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\$5

Late News

Nine hurricanes expected in 2006

The Tropical Meteorology Project at Colorado State University predicts that 17 tropical storms will form in the Atlantic Basin during the 2006 hurricane season that begins on June 1, which is above the 1950-2000 average of 9.6 but far below last year's record 27. Of those 17 named storms, nine will develop into hurricanes, according to the well-known storm forecasting team. During last year's record season, 15 hurricanes formed.

XL planning IPO for guarantee units

XL Capital Ltd. plans to spin off part of its ownership in its financial guarantee insurance and reinsurance subsidiaries in an initial public offering that would raise up to \$100 million. About 35% of shares in Security Capital Assurance Ltd. will be sold. Security Capital is the holding company for New York-based XL Capital Assurance Inc. and Hamilton, Bermuda based XL Financial Assurance Ltd.

See **LATE NEWS**/page 23

Inside



BROKER LAUNCH

Former Palmer & Cay execs set up new broker.

PAGE 3

BID FOR AXA RE

Investor group seeks to buy French reinsurer.

PAGE 3

Massachusetts mandates cover

Law requiring purchase of health insurance may help employers

By **JERRY GEISEL**

BOSTON—Landmark health care reform legislation approved last week by Massachusetts lawmakers could make the state the first to achieve near-universal health care coverage for residents, while potentially helping employers in their battle to hold down cost increases.

The legislation requires all Massachusetts citizens to have health insurance, either through their employers or through several programs in which the state will heavily—in some cases, completely—subsidize premiums for lower-income individuals.

In an approach similar to states' mandatory auto insurance laws, residents not covered under health insurance plans would be hit with finan-

Key points of state reform

What the Massachusetts health care reform law would do:

- Require state residents to obtain health insurance coverage
- Provide state premium subsidies for low-income individuals who directly purchase or whose employers obtain coverage from insurers whose plans are certified by a new state agency
- Impose an annual \$295 per employee fee on employers that do not provide health insurance
- Impose a moratorium on new mandated insurance benefits

cial penalties.

Employers would not be required to offer health insurance. But those that do not offer a plan or do not make a "fair and reasonable" contribution toward employees' health care coverage would be assessed an annual \$295 per employee fee. Employers with 10 or fewer employees would be exempt, though.

The approach taken by Massachusetts lawmakers to vastly reduce the number of uninsured—now roughly 550,000 people in a state with a population of 6.4 million—is strikingly different from health care reform efforts taken elsewhere.

For example, Hawaii decades ago mandated that employers provide coverage to their employ-

See **MASSACHUSETTS** / page 22

Senate panel set to consider federal charter

Bill revives debate on regulatory option

By **MARK A. HOFMANN**

WASHINGTON—The Senate Banking Committee could launch hearings within the next few weeks on a bill that would allow certain insurers and producers to choose federal rather than state charters, according to the bill's sponsors.

The issue of whether insurers, agents and brokers should be allowed to seek federal, rather than the existing state, regulation has been hotly debated for years. Proponents hold that such a change is necessary to encourage product development, avoid conflicting regulations and allow U.S. companies to compete more effectively with foreign counterparts. Opponents say state regulation can be improved without a federal option, which they say will simply add another layer of bureaucracy and expense to regulation.

The proposed National Insurance Act of 2006, S. 2509—introduced by Sens. John Sununu, R-N.H., and Tim Johnson, D-S.D., last week—would create a parallel federal system

See **CHARTER** / page 23



Tulane University in New Orleans, deluged after Hurricane Katrina, is in a coverage dispute.

Allianz fights school's claim over damage from Katrina

By **DOUGLAS McLEOD**

NEW ORLEANS—An excess property insurer of Tulane University is asking a court to rule that it has no liability for more than \$100 million of the school's Hurricane Katrina losses, making Tulane among the latest Gulf Coast policyholders to tangle with an insurer over Katrina-related claims.

Allianz Global Risks U.S. Insurance Co. filed suit against Tulane last week in New Orleans federal court, seeking a declaratory judgment that its

policy does not cover flood damages and that Tulane's insured losses do not exceed the attachment point of the insurer's layer in the \$450 million property program.

While underlying insurers, which have already paid their limits to the university, provided varying degrees of flood coverage, the Allianz policy excludes flood losses, the insurer argues.

See **TULANE** / page 22

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RIMS 2006 Honolulu Conference Preview

INCOMING AND OUTGOING PRESIDENTS LOOK AHEAD

RIMS leaders outline plans to enhance the society.

PAGE T2

HUNTING BOUNTY IN PARADISE

Oahu and other islands offer much to see and do.

PAGE T1

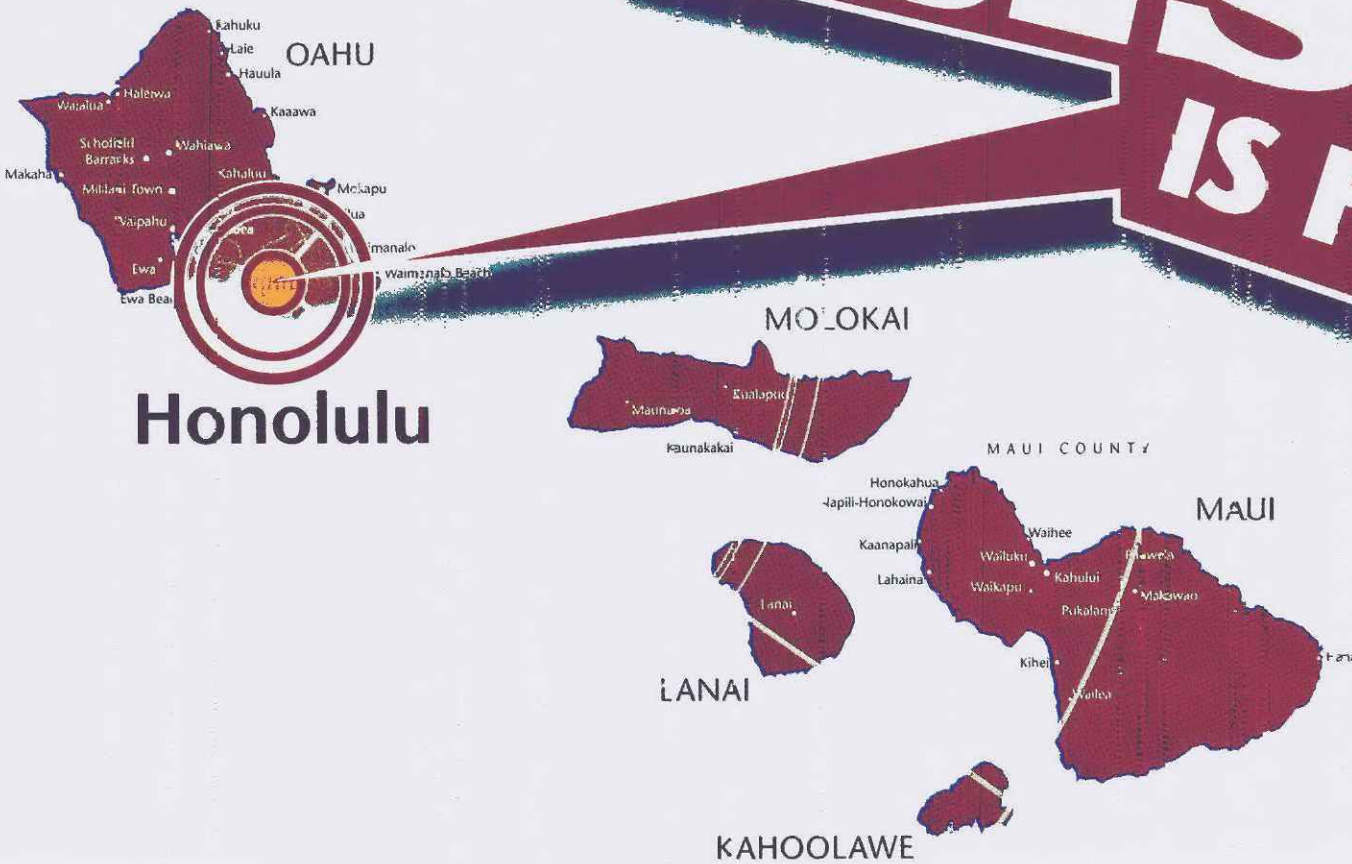
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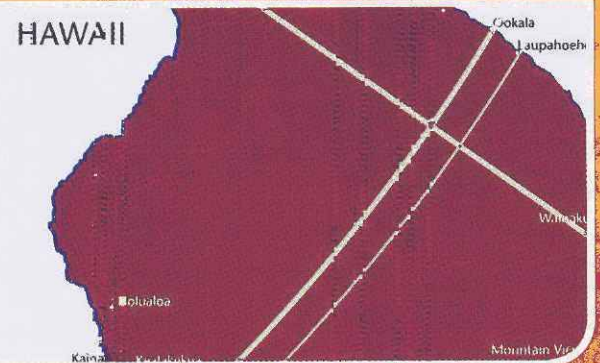


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Inside

Employment bias ruling favors transsexual applicant

Transsexuals may find it easier to win discrimination cases after court ruling. Page 4

School board insurance pool passes reserve examination

State says that, despite concerns, a self-insurance pool has funds to pay claims. Page 4

Mass. health care reforms could inspire other states

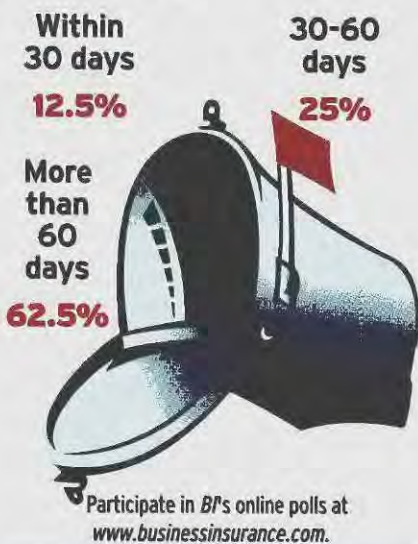
Radical changes could help solve problem of the uninsured, an editorial says. Page 8

Lloyd's reports 2005 loss as hurricanes hit market

Lloyd's of London posted a loss for the first time since 2001. Page 17

Online poll - [4/3 - 4/7]

How quickly after binding a risk do you usually receive accurate, complete policy documents?



AXA weighs offer for reinsurance unit

Investment group bids \$162 million for AXA Re

By SARAH VEYSEY

PARIS—A group of investors has offered to buy the reinsurance unit of AXA S.A. for about €120.0 million (\$162.0 million) in a deal that would limit the buyers' liability for business written prior to 2006.

AXA said it had received a binding offer for the business of AXA Re from Paris Re Holdings Ltd., a newly formed company backed by a consortium of investors led by Trident III L.L.P., a fund managed by Greenwich, Conn.-based Stone Point Capital L.L.C.

Paris-based AXA said the proposed deal followed a "strategic review following the future of its reinsurance activity."

Under the terms of the proposed deal, in 2007 AXA Re's business would be transferred to Paris Re Holdings, and the new company also would cover the risks attached to the 2006 claims experience of that business, the statement said. If the deal is approved, AXA would take a 5% to 10% stake in the new company, it said in a statement.

Underwriting and claims for 2006 and prior years would be managed by AXA, and AXA would guarantee reserves for losses incurred

Stone Point on a roll

Since its divestment from Marsh & McLennan Cos. Inc. last year, Stone Point Capital L.L.C. has made several insurance-related investments, including:

- Harbor Point, which incorporated the ongoing business of Chubb Re.
- Mercator Risk Services Inc., an independent wholesale brokerage

on or before Dec. 31, 2005.

AXA said that, if the deal proceeds, Paris Re Holdings would continue to pursue the current strategy of AXA Re, and Hans-Peter Gerhardt, chief executive officer of AXA Re, would remain at the helm of the operation.

In 2004—the most recent full-year figures available—AXA Re posted net income of €129.0 million (\$174.2 million) and revenues of €1.20 billion (\$1.62 billion). Its combined ratio for 2004 was 98.5%.

AXA said it has entered into a period of ex-

clusive negotiations with Stone Point and will respond to the offer after consulting with its worker councils.

Stone Point was formed in 2005 by the former principals of MMC Capital, the private equity subsidiary that Marsh & McLennan Cos. Inc. divested last May.

Through the Trident III fund, a private equity fund managed by Stone Point, the investment company has invested in other insurance-related deals (see box).

In addition to Stone Point, other investors in the consortium include ABN AMRO Bank N.V., Crestview Capital Partners, Hellman & Friedman L.L.C., New Mountain Capital L.L.C. and Vestar Capital Partners.

The sale of AXA Re would mark an end to the various changes that AXA has taken in managing its reinsurance business over the past several years.

In August 2000, the reinsurance arm was combined with several other AXA units to create AXA Corporate Solutions, which combined the company's large commercial insurance business with its reinsurance and reinsurance

See AXA RE/ page 22

Storm losses dent '05 profits

But reinsurers stay in the black

By JUDY GREENWALD

Even with massive losses from the 2005 hurricane season, U.S. reinsurers overall managed to post a profit.

The major question now looming for the industry is just how bad the 2006 storm season

U.S. reinsurers reported \$1.86 billion in net income for 2005, a 40.9% drop from the total reflected by a comparable group in 2004.

Hurricane losses were clearly reflected in 2005 results. The 26 U.S. reinsurers surveyed by the Washington-based Reinsurance Assn. of America posted a 129.4% combined ratio, compared with the 106.2% combined ratio posted by a comparable group in 2004. The top 20 reinsurers, based on net premiums written, reported a 129% combined ratio vs. 104.7% for 2004.

All the reinsurers reported investment income of \$5.20 billion and net realized capital gains of \$3.78 billion.

The group reported \$25.33 billion in net premiums written, an 11.9% decline from 2004. The top 20 reinsurers reported \$25.11 billion in net premiums written, a 10.9% decline.

"I think the important thing that people need to recognize here, as we head into 2006, is that excluding the major hurricanes, the underlying results of the industry are still quite good," said Brian Meredith, senior property/casualty analyst with Banc of America Securities in New York. "Returns on capital are still quite attractive."

"The reinsurers fared quite well through a tough year," said

will be. Higher retentions and an increasing emphasis on excess of loss rather than pro rata business will provide some insulation for reinsurers from the primary industry's losses.

