Harleysville, before it was acquired by Nationwide.

TOWER MERGED WITH/ACQUIRED BY AMTRUST (2014)

In the early 2000's, Tower Insurance was hot. As a publicly traded company with an aggressive growth plan to fuel its stock price, Tower competitively insured a diverse range of insurance from habitational real estate, to contractor's commercial auto, workers compensation, and even contractors. Many BRI members were insured by Tower. But, in part because Tower's prices were too competitive relative to losses, and/or because it failed to properly reserve for claims, the company's growth and success came to an abrupt end in 2014, when it lost its AM Best 'A-' rating, and almost went bankrupt, before being merged with/acquired-by AmTrust. Following some post-acquisition disorganization, BRI members are benefiting from AmTrust's interest in maintaining positions in many of the insurance markets that Tower used to write.

CHUBB ACQUIRED BY ACE (2015)

For decades, the name "Chubb" had been synonymous worldwide with reliability and stability for policyholders. If you wanted to protect your valuable assets (home, auto, jewelry, artwork, etc.) with an insurance carrier known for paying claims fully and without hassle, Chubb was your company. Chubb was also a solid option for various types of commercial insurance. Then, on Jul. 1, 2015, the insurance world was turned upside-down, when the most respected name in the insurance business was acquired by insurance giant, ACE (headed by Evan Greenberg, son of Hank Greenberg of AIG fame). Before ACE acquired Chubb, most people had never heard of ACE. And, they may never hear of ACE again, because ACE wisely assumed Chubb's name, soon after the acquisition. The most obvious impact of this acquisition was that ACE, a recent entrant into the high-end personal insurance industry, had eliminated its biggest competitor. Importantly, ACE had also eliminated another high-end personal insurance competitor in 2014, when it purchased Fireman's Fund's personal insurance business from Allianz. When one player takes-out two of its biggest competitors over a two-year period, it's usually not good for consumers.

While the "new" Chubb appears to be continuing to uphold its traditional reputation for outstanding claims service, high-end personal insurance renewal premiums have been increasing in the range of 5-10 percent during the past two years.

A State of Change

Like any other industry, the insurance industry is in a constant state of flux, and mergers/acquisitions play an important part. Sometimes, these transactions help policyholders, including BRI members, such as when a financially-sound carrier acquires a failing carrier on the brink of insolvency, thus avoiding turmoil for policyholders, especially those in the midst of a claim settlement with the failing company. Sometimes, these transactions hurt, in particular when viable competitors are removed from the marketplace.

It's difficult to know what changes (pricing, non-renewals, etc.) are a direct result of a merger/acquisition, versus other market conditions. Regardless, mergers and acquisitions are part of our free-market economy, an economy from which, most agree, we all benefit.

For more information on the best carrier options for your personal and business insurance, contact your broker, or Levitt-Fuirst Associates, at (914) 457-4200.

Editor's Note: Levitt-Fuirst Associates is the Insurance Manager for The Builders Institute (BI)/Building and Realty Institute (BRI) of Westchester and The Mid-Hudson Region. The firm can be reached at (914) 457-4200.