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View from the Top: J. Powell Brown, Brown & Brown !

Ahead of the devastation caused by hurricanes Florence and Michael, Brown & Brown Inc. CEO J. Powell Brown discussed the insurance industry's resilience in the wake of last year's natural catastrophes, as well as the influence and survival of insurtech companies, the company's mergers and acquisition philosophy and the perils and impact of distracted driving with Business Insurance Deputy Editor Gloria Gonzalez. Edited excerpts follow.

Q: As you watch the approaching hurricane (Florence), what impact could this have, particularly in the context of last year's natural catastrophes?

A: From an insurance perspective, we had a lot of storms last year, and post those storms the alternative capital market pretty much filled that right back in and kept going. There are lots of people who have speculated if in fact there was another large event or events this year that it might change that. From my perspective, I just think that there's seemingly so much capital out there in the world chasing opportunities for investment.

Q: Given that influx of alternative capital, what impact did you see from a pricing or capacity perspective from last year's natural catastrophes?

A: Prices were going down in catastrophic property in Florida and other coastal communities for the last several years prior to last year. It slowed or it flattened out for a while, and now there continues to be a slow erosion of rate, but it's not enormous like it was.

Q: Have you noticed any trends with regard to particular lines of business?

A: I think the biggest challenge out there for the industry seems to be automobile right now, both personal lines and commercial lines. I attribute that to a lot of distracted drivers. I'm not saying that's all of it, but I think that's a really big deal, and I don't see that changing in the near to intermediate term. It's also interesting to see that workers compensation rates in certain states continue to be under pressure. Just as an example, Florida had a rate rollback a year ago of about 9 points, and there's a projected rate rollback of 13 points approximately for next year. That does not mean that the cost of adjusting work comp claims has changed dramatically. That puts an enormous amount of pressure on the risk bearers that write a lot of workers compensation.

Q: Is there anything that is being done or could be done on the auto front?

A: Well, if you want a somewhat draconian response, you could actually shut off cellphones once you get in a car that's moving. I notice more and more people on the highway texting every day, and it's just so incredibly dangerous. In my mind, part of it is a technology solution. It can be illegal to text, but the answer is people still do it.

Q: Tell me where you see technology being helpful.

A: Insurtech is the hottest word in the industry. I think it can be overused, but it also is a very important part of what we're doing going forward both with our insurance company partners and more specifically enhancing our teammate experience and our customer experience. How does that technology help improve that for our teammates and our customers? And the answer is there's somewhere between 1,200 and 1,400 insurtech companies out there today. We actually work through proof of concepts with some of them to see how we could integrate their capabilities into our company. At a high level, I think that insurtech and the funding will drive a very productive change. I do think that maybe 80+% of the insurtech companies out there will not make it ultimately. Not because of not wanting to or not working hard. It's just maybe they don't get traction. But for the 20% that do, we're looking to try to align ourselves with technology that will continue to differentiate us and to provide better solutions to our customers.

Q: Does that include acquiring insurtech?

A: I don't like to say the term never or always. Our core business is in the insurance business. Our intent is to partner with the firms providing those technology solutions going forward, because as the rate of change and technology accelerates, we want to continue to be able to adopt the best technology.

Q: Why did Brown & Brown choose to acquire Hays, and how does it fit in with your acquisition strategy and culture? (Emailed response to this question after the interview.)

A: Brown & Brown believes the combined benefits we can deliver to our customers, teammates, carrier partners and shareholders as a result of the acquisition will be a win-win. Hays (Group Inc.). has a really strong footprint in the Midwest and so this was a natural complement to our presence in the region, giving us greater scale and capabilities.

Q: What factors, not necessarily particular to your company, play into decisions when you're looking at whether or not to acquire a company?

A: Private equity is a large participant in the insurance brokerage space today. The last time I checked, there were 29 firms that were actively involved in some way, shape or form in the space. It's saturated relative to participants from the PE world. With a finite number of agencies or firms out there, that continues to put pressure on the price. Now many of them have used leverage very successfully in the past and borrowing, putting lots of debt on the balance sheet. The use of debt and interest rate risk, if interest rates were to go up, that would put a slight slowing, I think, on some of that. A private equity firm typically has an investment time horizon of three to seven years, and so they're not focused on the long term.

That's the exact opposite of us. We're thinking about how we take our company from over 9,000 teammates to 20,000 teammates, as opposed to in PE, they run it up and flip it. They're very active, but they also don't control their ultimate destiny.