But another Katrina-sized loss will hurt the reinsurance industry, and despite hardening property catastrophe rates, casualty rates are continuing to soften, which will also impact results, observers say.

"I guess everybody's hopeful that '06 is going to be a good year, but I think it's largely contingent upon the weather," said Robert DeRose, assistant vp at Oldwick, N.J.-based A.M. Best Co. Inc.

REINSURERS 2005 RESULTS

Odyssey restates

Reinsurer re-files several years of results to change accounting for finite risk.

Page 4

Ex-Palmer & Cay execs set up brokerage firm to tap middle market

By SALLY ROBERTS

SAVANNAH, Ga.—Seven veteran former Palmer & Cay Inc. executives have left Wachovia Insurance Services Inc. less than a year after the banking giant bought the brokerage and have set up their own shop—but their former employer is not making the transition easy.



Mr. Paddison

Savannah, Ga.-based Seacrest Partners Inc. opened early last month after David E. Paddison, a former senior vp with Wachovia Insurance, and six of his colleagues resigned from the brokerage simultaneously.

Three weeks later, Wachovia filed suit against the executives and Seacrest in federal court, alleging they breached their employment contracts and fiduciary duties, among other charges.

Palmer & Cay officially assumed the Wachovia Insurance Services name in January following the Charlotte, N.C.-based bank's May 2005 acquisition of the 137-year old privately held firm.

Seacrest, which is capitalized by its seven founding partners, will focus on the middle to upper middle market with an initial emphasis on the health care industry, but has the capability to handle larger, more complex risk management accounts, according to Mr. Paddison, who is Seacrest's president and chief executive officer. Although its initial focus will be regional, it is not confined to just the southeastern United States, he said.

Joining Mr. Paddison at Seacrest are: Kevin K. Smith, former national director of market relationships at Wachovia; C. Steven Eagle, former senior vp and employee benefits practice leader; Michael E. Butler, former senior vp and client executive; Deborah Rich, former senior vp and senior client executive; Cindy P. Robinett, former national health care practice leader; and L. Allan Reynolds Jr., former senior vp and client executive.

Mr. Paddison said the decision by the group to form a new privately held insurance brokerage was more of a reflection of their wanting to continue to work in an environment they were com-

See SEACREST / page 19

Departments

| | |
|--------------------------------|----|
| Advertiser Index | 22 |
| Business Resources | 16 |
| International | 17 |
| Opinions | 8 |
| Paul Winston | 6 |
| Products & Services | 10 |
| Professional MarketPlace | 18 |
| Ticker | 23 |
| World Updates | 17 |

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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See RESULTS / page 20

Exams show pool's reserves adequate

But two facing suits after audit

By MICHAEL BRADFORD

NASHVILLE, Tenn.—A self-insurance pool that writes coverage for Tennessee school systems has been cleared by two examinations that say the insurer is properly reserved despite worries by the state comptroller that it might not have sufficient funds to pay claims.

The examinations, ordered in January by the Tennessee Department of Commerce and Insurance and completed last month, determined that the Tennessee School Boards Risk Management Trust has adequate reserves to pay property/casualty and workers compensation claims.

The pool's former administrator and its current broker—who places coverage for the pool—however, are caught up in legal action related to the insurer's operations.

The controversy around the Tennessee School Boards Risk Management Trust began in January, when the Tennessee comptroller of the Treasury released the findings of an audit requested by legislators (*BI*, Jan. 30). The audit claimed, among other things, that projections by the trust's actuary suggested that the pool had inadequate reserves. The comptroller's audit said the actuary's projections showed the trust lost more than \$10.2 million over four years ending June 30, 2005.

In response to the audit's questions about the pool's claims-paying ability, insurance regulators hired Select Actuarial Services in Nashville, Tenn., to analyze the insurer's reserves. Also, the insurance department hired Risk Auditing & Advisory Services Inc. of Venice, Fla., to examine the trust's claims.

Those two examinations left the department satisfied that the pool's reserves are adequate, according to a spokeswoman for the department.

The comptroller's audit also raised questions about activities by the pool's former administrator and its current broker and has led to legal action against the two.

The audit alleged that Dan Tollett, who served as executive director of the Tennessee School Boards Assn. and as administrator of the pool, received \$276,856 in retirement benefits to which he was not entitled. The audit claims he notified the Tennessee Consolidated Retirement System that he was retiring from the TSBA

and began drawing benefits.

In fact, the audit charged, Mr. Tollett kept his position with the TSBA but received his salary from a subsidiary, thereby improperly receiving retirement benefits while being paid by an employer that was part of an organization participating in the retirement system.

When the arrangement was revealed, the TSBA repaid the funds to the retirement system. Late last month, the association filed suit in Chancery Court in Nashville against Mr. Tollett, seeking \$400,000 in compensatory damages and \$1 million in punitive damages. Among the amounts the association wants to regain is the \$276,856 that it repaid to the retirement system and around \$108,000 that it claims Mr. Tollett obtained from the surrender of a life insurance policy that the TSBA says it paid for but was purchased without its permission.

The punitive damages are sought because of Mr. Tollett's "reprehensible and intentional" conduct in getting money he was not entitled to, said Dan Elrod, an attorney with the Nashville-based law firm of Miller & Martin, which represents the TSBA.

Mr. Tollett retired from the TSBA Jan. 31. His attorney could not be reached to comment on the lawsuit.

John Evans, president of the Hendersonville, Tenn.-based broker Next Generation Underwriters Inc., which places coverage with the trust, was charged in the comptroller's audit with collecting \$551,694 in unauthorized fees, commissions and interest in his role as program manager of the self-insurance pool.

Mr. Evans is scheduled to go before an administrative law judge on May 18 in Nashville to answer charges in a complaint filed by state insurance regulators. The complaint asks the judge to revoke Mr. Evans' brokerage license and assess civil penalties against him based on allegations in the comptroller's report.

Mr. Evans, who has denied any wrongdoing, said, "The bottom line is that I have not yet had a forum in which to answer the allegations."

He said, "I am pleased to be going into a forum where I can answer these allegations and am confident I will come out fine."

Mr. Evans declined to comment further on the allegations in the audit and the insurance department complaint.

Transsexual bias ruling may evoke more lawsuits

Federal judge lowers bar for discrimination claims

By JUDY GREENWALD

WASHINGTON—Transsexuals will find it easier to successfully sue their employers if a federal district court judge's ruling in an employment discrimination lawsuit brought by a transsexual is ultimately upheld, say observers.

In his March 31 ruling in *Diane J. Schroer vs. James H. Billington, Librarian of Congress*, Judge James Robertson of the U.S. District Court for the District of Columbia said discrimination against transsexuals may violate Title VII of the Civil Rights Act of 1964's proscription of discrimination because of gender.

Other recent court cases that have held in favor of transsexuals have done so on the basis that they were the victims of gender stereotyping, which is harder to prove, observers say.

According to the decision, Diane J. Schroer, who was previously

known as David J. Schroer, was diagnosed with gender dysphoria, a condition in which a person's sexual identity does not match anatomical gender.

In 2004, she applied for a position as a terrorism research analyst with the Congressional Research Service of the Library of Congress. "She was highly qualified for the position," says the ruling. A 25-year armed forces veteran, her positions had included serving as post-9/11 director of a 120-person classified organization charged with tracking and targeting high-threat international terrorist organizations.

Ms. Schroer attended the interview dressed in traditional masculine clothing. When she received the job offer, though, she informed the library that, as part of her treatment for gender dysphoria, she would begin presenting herself as a woman. Ms. Schroer was told the next day she would not be a "good

fit," and the job offer was withdrawn.

In his decision, Judge Robertson noted that recent court decisions ruling in favor of transsexuals have done so on the grounds that "Title VII protects transsexuals who do not conform to their employer's gender stereotypes."

But Judge Robertson turned instead to a 1983 decision in *Unae vs. Eastern Airlines Inc.*, in which a federal judge held that discrimination against transsexuals because they are transsexuals is "literally" discrimination because of sex under Title VII. That decision was subsequently overturned by the 7th U.S. Circuit Court of Appeals in Chicago.

"It may be time to revisit" the 1983 decision, said Judge Robertson, however. That decision's approach "strikes me as a straightfor-

See **TRANSEXUAL** / page 19

Odyssey Re restates last five years

Change in accounting for finite deals cuts equity

By RUPAL PAREKH

STAMFORD, Conn.—Embattled reinsurer Odyssey Re Holdings Corp. filed its delayed 2005 earnings last week, cutting shareholders equity by more than \$35 million after making five years' worth of restatements.

Stamford, Conn.-based Odyssey Re in February said it would restate its financial results for 2001, 2002, 2003, 2004 and the first nine months of 2005, saying it needed to alter the accounting treatment for certain reinsurance contracts.

In March, the reinsurer said it would delay the filing of its 2005 annual report because it required additional time to complete the finite risk-related restatements.

The cumulative effect of Odyssey's completed restatements is a \$35.6 million after-tax drop in shareholders' equity, compared to a \$8.4 million cumulative decrease the company previously estimated in February. For all of 2005, Odyssey reported a \$105.4 million net loss—higher than the previously estimated net loss of \$101.3 million—and compared to a restated

profit of \$203 million for 2004.

According to Odyssey, the difference between the results it previously announced and the results reported in its most recent 10-K filing with the U.S. Securities and Exchange Commission primarily arose from the restatement of one ceded reinsurance contract with Skandia Insurance Co. Ltd. in 1995, which was altered to be under retroactive reinsurance accounting for 2002 and subsequent periods.

Odyssey noted in its 10-K that

See **ODYSSEY** / page 13

Business Insurance seeks nominees for benefits management award

Business Insurance is pleased to announce the magazine's second annual Benefit Manager of the Year® award to recognize excellence and innovation in employee benefits management.

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See **BMOY** / page 16

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PAUL WINSTON

Editorial Director

Genetic disorders in search of a cure

Paul Winston is traveling. This column first appeared in 1999.

Efforts in the scientific community to unlock the secrets of the human genome—the complex set of chromosomes that make us who we are, rather than, say, lemurs or mollusks—promise to provide important clues about health and illness.

By mapping the tens of thousands of genes in human DNA and the billions of chemical sequences that reside in all human cells, hair follicles and the like, researchers hope to be able to better identify genetic markers for a variety of biological conditions and diseases, some of which may be treatable, some of which are not. With this road map, doctors will be able to screen patients for a genetic predisposition to a wide variety of illnesses.

The idea, of course, is not to simply use this newfound map to deliver bad news years before such genetic maladies manifest themselves. That would cause people not only to become uninsurable, but also very likely to spend their lives in a state of nervous anxiety.

Rather, the point of identifying all the parts of the human genome is to try to better understand what makes us tick on an elemental level. Once we can identify the bits of DNA protein that tend to go awry, we can perhaps fix them and improve the quality of life for some, while prolonging it for others.

I don't profess to understanding all the science involved, having skipped chemistry and all but the bare minimum of biology in school.

I like to think of it as like when I was a kid trying to determine the murky ingredients in a bowl of school cafeteria stew. If I could find and remove the chunks of mystery meat and lima beans before actually diving in, the odds of being sick in front of my classmates were greatly diminished and life was good (at least until the stew came back on the menu).

Poking around the human soup to try to find the odd bits of errant double-helix, of course, raises all sorts of ethical, religious, social and legal questions that I am not prepared to address in this space. Suffice it to say that it will profoundly alter the health care and insurance industries of the future.

So, given all that's at stake, I would expect that researchers are especially hard at work finding the genetic causes and potential cures for the really serious diseases that

plague humans. Cancer. AIDS. Heart disease. Diabetes.

No doubt many—perhaps even most—are focused on such crucial research. But not all of them are.

I learned last week that some researchers are noodling around on the fringes, looking for overlooked genetic links that could benefit from this research.

The London Daily Telegraph reported that a group of Scottish scientists reportedly may be on the verge of discovering a possible genetic link for a widespread human condition: laziness.

These scientists suspect that laziness is not just a deadly sin and may instead be caused by our internal roadmap! They reportedly are planning a study of sluggish children to see if there is a genetic reason for the fact that they don't exercise as much as other kids. I presume they already have ruled out the television-watching and junk food genes.

I am very excited to learn of this important study because I, on occasion, suffer from this genetic flaw myself. Imagine how much more productive and valuable to society, my employer and family I could be if one day I could replace my laziness gene with the work ethic gene of, say, the common bumblebee.

When the researchers finish with that undertaking, I've got a laundry list of other human conditions that I think must also be genetic disorders in search of a cure: Chronic bad breath; an inability to carry a tune; forgetting the punchlines of jokes; an inability to match colored socks; flatulence; an inability to sink a putt; two left feet; a tendency to oversalt food; love handles; driving too slow; driving too fast; making mountains out of molehills; talking back to the radio/television; listening to Barry Manilow; an inability to give directions; abusing e-mail policy; cowlicks; a refusal to eat broccoli; beer bellies; a refusal to try oysters; being allergic to cats; smoking cigars; being stingy with tips; forgetting names at parties; never liking Oprah's taste in books; failing to floss; a craving for chocolate; and hangovers, among others.

Those solutions, however, are no doubt a long, long way off—let alone funding for them. So for now, researchers can get off the couch, quit being so lazy and get out there and solve some real problems—like determining just exactly what the genetic origin of that mystery meat really was.

Editorial Director Paul Winston's commentary appears fortnightly. He can be reached at pwinston@businessinsurance.com.

RUNNING



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Editorial

Kudos go to Massachusetts

IF THERE IS LOGIC in the way the nation's health care system finances the medical bills of the uninsured, it escapes us.

Consider the poor who receive coverage through Medicaid. In many cases, the Medicaid reimbursement rates set by states are so low that providers have no choice but to inflate—when possible—the bills of patients covered in employer-sponsored plans.

This cost-shift means employers that provide health insurance are paying twice for coverage, once for their own employees and again for the uninsured. Is that fair? Hardly.

In other cases, people seeking treatment in hospitals may not have any coverage at all, so hospitals have to swallow the cost or cost-shift to insured patients. And in some states, hospitals are reimbursed—though not necessarily fully—for uncompensated care expenses through pools funded by surcharges tacked onto hospital bills.

Now, as we report on page 1, Massachusetts lawmakers have passed legislation that takes an entirely different and, we think, vastly more sensible approach to financing coverage for the uninsured.

That approach, simply put, pays for cover-

age at the front end, not the back end. Revenues raised, for example, to reimburse hospitals for uncompensated care, will be shifted to subsidize health insurance premiums for lower-income state residents.

In the short and long run, that funding strategy has to be far more cost effective than one of reimbursement after the fact. With insurance coverage, individuals are far more likely to receive care before medical problems develop into expensive-to-treat complications. And individuals are much more likely to have medical problems treated in appropriate settings, like a doctor's office, and not in hospital emergency rooms—by far the most cost-inefficient place to deliver care.

There are many unanswered questions about the Massachusetts approach, not the least of which will be whether commercial health insurers will be able to come up with more-affordable policies.

But at this point, we commend Massachusetts lawmakers for their bold action and will be watching closely in the months and years ahead to see if the state's model to provide coverage to the uninsured is one other states should follow.

Finite deals have a role to play

WHAT IS IT ABOUT FINITE reinsurance that is shaking up the insurance industry?

Accounting for finite reinsurance is largely what led to American International Group Inc.'s ouster of its iconic chairman, its restatement of multiple years of results, a massive settlement and the prospect of a trial of veteran former reinsurance executives from AIG and General Reinsurance Corp. Questions about risk transfer in finite contracts continue to prompt restatements.

Earlier this month, Odyssey Re Holdings Corp. restated results for several years to alter its accounting treatment of finite risk contracts, and late last month, Max Re Ltd. announced an internal audit of several finite deals, which may result in an adverse impact of \$50 million to the Bermuda-based reinsurer's balance sheet. Also, Zurich Financial Services Group settled bid-rigging and accounting charges with three state attorneys general, including New York's Eliot Spitzer. A week before, in settling bid-rigging charges with nine state attorneys general, Zurich noted it was still in talks with Mr. Spitzer and others on its accounting for finite deals.

By our count, since early 2005 at least eight companies have restated results due to improper accounting for finite reinsurance.

What's going on here?

Over the past 20 or more years, thousands of finite deals have been conducted, and not until Mr. Spitzer did such transactions draw such intense scrutiny. Opponents say finite contracts are intended to smooth balance sheets. So what? Isn't the point of all insurance and reinsurance to mitigate financial shocks?

The linchpin in the finite debate is Financial Accounting Standard 113, which calls for a certain amount of risk transfer to qualify as reinsurance. Absent the risk transfer, the contracts act more like loans and are booked as deposits. Proponents of finite agreements point out that regulations on such contracts have never been clear, and, indeed, former Swiss Re executive Shirley Beglinger has wryly described finite reinsurance "a rational response to irrational regulation."

We think finite deals have been swept into industry investigations because they are not widely understood and several companies have used undisclosed "side letter" agreements. In an era of greater transparency, it is easy to see why regulators and attorneys general are barking up the finite tree. We think regulators and insurers can calm this tempest through clear guidance and complete disclosure.

Schillerstrom



BI Beats

In an effort to ensure continuing timely coverage of risk management, insurance and benefit-related news, *Business Insurance* has formalized a list of its reporters' assigned beats. This list is not intended to be exclusive but rather to represent core subject areas of importance to *BI* readers. *BI* welcomes ideas and tips from readers on these and other areas. Following is a list of the beats and the principal reporters for each:

Agents/brokers: Sally Roberts.
Asian markets: Michael Bradford.
Aviation/space risks: Sarah Veysey.
Benefits—health care and ancillary benefits: Joanne Wojcik.
Benefits—retirement savings/pensions: Jerry Geisel.
Bermuda market: Rupal Parekh.
Canada—risk management and benefits: Gloria Gonzalez.
Captives/alternative risk transfer: Michael Bradford.
Claims management: Rupal Parekh.
E.U. regulatory/legislative: Sarah Veysey.
Employment practices: Judy Greenwald.
Environmental risk management: Sally Roberts.
European benefits management: Sarah Veysey.
European insurance industry: Sarah Veysey.

European public entity risks: Carolyn Aldred.
European reinsurance: Sarah Veysey.
European risk management: Sarah Veysey.
Federal regulation/legislation—benefits: Jerry Geisel.
Federal regulation/legislation—risk management: Mark A. Hofmann.
Health care industry operations: Gloria Gonzalez.
Inland marine/transportation: Michael Bradford.
Industry Focus: Rodd Zolkos, Meg Fletcher.
Insurance coverage litigation: Douglas McLeod.
Insurance fraud: Douglas McLeod.
Latin American markets: Roberto Cenicerros.
Marine risks: Sarah Veysey.
Property/casualty industry operations: Judy Greenwald.

Professional liability: Dave Lenckus.
Property loss control/cat risks: Mark A. Hofmann.
Regulation of insurance: Meg Fletcher.
Reinsurance: Judy Greenwald.
Risk management profession: Dave Lenckus.
Risk securitization/capital markets risk financing: Carolyn Aldred.
Runoffs/receiverships: Douglas McLeod.
Safety/ergonomics: Meg Fletcher.
Surplus lines/wholesalers: Roberto Cenicerros.
Tort reform: Mark A. Hofmann.
Work/life benefits and EAPs: Sally Roberts.
Workers compensation: Roberto Cenicerros.

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Call for Nominations

2006 Benefit Manager OF THE YEAR™

The Honoree is announced and profiled in the annual Benefit Manager of the Year feature published by *Business Insurance* on June 25, 2006 which will be distributed at the annual SHRM Conference in Washington, DC. Awards will be presented at a special luncheon honoring this benefits executive.

DEADLINE FOR NOMINATIONS:
April 21, 2006

For nominating forms and instructions, call 312-649-5274 or e-mail: rcoccia@BusinessInsurance.com or visit

BusinessInsurance.com/BMOY

Nominations for the Benefit Manager of the Year™ Award are now being accepted by *Business Insurance*.

The Benefit Manager of the Year Award™ was created in 2005 by *Business Insurance* to salute outstanding performance in the field of benefits management.

Executives anywhere in the world who are involved in benefit management are eligible to be nominated.

The nominations will be judged by a panel of executives representing all aspects of benefits management and the commercial insurance industry.

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PRODUCTS & SERVICES

Betterley releases tech E&O report

STERLING, Mass.—Betterley Risk Consultants Inc. has published its sixth evaluation of the technology errors and omissions market.

The report analyzes policies offered by 15 insurers and includes information on target markets, limits and deductibles, coverage terms and exclusions and risk management services. It also covers rate, retention and growth trends.

To order a copy of the report, "Technology Errors & Omissions Market Survey—2006," visit www.betterley.com. A free executive summary can be viewed on the company's Web site as well.

Chubb upgrades law firm package policy

WARREN, N.J.—The Chubb Group of Cos. has enhanced its insurance policy for law firms by adding increased limits and enhancements at no extra cost.

The Customarq for Law Firms package policy enhancements include property coverage that includes impairment of computer services and protects against business income loss, extra expense and electronic data recovery for losses caused by illegal entry into electronic data or systems; automatic inclusion of lessors of premises and equipment as insureds under the general contract; and a global extension, in which domestic and foreign exposures are insured under one policy.

The insurer has increased the automatic blanket limit from \$300,000 to \$500,000 for 12 property coverages, and higher limits of \$1 million or \$2 million are available. In addition, smaller firms can choose a \$250,000 blanket limit.

For information, visit the company's Web site at www.chubb.com.

A.D.A.M. expands CDHP offering

ATLANTA—A.D.A.M. Inc., a developer of electronic health multimedia products and services, has added two components to its portfolio of consumer-driven health care products.

The two new products, DecisionAssist and Health Risk Assessment Reporting Tools, help employees and plan members better manage their health spending. These products are part of the company's Decision Support Suite, a platform for providing health assessments and messaging to employees and plan members.

The DecisionAssist component is designed to help employees and plan members make informed choices about their use of health care services, such as taking a certain medication or proceeding with a particular health test or surgery. The tool personalizes the decision-making process and provides questions to ask the doctor and suggests alternatives. Currently, the product addresses common

surgeries and procedures, including cataract removal, knee replacement and heart bypass, among others.

The Health Risk Assessment Reporting product allows companies using it to access and analyze health risk data from their populations. This data can be used to determine if certain health care programs need improvement or more focus.

To obtain more information, contact Jim Retel, vp of sales, at 800-755-2326, ext. 5032, or visit www.adam.com.

St. Paul Travelers offers executive liability suite

HARTFORD, Conn.—St. Paul Travelers Bond, a unit of St. Paul Travelers Cos. Inc., has launched a policy suite of executive liability coverages.

The Wrap+ suite consists of liability coverages, including directors and officers liability, fiduciary liability and employment practices; crime coverage, including kidnap and ransom; and identity fraud expense reimbursement. The insurance program is available to private and nonprofit organizations.

Applicants can choose from the coverage options and add more later as they see fit. The available limits are up to \$25 million on most lines, except for identity fraud expense reimbursement, which has a maximum limit of \$25,000.

For more information, visit www.stpaultravelers.com.

The Hartford offers cover for printers

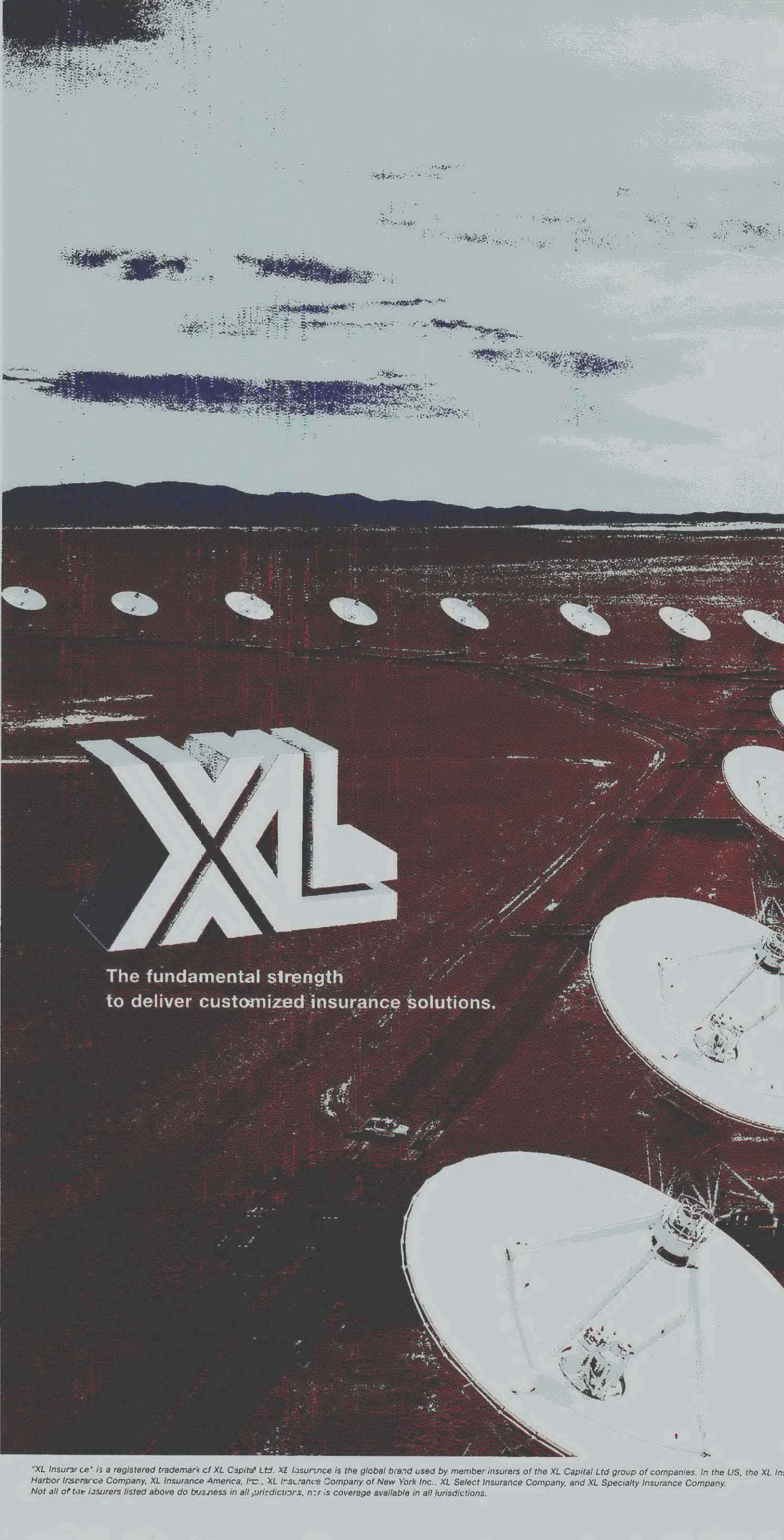
HARTFORD, Conn.—The Hartford Financial Services Group Inc. has introduced professional liability coverage for printing companies.

The errors and omissions coverage is available to midsize commercial printing operations, as well as to nontraditional printers, including businesses specializing in prepress and postpress work. The Printers E&O coverage features include a broad definition of "printing services"; coverage for the cost of inspecting, withdrawing and recovering materials known or suspected to be deficient; coverage for the tangible and intangible property of a third party held in the printer's care for services; and coverage for lawsuits brought in the United States, among others.

In addition, deductibles up to \$10,000 and umbrella limits up to \$25 million are available.

To obtain more information, visit http://mb.thehartford.com/view_industry/industry_printers.asp.

We'd like to report on new risk management and employee benefit products and services offered by your company. Send information about your new offerings to: Carrie A. Peinado, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; telephone: 312-649-5313; fax: 312-649-7801; e-mail: cpeinado@businessinsurance.com.



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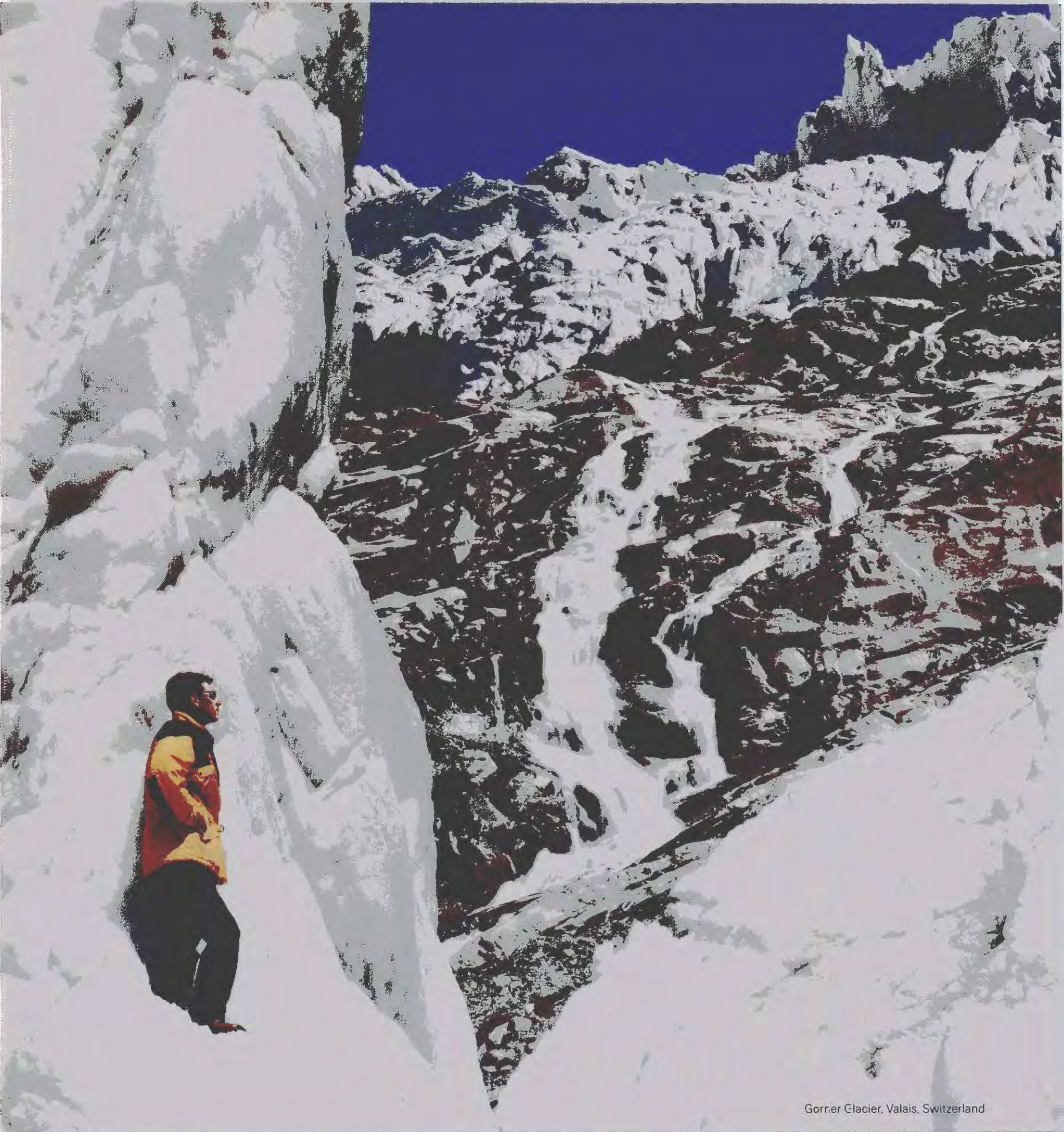
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TAKEOUT



RIMS 2006 Honolulu Conference Preview

INCOMING AND OUTGOING PRESIDENTS LOOK AHEAD

Goals and challenges the organization faces

LAY OF THE LAND: RIMS CONFERENCE LAYOUT

Exhibitors list and floor plan

PAGE T2

PAGE T18

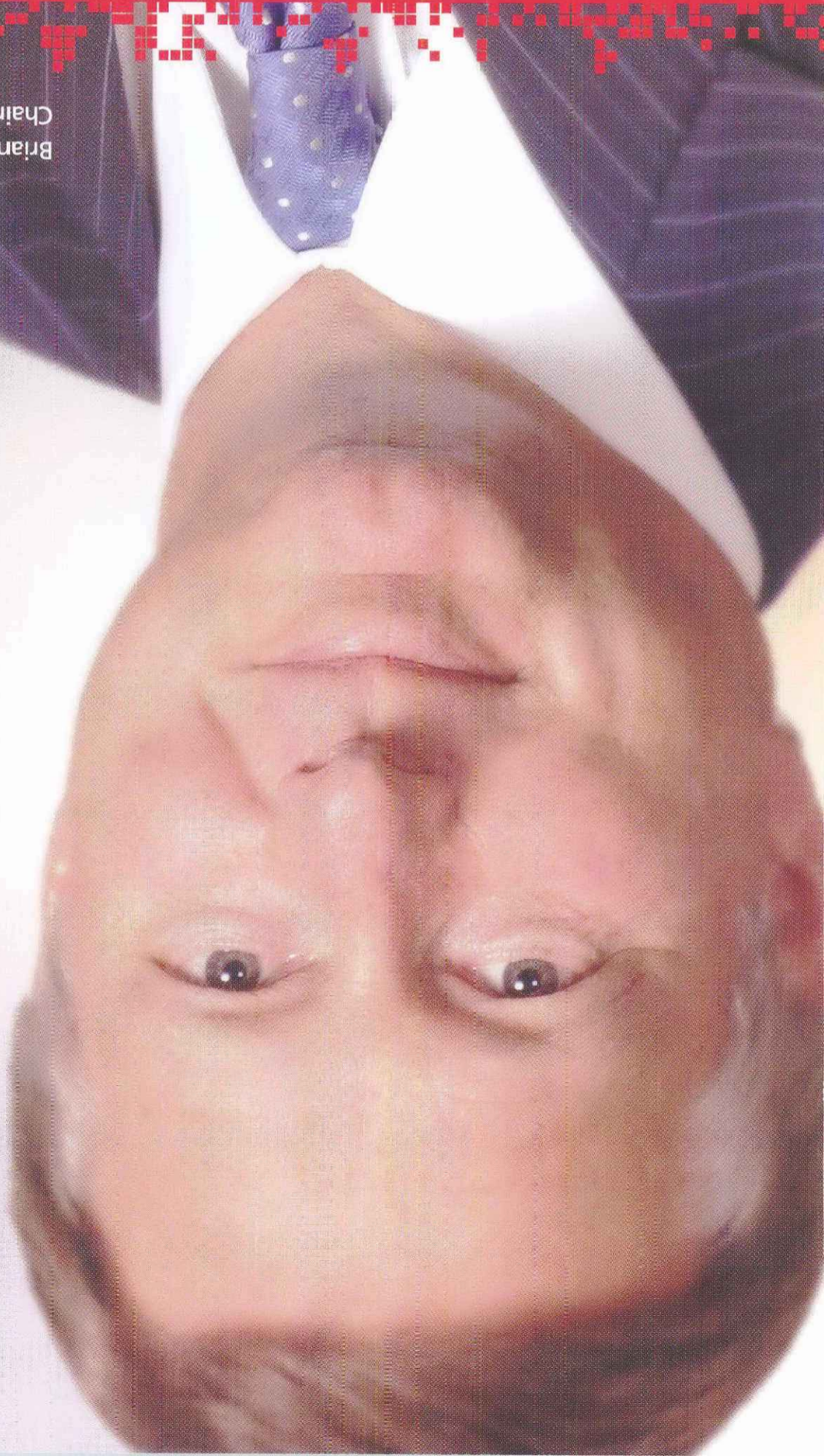
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Inside

RIMS presidents discuss current, future challenges

The society's outgoing and incoming presidents examine the past year and the goals that lie ahead.
Page T2

Fundraising tournaments to benefit Spencer

Golf and tennis competitions encompass the money-raising efforts for this year's benefit.
Page T10

Getting around Oahu

Trolleys and taxicabs provide reliable modes of transportation for traveling around town.
Page T12

Wine and dine, Hawaii-style

Restaurant reviews provide a variety of dining options for all tastes and wallets.
Page T26

Business Insurance's restaurant guide

A listing of restaurants located throughout the Hawaiian islands.
Page T31

Enterprise risk, international issues among major topics of conference

By RUPAL PAREKH

The agenda for the Risk & Insurance Management Society Inc.'s 2006 Annual Conference and Exhibition—taking place April 23-27 in Honolulu—is heavy on international flavor and hot topics such as enterprise risk management.

The theme of this year's conference is "Expanding the Power of Risk Management."

"What we are seeing in risk management in general is a kind of expanding growth of the discipline itself," said RIMS President Ellen Vinck, who is also vp of risk management and benefits for BAE Systems Ship Repair in San Diego. "There is no end to where risk management should stop," Ms. Vinck said, and RIMS wanted this year's conference theme to reflect that concept.

The conference—which will feature about 140 educational sessions and more than 350 exhibitors—is designated an official event of The International Federation of Risk and Insurance Management Assns. Inc.

In terms of attendance, RIMS 2006 is not expected to be a blockbuster year, but on par with previous conferences. "It won't be a record-setter," said Ms. Vinck, but likely "similar in size to Chicago or Atlanta." Not including exhibitors, speakers or press, RIMS Atlanta in 2001 had 4,345 attendees, while Chicago in 2003 had 5,224 attendees.

A RIMS spokeswoman declined to comment on the number of attendees currently registered for the conference, or how many

total participants RIMS expects this year.

"The West Coast of the U.S. is very strong," in terms of registrations, and "internationally, Australia and Japan are showing very strong attendance," said Carolyn Snow, chair of the conference programming committee and director of insurance risk management for Louisville, Ky.-based Humana Inc.

"We have really looked at this one as being a more global conference, and as such, it made sense to have it be an IFRIMA-designated conference," Ms. Vinck said (see box). RIMS is also seeing more full-week registrations compared to previous years, and a surge in first-time attendees too, she said.

"The people that have taken the plunge to be there are probably going to get one of the best conference experiences we have ever offered," said Ms. Vinck.

One variation to the conference program this year is an added emphasis on enterprise risk management through the addition of an ERM "track" for attendees. The nearly dozen ERM-related sessions—which, according to Ms. Snow, will deal less with theory and more with practical applications of putting ERM strategies in place—include: "The ABCs of ERM," "Real Working Examples of Enterprise Risk Management," "ERM Implementation: Progress and Pitfalls" and "The Language of ERM."

Additionally, the conference's IFRIMA designation and rise in foreign attendees drove RIMS to boost the number of inter-



The Hawaii Convention Center will host RIMS this year, which includes about 350 exhibitors.

See RIMS / page T4

Honolulu sets unmatched stage for occasion

City comprises a tropical and urban playground with much to discover

By GAVIN SOUTER

HONOLULU—If they haven't figured it out for themselves yet, attendees at this year's RIMS conference are in for a treat.

While the Risk & Insurance Man-

agement Society Inc. has held its annual conference in plenty of fun-filled and spectacular cities over the years, it is hard to think of one that quite compares with Hawaii as a venue with so many attractions for attendees outside of

the main event.

The chain of volcanic islands in the middle of the Pacific Ocean is, of course, a worldwide center for surfing, and, surrounded by coral reefs, the islands also offer plenty of opportunities for snorkeling, scuba

diving and other water sports (see story, page T25).

Visitors can also appreciate the natural beauty that all the islands have to offer, whether it be the lava flows on the Big Island (see story, page T22), the lush scenery of Maui (see story, page T21) or the magnificent beaches scattered throughout the islands.

Given all the attractions outside of the city, it might be tempting to overlook Honolulu itself. There is plenty to see in the urban center of the 50th state, though, and RIMS attendees who don't have time to explore much outside the immediate confines of the conference area will still find much to do and see.

On first impression, Honolulu could be written off as just another big sprawling city with too many cars and nondescript office blocks. But a closer look quickly reveals that the state capital has much to offer visitors interested in finding out what makes Hawaii unique.

Starting off on South Beretania Street in the heart of downtown, the state Capitol building is distinct from the domed structures that house many other state legislatures. Dedicated in 1969 and designed to symbolize the islands, the building

is surrounded by a reflecting pool, which represents the ocean, and has conical chambers, which represent volcanoes. The building's open-roofed center lets in Hawaii's rain and sunshine.

At the rear of the building stands a statue of Queen Liliuokalani, the last monarch of the short-lived kingdom of Hawaii, who was overthrown in 1893. A few yards beyond the statue, Liliuokalani's formal residence, the Iolani Palace, can be seen.

Built on the site of an ancient temple, the palace was commissioned by King David Kalakaua, Liliuokalani's predecessor, who took up residence in 1882. The state-of-the-art American Florentine-style palace was intended as a luxurious royal home that compared with the European palaces that the king saw on his tours in Europe. The impressive interior—complete with its grand hall and throne room—can be seen only on an official hour-long guided tour. Tickets, which cost \$20, can be purchased at the palace's barracks, which now serve as a visitors' center and gift shop.

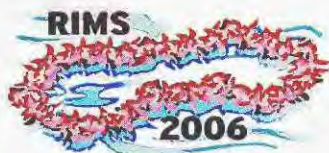
A self-guided "gallery tour," cost-



PHOTO: GAVIN SOUTER

Honolulu, Hawaii's state capital, may seem like another big city but it has much natural beauty and history to explore.

See OVERVIEW / page T14



RIMS: Sessions cover broad topics and emphasize risk management issues

Continued from page T1

national sessions this year, from the half-dozen or so typically offered to a total of 14. They include: "Cultural Differences in Risk Management," "Pan-Pacific Risk Management" and "Top 10 Lessons from Japanese Earthquakes and How to Manage the Risk in Japan."

Nearly all—90%—of the sessions are new this year, Ms. Snow said. "We want it to appeal to a really broad base of people, (and) we want to keep the program fresh."

For example, "Nanotechnology—

No Small Matter," which will be held on Monday from 2 p.m. to 3:30 p.m., and will examine how risk managers in this burgeoning field can evolve risk mitigation strategies along with emerging technology. Another new—and timely—session revolves around possibility of a global avian influenza outbreak. "Flu Diligence—Are You Prepared for a Pandemic?" will be held on Wednesday from 9:45 a.m. to 11:15 a.m.

Among the most popular sessions so far, each with approximately 200 delegates already signed up, are:

"Risk Maps Made Easy," "Underwriting Trends and Changing Expectations: Views and Forecasts," "Risk Managers and the Bottom Line: Why Your Company Needs You Now More Than Ever," "2006 Insurance Market Update: State of the Industry" and "Speak Finance Like a Native—The 90 minute MBA."

Three out of the four hot-topic sessions—ones devoted to major industry events of the past year—will focus on the lessons learned from last year's severe hurricane season, and the interplay between climate

change and natural disasters. "The storm season was so dramatic this past year, and experts are telling us that it will be just as dramatic in 2006. It's hard to ignore it," Ms. Vinck said.

The fourth hot-topic session will be devoted to discussing the future of the Terrorism Risk Insurance Act, which has been extended by Congress until the end of 2007. "We know that TRIA has been extended, but RIMS does not feel that TRIA will be extended any further. So sometime between this year and next year,

we really have to push to have a private mechanism in place, some way shape or form," Ms. Vinck said.

According to Ms. Vinck, the biggest change of all to RIMS' conference program involves the keynote speakers. "Rather than just talking about an interesting topic, this year they really are speaking directly to risk management issues," she said.

Lynn Brewer, author of "Confessions of an Enron Executive," and founding chairman of The Integrity Institute Inc., will deliver the general session speech, "Grey Matters: Right and Wrong is Not Always Black and White—The Challenge to Risk Managers," on Monday, April 24, from 9:30 a.m. to 10 a.m. During Monday's keynote speaker luncheon, from 12:15 p.m. to 1:45 p.m., Lori Jorgenson, senior director-finance of Microsoft Corp., will share her experiences and challenges in managing risk worldwide for Microsoft over the past ten years.

Tuesday's leadership panel luncheon from 12:15 p.m. to 1:45 p.m. boasts three past presidents of RIMS and seven chief executive officers from top insurers and brokers. They are: Roger Andrews, former RIMS president and director of risk management at E.D. Bullard Co.; Gregory C. Case, president and CEO of Aon Corp.; Brian E. Dowd, chairman of ACE INA; Roger E. Egan, CEO and director of Integro Ltd.; J. Patrick Gallagher, president and CEO of Arthur J. Gallagher & Co.; Ron Stasch, former RIMS President; Brian M. Storms, chairman and CEO of Marsh Inc.; Shivan S. Subramaniam, chairman and CEO of FM Global; Martin J. Sullivan, president and CEO of American International Group Inc.; Steve Wilder, vp-risk management of The Walt Disney Co.; as well as RIMS' Ms. Vinck.

Anthony Avitabile, director of risk management for Major League Baseball, will provide the keynote speech for Wednesday's luncheon from 12:15 p.m. to 1:45 p.m., in which he will share risk management strategies and talk about the league-wide insurance program he helped develop for MLB, which obtains coverage for each team. Speaking at Thursday's keynote luncheon at 12:30 p.m. to 2 p.m. will be Jeff LaDouce, National Weather Service, Pacific Region, Pacific Tsunami Warning Center in Ewa Beach, Hawaii.

RIMS will also offer two off-site sessions just for RIMS Deputy and IFRIMA members at the International Tsunami Information Center and at Chevron Corp.'s Hawaii Refinery, on Tuesday from 8 p.m. to midnight and Wednesday from 8 a.m. to noon, respectively.

Onsite registration fees for the conference are \$945 for RIMS members and associate members and \$1,245 for nonmembers. A one-day pass is \$435 for RIMS members and associate members and \$485 for nonmembers.

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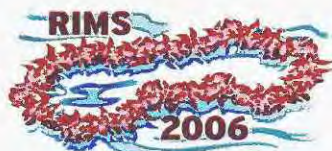
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United Hawaii chapter embraces the aloha spirit

By **ROBERTO CENICEROS**

A search for the aloha spirit—having a friendly attitude and showing kindness—could begin and end with members of the Risk & Insurance Management Society Inc.'s Hawaii chapter.

They quickly put guests at ease with their warmth and friendliness. They also exude great pride in their state's cultural and business stature.

In fact, embodying the aloha spirit is one of the strengths of the tight-knit chapter that helps it thrive, said Bruce McEwan, who has

been a chapter member for 23 years and serves as risk manager and vp of administration for Young Brothers Ltd., a Honolulu-based provider of inter-island shipping services.

"Being a relatively small chapter, we know each other quite well, and

there is definitely a desire to support one another and share our expertise," said Mr. McEwan.

While it has only about two dozen members, the Hawaii chapter still is not among the smallest of RIMS groups nationwide. Fifteen chapters fall into RIMS'

smallest category of those with one to 18 member companies, according to RIMS. The Hawaii group is among 14 category-2 chapters, each with 19 to 27 member companies. Nonetheless, its numbers are a far cry from those of RIMS' largest chapters, which have 90 or more member companies.

The Hawaii chapter is like the Hawaiian chili pepper, "small but hot," explained Julie Mayeda, chapter director and corporate insurance risk manager for Pacific Marine & Supply Co. Ltd. in Honolulu.

To further its sense of togetherness, the chapter gathers annually for a social and volunteer outing. During the Taste of Honolulu, a food and music festival, chapter members work 10-hour shifts as greeters and raise money for Easter Seals Hawaii. In addition, this year the chapter sponsored a golf tournament that fielded 138 players and raised \$5,000 for the Institute for Human Services, a Honolulu organization assisting homeless individuals.

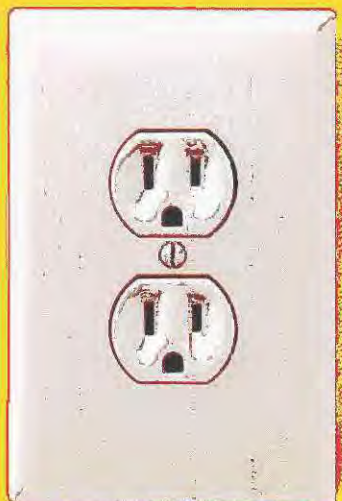
Chapter members say they are proud of the upcoming RIMS conference. "For us, that is a very big deal," Mr. McEwan said.

Because of Hawaii's popularity as a travel destination, chapter members are also practiced at hosting insurance industry visitors from the mainland. This will likely prove helpful to RIMS conference attendees.

As the host chapter for this year's conference, the group's role includes providing visitors with advice on subjects such as Hawaiian culture, local style and island cuisine, explained C. Nahua Maunakea, president of the Honolulu-based chapter. Chapter members will also be on hand during the conference as session moderators.

In addition, members have provided planning assistance on matters such as conference housing, and they have helped shape this year's agenda by suggesting that sessions be held a bit earlier than usual, members say. That is because they want attendees to have more daylight afternoon hours to enjoy the outdoors. Furthermore, they reason, because many people will be traveling from the mainland, their internal clocks are likely to awaken them early while they are in Hawaii's time zone.

On April 21, the group will host a welcome party in Waikiki to thank RIMS executives and conference planners for bringing the conference to Hawaii. The conference will give chapter members an opportunity to show others that Hawaii's business base includes much more than just the tourism industry. They are eager to explain to visitors that Hawaii hosts insurance captives, supports a thriving high-tech industry and plays a unique role in business conducted between Asia and the United States, Mr. Maunakea said.



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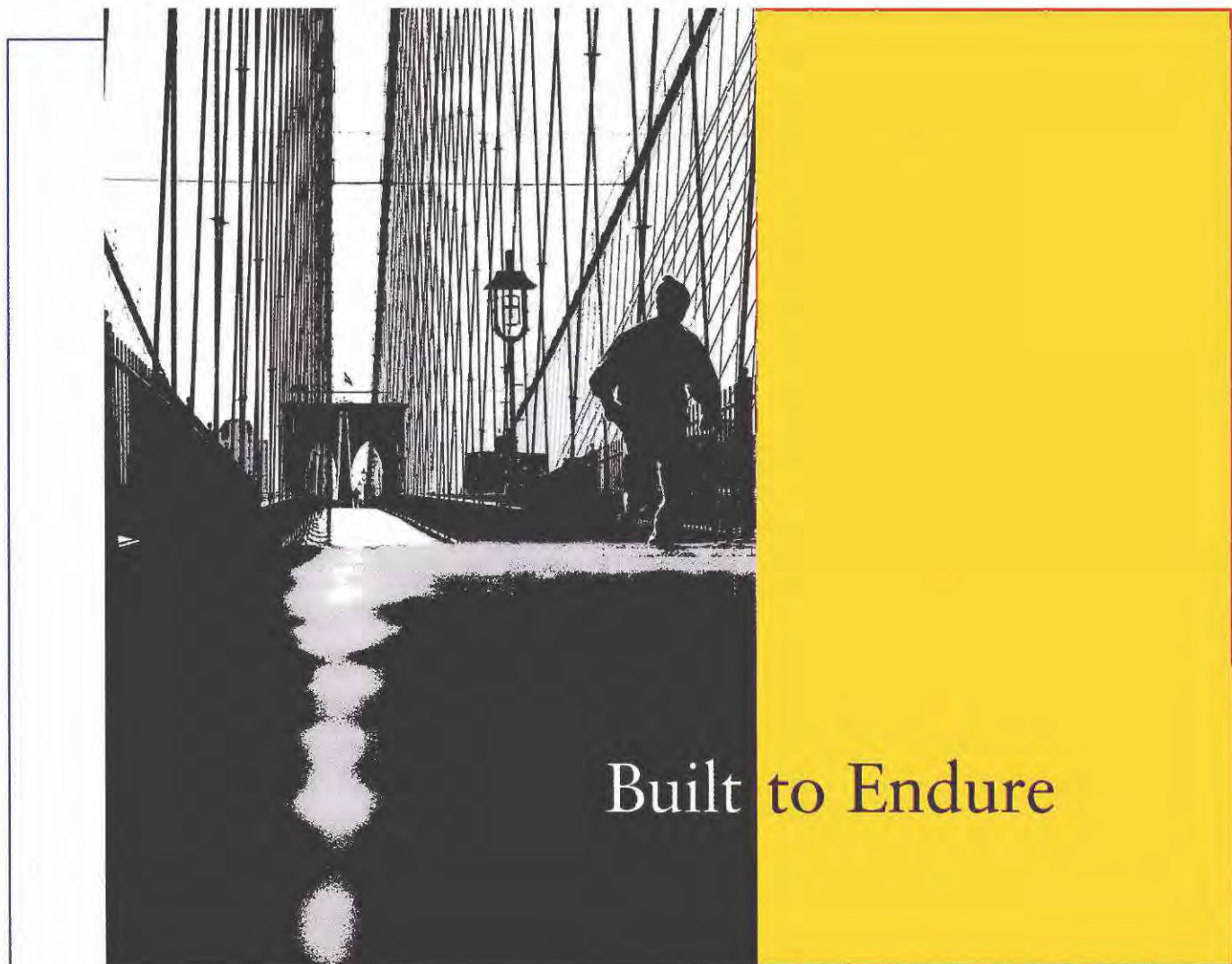
Continuing our tradition of in-depth coverage of the Risk & Insurance Management Society Inc. annual conference and exhibition, *Business Insurance* will again publish three special daily editions onsite at RIMS 2006 in Honolulu April 24-26, in addition to extensive post-con-

ference reporting in the weekly magazine.

BI's Daily News & Conference Coverage will carry the latest news and information to help keep RIMS attendees up to date during Monday, Tuesday and Wednesday of the conference.

Printed copies will be available not only at *Business Insurance's* booth, No. 1201, but also at other select locations convenient for RIMS goers.

If you miss getting a copy of *BI's* Daily News & Conference Coverage inside the exhibit hall, please visit the Hard Rock Cafe at 1837 Kapiolani Blvd. in Honolulu, directly across from the Hawaii Convention Center, between 8 a.m. and 11 a.m. to start your day with coffee and



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As the largest insurance industry gathering of its kind, RIMS offers risk managers an unequalled opportunity to meet people and enhance their professional skills. *Business Insurance*, which has covered the RIMS annual conference for more than 30 years, is again sending a large contingent of staff to report on the conference and to produce the daily news editions. *BI* staffers onsite at the conference as well as in our bureaus will help keep RIMS attendees informed during their stay in Hawaii.

After the conference, *Business Insurance* will devote two issues of the magazine to reporting on RIMS 2006, in addition to our normal weekly coverage of risk management and employee benefit topics and news.

Have a news tip or suggestion for *Business Insurance*? Please visit the *BI* booth or send an e-mail to rcoccia@businessinsurance.com.

At RIMS, everything that goes on in here...



...gets reported in here.

Photo: Michael Marcotte

Kirsten Dial, Director of Risk Management, Fox Entertainment Group Inc.

BI's Daily News & Conference Coverage at RIMS 2006 If it's going on, it's getting in.

When you're in Honolulu for the 2006 RIMS conference, make sure you pick up *Business Insurance's Daily News and Conference Coverage*.

BI's editorial superiority and timely news coverage, relied on every week by risk managers, comes to thousands of RIMS attendees once again with the same unmatched news delivery, in print and online, each day of the conference.

Our reporters go in-depth on ... hot news from the sessions, key meetings, special events, and exhibit hall activities ... and will also provide breaking industry news from *BI's* electronic Daily News Alert.

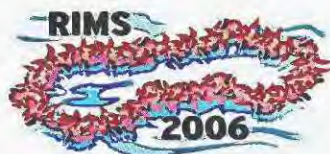


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Golf, tennis events to raise Spencer foundation funds

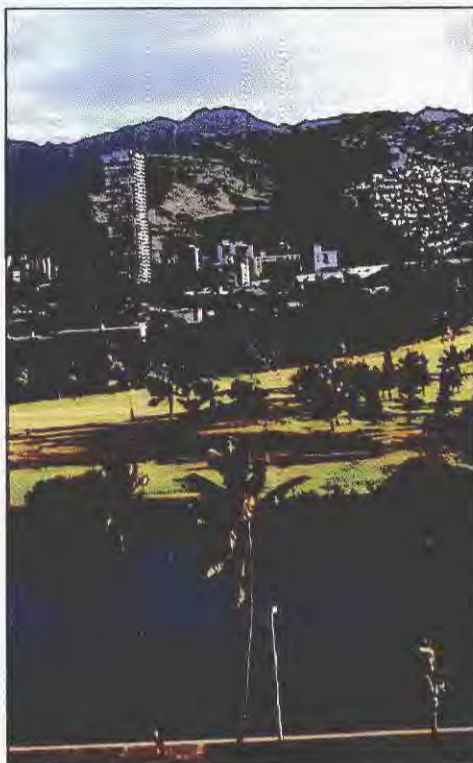
Golf and tennis are on the agenda for sports enthusiasts at this year's Risk & Insurance Management Society Inc. conference, but skaters and runners will be left out, because the hockey tournament and the five-kilometer run/walk won't be making the trip to Hawaii.

According to organizers, the Spencer Cup hockey tournament will not be held because an informal survey of the tournament's regular players found that not enough of them were attending the Hawaii conference. The walk/run lacks a sponsor this year.

For the 15th consecutive year, Arthur J. Gallagher & Co. will sponsor the largest Spencer Educational Foundation fund-raiser, the golf tournament to be held Sunday at the Hawaii Prince Golf Club, designed by Arnold Palmer and Ed Seay. The course offers 27 holes, including 90 bunkers and 10 lakes.

According to Yvette Gomez, a tournament organizer and an account manager for Gallagher, last year's tournament raised \$76,000 for the Spencer foundation.

In past years, the tournament typically had slots open at this time, but the lure of golf in Hawaii seems to have changed that. The tour-



namment was filled by the end of March.

The tournament this year will be played on a single course instead of two.

"Because attendance is less than normal this year—at least that's what we were hearing—we had a certain amount of time" to keep the reservations for both courses, Ms. Gomez said. Because relatively few golfers had signed up early, Gallagher decided to use just the Hawaii Prince. "Then we had a real boom in the last four weeks," Ms. Gomez said.

Tee time for the 193 golfers participating this year is 7:30 a.m., and a continental breakfast will be provided beginning at 6:45 a.m. Transportation will be provided as well.

The 12th Annual Spencer/Logic Tennis Tournament, sponsored by Logic Associates Inc., will be held Sunday, beginning at 9 a.m. at Central Oahu Regional Park Tennis Complex. The entry fee is \$50, which includes lunch, transportation and the awards ceremony. The singles tournament is open to players at both the A and B levels.

The tournament last year raised about \$7,500 for the Spencer Educational Founda-

tion. According to Bill Perry of Logic Associates, there are still openings for the tournament. To sign up or for more information, call 212-227-8000 or send an e-mail to bperry@logicassociates.com.

-By Joe Walker



Spencer pledges help advance educational aims

The Spencer Educational Foundation, administered by New York-based RIMS, was created by the Atlanta RIMS chapter in 1979 in honor of the late Robert S. Spencer, who was president of RIMS in 1977/78 before his death in 1979.

Mr. Spencer, the former vp-insurance at Fuqua Industries Inc. in Atlanta, was an outspoken advocate of the risk management profession.

More information on the Spencer Educational Foundation is available on the foundation's Web site at www.spencered.org.

A list of Spencer contributors and pledges as of Dec. 31, 2005, follows:

Striving For Excellence Campaign

Chairman's Circle

(Pledge of \$30,000 or more over three years)

American International Group Inc.; Aon Risk Services; Atlanta Chapter of RIMS; Dallas/Fort Worth Chapter of RIMS; Greater Kansas City Chapter of RIMS; Marsh Inc.; St. Louis Chapter of RIMS; XL Foundation Ltd.

Patron's Circle

(Pledge of \$1,000-\$9,999 per year or more over three years)

Tom and Betsy Balderston; *Business Insurance*; Chubb Corp.; P. Richard and Linda Hackenburg; W. Pat Hopkins Jr.; International Risk Management Institute Inc.; Kathryn McIntyre; New Jersey Chapter of RIMS; Old Republic Risk Management; Orange County Chapter of RIMS; Palmer & Cay Inc.; Underwriters Safety & Claims; Washington Chapter of RIMS.

Benefactors

(Pledge of \$100-\$999 for three years)

Mr. & Mrs. Fred Bangs; Donna and Howard Galer; Berry L. Griffin Jr.; Alicia Junta; Peter and Beth Heard; Huggins Actuarial Services Inc.; B. Scott Rich; Charles L. Ruoff; Anne M. Zug.

General Fund contributions

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Benefactors

(\$2,500-\$4,999)
Fairfield Westchester Chapter of RIMS; FPIC Insurance Group; San Diego Chapter of RIMS; South Texas Chapter of RIMS.

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Organizations
Carolinas Chapter of RIMS; Chicago Chapter of RIMS; Golden Gate Chapter of RIMS; Long Island Chapter of RIMS; Nevada Chapter of RIMS; OREGON Chapter of RIMS; Katten Muchin Zavis Roseman, in honor of Jeanne H. Braun.

Contributors

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Individuals

Michael W. Bryant; Timothy J. and Diana Bunt; Robert Clements; Michael Eremchuk; Debra L. Rodgers; Daniel C. Savitsky; Morris N. Spencer, in memory of my brother, Robert S. Spencer; Stephen M. Wilder.

Organizations

USAA Foundation; World Captive Forum.

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Roger Andrews; J. Ruffin Branham; Mark A. DeLillo; Carla Eberling and Russ Opferkuch, in memory of Alan Friedlander and Thomas Regan; Robert W. Esenberg; Lance J. Ewing, in honor of RIMS past presidents; Carol Fox; Lucille "Lucky" Gallagher, in memory of Kenneth W. Monfort; Dr. Robert Hoyt; William J. Kelly; Mark O'Brien; Ellen Vinck; Craig Van der Voort; Stephen M. Wilder.

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William L. Mather; William D. Motherway; Mark O'Brien, in memory of Tom Celic; Mark O'Brien, in memory of Patricia Cody; James C. Newton Jr.; David Schwartz; J. Douglas Strohl; Judith Tornese; Ellen Vinck; West A. Woodbridge.

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Dr. Stephen Avila; Mr. & Mrs. Fred Bangs, in honor of Mr. & Mrs. David Davenport; Damon Coppola; Fenhua Liu; Brandon Miller; John Pinner; George Trotti; Ron and Kelly Winans, in honor of Ben Crane's win at the 2005 U.S. Bank Golf Championship; Ron and Kelly Winans, in memory of Lois Irene Bruce; Ron and Kelly

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Organizations

Fleet Risk Advisors L.L.C.; Richard Meyers & Associates; Ultimate Risk Solutions.

RIMS conference to return to New Orleans in 2007

The 2007 Risk & Insurance Management Society Inc. Annual Conference & Exhibition is scheduled for April 29-May 3, to be held at the Morial Convention Center in New Orleans.

The locations and dates for other future RIMS conferences are:

- 2008: San Diego; April 27-May 1
- 2009: Orlando, Fla.; April 19-23.





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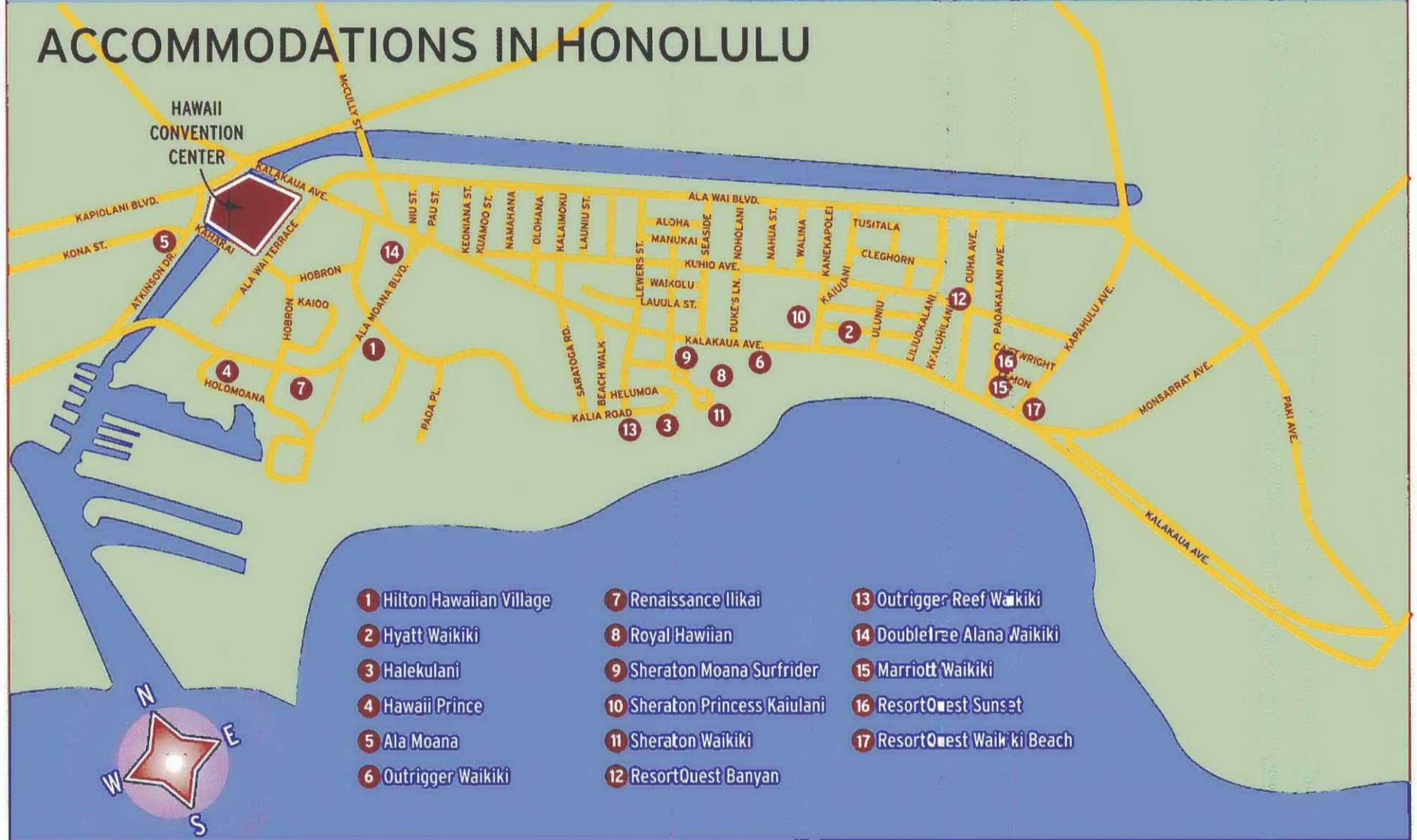
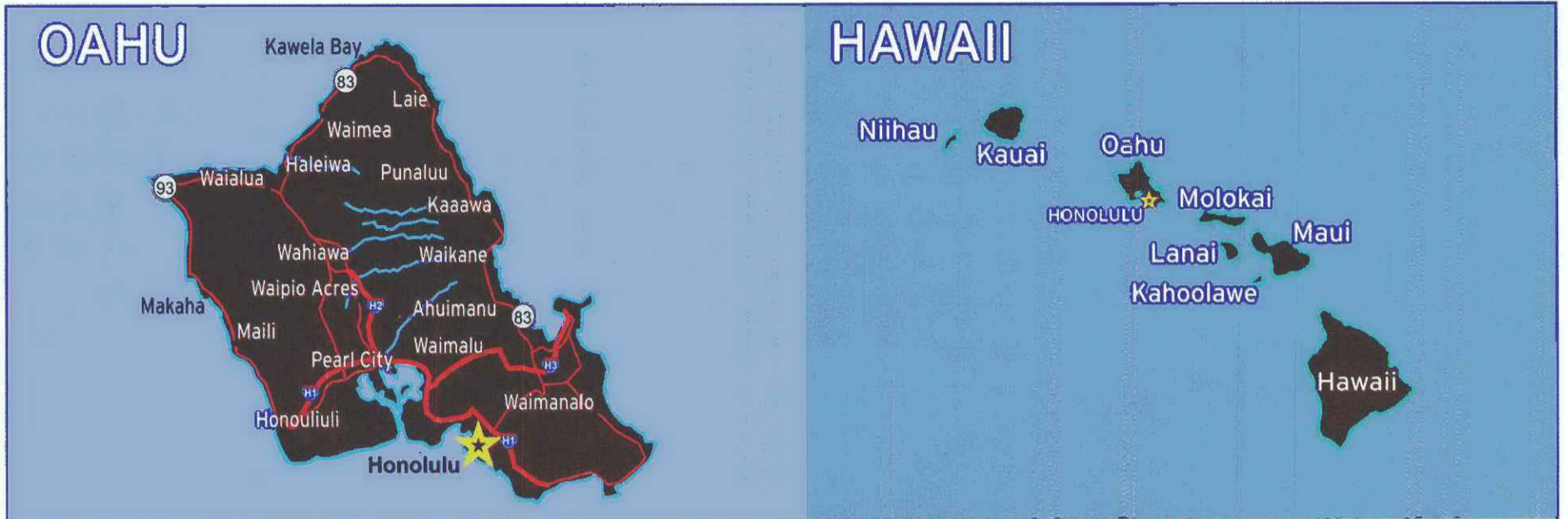
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Trolley service offers a convenient way to see the sights

While taxicabs provide efficient transportation around Honolulu, the Waikiki Trolley offers an alternative travel and sightseeing opportunity.

The \$2-per-ride Pink Line is likely to be most useful for conference attendees because it runs between the Ala Moana Center and designated stops located near several Waikiki Beach hotels. A pink open-air trolley arrives at each stop every eight minutes. The Ala Moana Center sits near the Hawaii Convention Center and boasts of being "Hawaii's largest shopping mall," where convention attendees are likely to find restaurants for lunch.

A \$25 daily pass, which permits unlimited on-and-off privileges at popular tourist attractions, must be purchased to ride Waikiki Trolley's other lines.

than the Pink Line, moving passengers beyond downtown Honolulu. The Blue Line heads east, making a loop around Diamond Head Crater. Red and Blue Line trolleys arrive at their stops much less frequently than do Pink Line trolleys.

The trolleys are very clean and the staff members are helpful, and they offer transportation between many shopping venues and favored tourist spots. For more information about the trolleys, call 808-593-2822 or visit www.waikikitrolley.com. Copies of the route map are available at many hotels.

The trolleys, though, don't operate late into the night or in the early morning, when taxicabs may be a better bet. Cabs in Honolulu charge \$2.80 for the first quarter-mile and 30 cents every tenth of a mile after that.

—By Roberto Cenicerros



Waikiki Trolley's routes cover almost all the tourist attractions and major shopping malls on Oahu.

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Overview: Honolulu's historic sites offer glimpses of Hawaiian culture and customs

Continued from page T1

ing \$6, allows visitors access to displays in the palace's basement, which include a history of Hawaii, a restored office of the chamberlain and displays of regalia—including Kahi'i, which are the feather sticks that were probably originally intended to flick away bothersome bugs but came to be royal standards.

Across South King Street is the much photographed statue of King Kamehameha, who reigned from 1795 to 1819 and pulled the disparate chiefdoms of the Hawaiian Islands into a unified monarchy. With its gold-leafed helmet and cloak, the statue—which is actually a reproduction of the original statue on the Big Island—portrays the king with his hand outstretched in a gesture of welcome.

Down the street to the east of the statue, the fascinating Mission Houses museum gives an insight into how some of the first U.S. settlers dealt with island life and interacted with the local Hawaiians.

Congregationalist missionaries led by Hiram Bingham started the buildings, several of which are made of coral blocks, in 1821. The missionaries arrived at what was for them an opportune time, as a few years earlier the ancient kapu, or taboo, system had been banned, so

there was a slight gap in the market for religion in the islands.

The Mission Houses have been restored to portray how they would have been furnished at the time of the original group of missionaries, and they include such day-to-day items as Hawaiian quilts and a working press, which is a reproduction of the original press that was used to print Bibles in Hawaiian. The 45-minute guided tour costs \$10.

Across the street from the museum is the original mission church, Kawaiaha'o Church, which also is made of coral blocks. If you wander around the church's graveyard, you'll see the names of mission families on the gravestones. Even today, descendants of the original missionaries are entitled to be buried in the graveyard.

The more modern and grander St. Andrew's Cathedral can be found a little further north off South Beretania Street. Built in 1867 in the French Gothic style, the Episcopal cathedral has traditional stained glass windows depicting biblical scenes that are interspersed on the walls with more modern prints depicting biblical characters.

South of downtown by the harbor, you can explore the vital role the sea has played in Hawaii's history at the Hawaii Maritime Center.

The museum traces maritime history starting around 450 B.C., covering the discovery of the islands by Polynesians who made the vast journey across the Pacific in canoes, the role that whaling has played as part of the islands' growth and how tattooing has developed from a native art to a commercial enterprise. Exhibits include a huge humpbacked whale skeleton and a traditional Hawaiian canoe that doubles as a display case. The \$7.50 admission includes a headset guide.



Top: Iolani Palace, the residence of Hawaii's last two monarchs, was commissioned by King David Kalakaua in 1882.

Left: A statue of King Kamehameha, who reigned from 1795 to 1819.

Tourists flock to Waikiki for mix of fun and sun

By ROBERTO CENICEROS

Unless you are a criminal fleeing from Dog the Bounty Hunter, Waikiki is a great place to sit and relax over a mai tai or to join the crowds engaged in an eclectic mix of activities.

The one-square-mile strip of land on Oahu's south shore, known as Waikiki, buzzes with excitement and is crammed with famed hotels, ocean recreation opportunities, eateries, tour vans, shopping outlets and entertainment options that cater to travelers from around the

globe.

Waikiki is home to shooting ranges popular with Japanese travelers, for example. Range guests can blast away with shot guns, assault rifles and handguns—something that is illegal in Japan.

For \$100, the Waikiki Gun Club allows guests 34 shots from among four high-powered weapons, including an M-16 and an AK-47. For \$71, take the "FBI course" and fire 52 rounds from among several handguns, including a 9mm Beretta and a Smith & Wesson .44-caliber Magnum.

For Waikiki's more-genteel side, stroll over to the Sheraton Moana Surf Rider, formerly the Moana Hotel, for high tea in the establishment's elegant Banyan Veranda. Or enjoy that mai tai beachside while watching the sun drop over Waikiki's clear blue waters.

Known as the "First Lady of Waikiki," the Moana opened in 1901 as the area's first luxury hotel. Today, the Moana retains its old-style charm and dignity, as does its sister property, the Royal Hawaiian Hotel, which opened in 1927 to serve cruise line passengers. A celebrated Waikiki landmark, the Royal Hawaiian's stunning beauty stems from its Moorish-Spanish design.

While the Royal Hawaiian may look a bit out of place today surrounded by Waikiki's modern establishments, it is well worth a stroll through the hotel to get a feel of real elegance from an earlier era. Or stay and enjoy the hotel's "royal luau" on Monday nights for \$97 per



Waikiki Beach, a series of beaches, offers a variety of water activities, including catamaran cruises, available daily by numerous operators.

person.

Many of Waikiki's finer dining establishments are found in beachside hotels, but something for all tastes and pocketbooks is available. The Waikiki Shopping Plaza at 2250 Kalakaua Ave. contains a food court with typical American fast-food favorites, Japanese restaurants, island cuisine and an Asian deli.

An odd mix of shopping plazas and outlets lines Kalakaua Avenue, Waikiki's main drag. Boutiques featuring the best of Chanel, Gucci and Tiffany co-exist with T-shirt emporia and trinket souvenir shops catering to crowds of shoppers.

Visitors will likely notice all the ABC Stores, seemingly located every few feet. The first ABC opened in Waikiki in 1964, and today the

chain strives to fulfill its original mission of providing convenience store products and beach necessities at prices aimed to attract tourists away from hotel stores.

Waikiki, which is a Honolulu district, contains more than 30,000 hotel rooms and hosted more than 4.75 million visitors in 2005, according to the Oahu Visitors Bureau.

Although Waikiki's slight underbelly is occasionally featured as a backdrop for episodes of Dog the Bounty Hunter—a current hit reality television show on A&E Network set in Hawaii and featuring Duane "Dog" Chapman tracking down fugitives—violent crime rarely poses a problem for tourists, according to the Honolulu Police Department.

But use common sense in guarding against theft, police warn; do not leave valuables unattended on the beach.

Waikiki Beach is actually a series of sandy beaches with waves gentle enough to support several surfing schools for beginners.

If surfing doesn't appeal, an outrigger canoe ride presents another option for catching Waikiki waves while letting someone else handle the paddling and navigating. For an outrigger canoe, find your way to the beach in front of the Outrigger Waikiki Hotel. Beach boys operate the canoes daily from about 8:30 a.m. to 3:30 p.m., charging \$15 for a ride.

Catamarans offer yet another way to enjoy Waikiki's water and sunsets. One catamaran operator leaving from the beach in front of the Sheraton Waikiki charges \$23 for a 90-minute tour. Maita'i Catamaran, another operator departing from Waikiki Beach, charges \$34 for a 90-minute sunset cruise that includes mai tais and other drinks.

The shoreline even offers educational opportunities. The Waikiki Aquarium at 2777 Kalakala Ave., for instance, is operated by the University of Hawaii. Those who pay the \$9 admission fee are provided with ample opportunities to see and learn about hundreds of sea creatures. The aquarium is open daily from 9 a.m. to 5 p.m.

But thousands of people visiting Waikiki every day appear content simply to lie on the beach and enjoy the sun, sand and surf.



Waikiki's coastline is fronted by hotels, including the pink Royal Hawaiian Hotel, which opened in 1927.

Oahu offers wide array of tropical and historical sightseeing

HONOLULU—A great way to explore the vicinity of Honolulu without relying on public transport is to rent a moped and head to beaches and landmarks located within 10 miles of the city.

There are plenty of places around the Waikiki hotels that offer mopeds for rent, and the cost usually runs from about \$30 to \$45 for a four- to eight-hour rental. For longer trips or for those in larger groups, there are plenty of car rental offices too.

To get a good view of Waikiki and Honolulu, head to the summit of either extinct volcano that overlooks the area.

To the east is the Diamond Head volcano, where you can drive up to a parking lot in the crater, pay the \$5 entrance fee and hike up a rocky trail to the summit. Part of the trail, which was built in 1908 to access an observation point as part of

is Hanauma Bay, about 10 miles to the east of Waikiki.

If possible, arrive early to avoid the crowds that flock to see the coral and tropical fish that can be viewed right off the beach.

After paying the \$5 entrance fee, visitors are required to view a short video on care for the reef before descending to the bay.

Snorkeling equipment can be rented on the beach. As soon as you

enter the water, you have to almost crawl over the coral reef that takes up a large chunk of the bay. Numerous colorful species of fish show little concern about the hundreds of swimmers eyeing them.

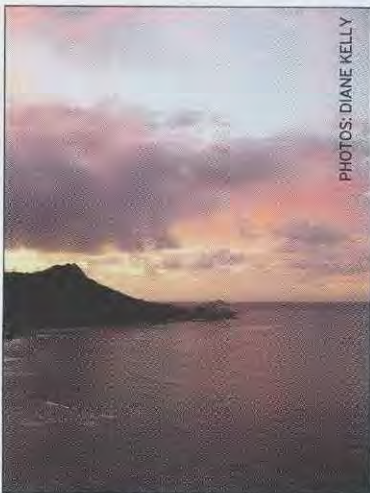
While the reef is the main attraction, the beach itself is a pleasant place to soak up the sun or relax in the shade of a palm tree.

—By Gavin Souter and Roberto Cenicerros



PHOTOS: DIANE KELLY

The National Memorial Cemetery of the Pacific, known as the "Punchbowl" because it is based in a volcanic crater, is the burial site for thousands of veterans.



PHOTOS: DIANE KELLY

Diamond Head volcano, shown here at sunrise, overlooks the Pacific Ocean.

coastal defenses, takes you through tunnels hewn out of the rock and up steep steps. Be sure to take water with you and think twice before attempting the climb if you are traveling with young children.

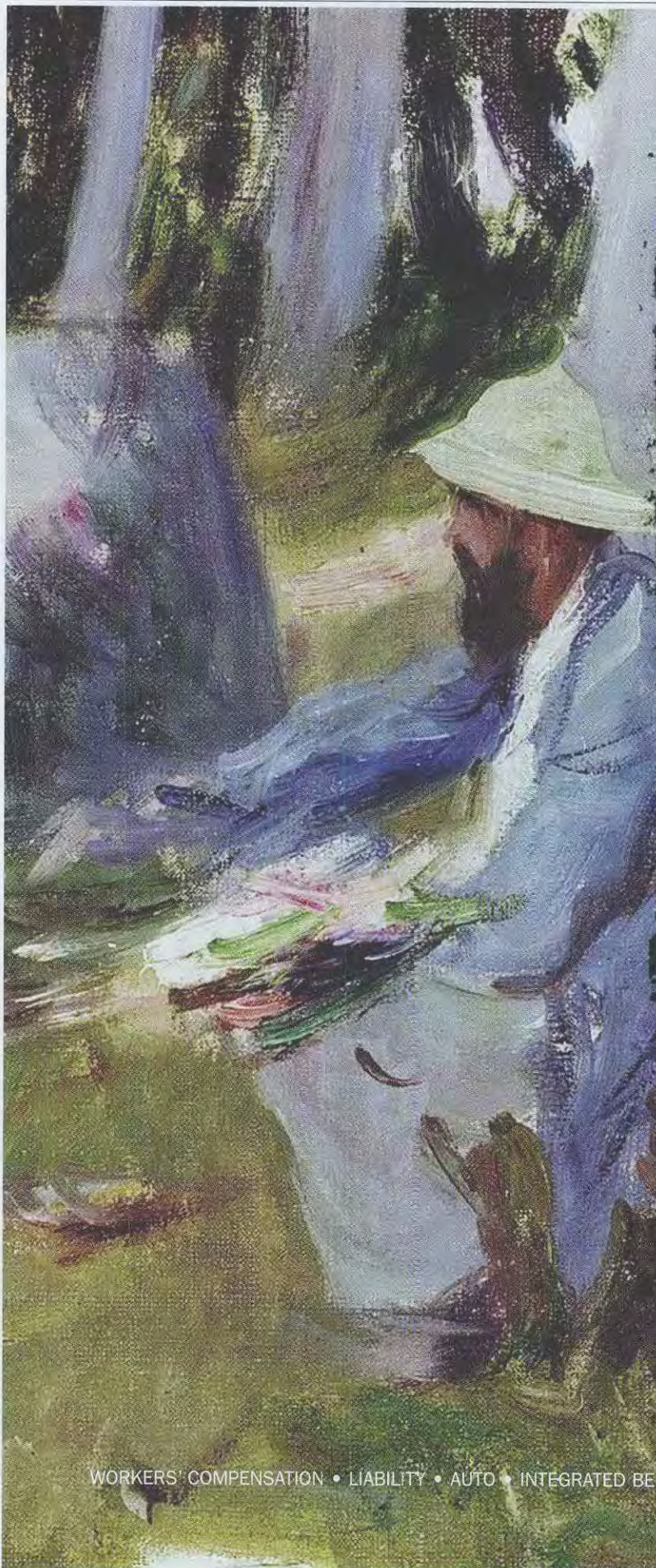
From the observation station at the top, take in the panoramic view and look back at the vast crater below.

For a different view of the city and an opportunity for quiet reflection, head north to the National Memorial Cemetery of the Pacific. The 112-acre site provides an overlook of downtown Honolulu, the ocean beyond and the surrounding mountains and valleys, as well as serving as the final resting place for thousands of veterans.

Known as the "Punchbowl" because of its location in the middle of a volcanic crater, the cemetery contains marble memorials with the names of thousands of Americans missing in action from World War II, the Korean War and Vietnam.

The beautifully landscaped cemetery is open daily, and history buffs will enjoy a gallery of stone mosaic maps depicting various Pacific Theater battles from World War II.

Back down at sea level, one of the most-popular sites close to the city



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Pearl Harbor memorial preserves "day of infamy"

By ROBERTO CENICEROS

Twenty-six veterans who survived the sinking USS Arizona have been laid to rest—two as recently as December 2005—alongside hundreds of their shipmates entombed in the battleship since the Japanese attacked Pearl Harbor.

A 1,760-pound armor-piercing bomb ripped through the deck of the Arizona minutes after the Dec. 7, 1941, attack began. The bomb ignited an ammunition magazine, killing 1,177 sailors and marines aboard the Arizona, out of a total of 2,388 U.S. Navy, Marine Corps, Army, Army Air Corps and civilian personnel killed at Pearl Harbor.

is the most recognized commemoration of the military personnel killed at Pearl Harbor, when the Japanese damaged or sunk 21 vessels and destroyed 32 aircraft in their surprise attack on the U.S. Pacific Fleet.

The white, concave, 184-foot-long memorial spans the midsection of the sunken battleship, which lies about 10 feet below the water's surface.

According to the National Park Service, the memorial's architect, Alfred Preis, designed the sagging middle to represent a low point in U.S. history, while the ends stand strong to represent ultimate victory.

Less well known is the fact that the Arizona's survivors can be in-

terred there. The names of the 26 who have opted to do so are etched on a marble wall in the memorial's shrine room, just below the names of the 1,177 who perished aboard the ship in 1941.

The National Park Service operates the memorial and a shore-side visitor center located on the Pearl Harbor Naval Base, about a 40-minute drive west of the Waikiki hotels. The visitor center includes a museum, bookstore and two theaters, where visitors can view a 23-minute documentary film on the attack that forced the United States' entry into World War II.

At the film's conclusion, visitors board a U.S. Navy-operated launch for the three-quarter-mile trip to the Arizona memorial.

Although the visitor center operates daily from 7:30 a.m. to 5 p.m., the National Park Service suggests arriving by 1 p.m. to ensure space availability. The last tour to the USS Arizona Memorial starts at 3 p.m. No reservations are accepted.

Waiting times to begin the tour can vary, depending on the number of visitors each day. About 1.4 million visit the memorial annually.

For security reasons, the Navy does not allow backpacks or purses in the Arizona memorial. But they can be stored for \$3 at a nearby M*A*S*H-style tent area, where shuttle buses deposit guests and snacks and drinks are available.

Visits to the museum and memorial are free, but an audio headset program is worth the \$5 charge.

Ernest Borgnine narrates the audio program, explaining various artifacts, and Pearl Harbor survivors briefly describe their gripping personal experiences.

The artifacts include photographs of the attack, salvaged mementos and ships' models, including that of the IMS Akagi, the Japanese aircraft carrier and flagship that participated in the attack. The exhibit also includes photos and memorabilia of Paxton Carter, a crew member of the Arizona chosen to symbolize every sailor who died on that "day of infamy."

A poignant Paxton Carter display case contains the Navy telegram sent to his wife and a Christmas card he sent to her dated Dec. 8 but mailed before the attack. A Purple Heart medal, a pair of eyeglasses and a scrapbook are among his belongings on display.

Adjacent to the National Park Service's visitor center sits the USS Bowfin, a World War II submarine operated by the nonprofit Pacific Fleet Submarine Memorial Assn. The Bowfin was known as "the Pearl Harbor avenger" for sinking 44 enemy ships. Visitors can board the sub and go below deck for \$10.

Or visitors can get a taste of living on a World War II battleship by going aboard the USS Missouri, where Gen. Douglas MacArthur and Adm. Chester Nimitz accepted the unconditional surrender of Japan. "The Mighty Mo," which sits next to the Arizona memorial, can be visited for \$16. A combined ticket that per-



The memorial's marble wall lists the names of those who perished aboard the USS Arizona in 1941.



Pearl Harbor's USS Arizona Memorial spans the midsection of the sunken battleship. Its sagging middle represents a low point in U.S. history.

mits the boarding of both the Bowfin and the Missouri is available for \$21.

V.I.P. Transportation Inc. operates a shuttle service to Pearl Harbor, with pickup at most Waikiki hotels. The cost is \$11 for a roundtrip ticket. V.I.P. can be reached at 808-836-0317. Hotel desk staff can also assist with tour arrangements.

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Discovering Chinatown

Honolulu's Chinatown traces its origins to the wave of Chinese workers that came to Hawaii in the 19th century.

Since then, the area of 10 blocks or so surrounding Hotel Street just to the east of downtown has been rebuilt twice after being destroyed by fires. And while this Chinatown is no rival to similar and more famous areas in New York and San Francisco, it is still a vibrant community with plenty to see and taste during an afternoon stroll.

Seedy in places, the network of streets with two- and three-story

buildings is dotted with restaurants, herb shops and markets.

At the Maunakea Market on Pauahi Street, locals while away lunchtimes at a cluster of tables underneath a statue of Confucius, while tourists and others look around the clothes and gift shops.

For a more authentic daily food market, go to the Kekaulike Market on Kekaulike Street or the Oahu Market across the street and take in the scenes and the smells of the meat, poultry, seafood and vegetable stalls.

Local sites include the pagoda-roofed Wo Fat building on Hotel Street, which once housed a popular restaurant, and the Sun Yatsen statue on River Street, which commemorates the Chinese revolutionary who became the first president of the Republic of China in 1912.

Anyone in search of Chinese or Vietnamese food will find plenty of choices and excellent value in the neighborhood. A good option is Mini Garden, on the corner of Smith and Hotel streets, where the decor is plain but the food is fresh, tasty and cheap. A slightly more expensive option is a few doors down Smith Street at the Little Village Noodle House, which offers a tad more refinement and plenty of meat, seafood and vegetarian options.



One of the sites in Honolulu's Chinatown includes a statue of Confucius, an ancient Chinese philosopher.

-By Gavin Souter

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 takes place in Honolulu, Hawaii, April 23-27,
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 Access to the exhibits is free with conference registration.
 No one under 21 will be admitted.



Hall hours and events:

Exhibit hall hours

Monday, April 24
 10:00 a.m.–4:00 p.m.
Tuesday, April 25
 9:00 a.m.–4:00 p.m.
Wednesday, April 26
 9:00 a.m.–4:15 p.m.

Exclusive exhibit hall hours

Monday, April 24
 10:00 a.m.–12:15 p.m.
Tuesday, April 25
 11:15 a.m.–12:15 p.m.
Wednesday, April 26
 11:15 a.m.–3:30 p.m.
 and 12:15 p.m.–4:15 p.m.

Events

Exhibit Hall Dessert Reception
 Tuesday, April 25
 1:45 p.m.–3:15 p.m.
RIMS 2006 Mardi Gras Celebration
 Wednesday, April 26
 3:15 p.m.–4:15 p.m.



**EXHIBIT HALL
 LEVEL 1**

As of February 21, 2006

Exhibitors list

A

A.M. Best Co.618
 ABD Insurance and Financial Services1733
 ABS Corporate Solutions/EQECAT327
 AccessOnTime2240
 AccuWeather Inc.650
 ACE USA1101
 ACN Group445
 Acordia Inc.2033
 ActecSystems Inc.1040
 Adjusters International1232
 ADP Claims Services Group1246
 Advanced Driver Training Services937
 Advanced Restoration Specialists Inc.1551
 Advanced Risk Systems943
 Advisen Ltd.927
 Aetna's Workers' Comp Access550
 AFCO Credit Corp.1016
 AIMS419
 Alertdriving.com1449
 Allied Managed Care (AMC)421
 Allsup Inc.2236
 alternative service concepts L.L.C.2218
 American Appraisal Associates Inc.2000
 American Claims Management Inc.410
 American Computer Estimating Inc.443
 American Institute for CPCU1207
 American International Group Inc.1027
 American Restoration1850
 American Specialty Health Inc.1905
 American Technical Services Inc.1715
 Aon Corp.727
 APP Technologies L.L.C.1553
 Arbitration Forums Inc.1539
 Arch Insurance Group1609
 Arthur J. Gallagher & Co.819
 Arthur J. Gallagher & Co.827
 Atradius Trade Credit Insurance Inc.750
 AXIS Capital Holdings Ltd.1930

B

Bank of Bermuda (Member HSBC Group)601
 Bank of Butterfield1605
 Bank of New York551
 Barbados Delegation1215
 BELFOR USA Group Inc.2220
 Belize411
 Bermuda1513
 Big Sky Captive Management1048
 BMEGateway Inc.1139
 BMS Catastrophe Inc.2013
 Board Analyst437
 Brigham & Associates2238
 British Virgin Islands513
 Broadspire709
 Business Insurance1201

C

Cambridge Integrated Services Group913
 Canadian Litigation Counsel315
 CAP Index Inc.1916
 Cardiac Science Inc.406
 CareMeridian1250
 Cayman Islands Financial Services221
 CBC National Inc.1351
 CBIZ Valuation Group L.L.C.1910
 CCMSI1154
 CEI Group Inc. (The)1823
 Certificate Management Solutions2244
 CFO Publishing Corp.1533
 ChoicePoint408
 Chubb Corp.1627
 Claims Verification Inc.1939
 CNA Corp.401
 Comerica Bank323
 Commercial Drying Technologies Inc.1255
 CompIQ Corp.310
 CompManagement Inc.1145
 Concentra Inc.1911
 Confidential Business

Resources Inc.946
 ConfirmNet Corp.1237
 CorpMed L.L.C.944
 Corporate Claims Management Inc.2200
 CorVel Corp.1241
 Crawford & Co.1409
 Crisis Management International Inc.1045
 CS STARS901
 CSC627
 CSC Environmental Consultants654
 Cunningham Lindsey Inc.1601
 Custard Insurance Adjusters Inc.1644

D

DAVID Corp.621
 David Morse & Associates2234
 DC-DISB311
 Deloitte & Touche USA L.L.P.1827
 Dempsey, Myers & Co.1721
 DirectCompRx400
 Disaster Recovery Institute International1256
 Disaster Resource Guide1155
 Disaster Services Inc.1157
 Dispute Resolution Management Inc.1137
 Duraclean413

E

Edwards Angell Palmer & Dodge L.L.P.347
 EFI Global Inc.1645
 eFileCabinet1654
 Enclarity Inc.1356
 Environomics L.L.C.2034
 Ernst & Young L.L.P.1435
 Eschen Frenkel & Weisman L.L.P.749
 ESRI333
 Exponent1247
 Express Diagnostics International1354

F

Facticon Inc.1345
 Fair Isaac Corp.1927
 FairPay Solutions Inc.1313
 First Advantage Corp.2036
 First Advantage Investigative Services2006
 First Health Group Corp.714
 First Services540
 Fitch Ratings Ltd.2224
 FLD Inc.346
 Fleet Response Inc.2214
 FM Global1501
 Footstarworks314
 Frank Gates Cos.804
 Frontier Adjusters Inc.1336
 Future Industrial Technologies844

G

GAB Robins North America Inc.1801
 GARP Digital Library954
 GE Insurance Solutions800
 GENEX Services Inc.607
 GenSource Corp.2001
 Global Risk Consultants Corp.1727
 Gordian Health Solutions Inc.1453
 Gould & Lamb L.L.C.536
 Government of Gibraltar1651
 Grupo Nacional Provincial S.A.1332
 GSG Associates Inc.1833
 GuernseyFinance853

H

HAR-BRO Inc.1745
 Hartford Financial Services Group Inc.1707
 Hartford Steam Boiler Inspection & Insurance Co.1227
 Health Advocates Inc.449
 HearPO1749
 Heller Ehrman L.L.P.326
 Hertz Claim Management Corp.1901
 Hilb Rogal & Hobbs Co.1917
 Hillmann Environmental Group L.L.C.1306
 Hooper Evaluations Inc.1750
 HSBC Insurance Management Ltd.2250

HTPN549
 Hyperion Risk Inc.1448

I

Imperial A.I. Credit Cos.1114
 Inform Applications Inc.1837
 Ingenix Inc.541
 Insight Worldwide Inc.409
 InStar Services Group Inc.2226
 Insurance Data Services935
 Insurance Licensing Services of America Inc.1457
 Insurance Overload/StaffPath1412
 InsureWorx Inc.1914
 Integrated Benefits Inc. (IBI)1544
 IntegResource Inc.2202
 Integro Ltd.1321
 Intellectual Property Insurance Services Corp.1240
 International Captive Consultants Ltd.1143
 International Insurance Consultants Inc.1044
 International Risk Management Institute Inc.1013
 International Tracing Search Inc.1456
 Interstate Restoration Group Inc.2232
 Intracorp921
 ISO1648
 Istanbul Underwriting Center338

J

Jacobson Group1349
 Jordan Reses512
 JTW News404
 JW Software Inc.1907

K

Kaiser Permanente1639
 Keane1642
 Kevin F. Donoghue & Associates1317
 Knott Laboratory L.L.C.757
 KPMG L.L.P.1242

L

L & W Investigations Inc.1443
 Lamar, Miller, Norris, Haggard & Christie P.C.857
 LexisNexis349
 Liberty Mutual Group1327
 Lloyd's of London501
 Logic Associates Inc.1015
 LOM Group321
 LVI Services Inc.305

M

MANCOMM952
 Marsh Inc.801
 Marshall & Swift/Boeckh L.L.C.1450
 Marshall Dennehey Warner1149
 Matrix Risk Consultants Inc.1755
 Maximus722
 McLaren's Young International1548
 Medcor Inc.955
 MedFocus Radiology Network1150
 Medical Consultants Network Inc.510
 MedRisk Inc.2007
 Medtronic Inc.520
 MEMIC647
 Merlin Law Group P.A.1209
 Merrill Group Inc.2212
 MES Solutions2246
 Midwest Employers Casualty Co.1811
 Milliman Inc.521
 Mitre House Publishing Ltd.1235
 Miyamoto International Inc.938
 MJM Investigations Inc.746
 MountainView Software939

Munters Corp. - Moisture Control Services1543
 MyMedicalRecords.com1452

N

National Alliance/Resources Magazine1844
 National Arbitration Forum1640
 National Association of Insurance Commissioners1940
 National Commercial Services301
 National Underwriter/Highline Data1133
 Navigant Consulting Inc.330
 NCCI Holdings Inc.1144
 Nebb Institute422
 Network Inc.1700
 Nevada Captive Insurance Assoc.1841
 NIOSH1451
 NJ & Associates Inc.1233
 NovaCare Rehabilitation2204
 NRAEF1657
 NuQuest/Bridge Pointe948

O

OCI2208
 One Call Medical Inc.1926
 OraSure Technologies Inc.1308
 Overland Solutions Inc.548

P

Pacific Handy Cutter Inc.1112
 Parachute L.L.C.328
 Payless ShoeSource1751
 Periculum Services Group1046
 Perr&Knight Inc.846
 Philadelphia Insurance Cos.1455
 Pinnacle Actuarial Resources Inc.340
 Pinnacle St. Lucia2230
 PMA Insurance Group1236
 PMSI-Tmesys2228
 Practice Manager Group L.L.C.1655
 PricewaterhouseCoopers L.L.P1221
 Prizm Solutions in Medical Management Inc.446
 PRM (ARM Tech)700
 Probe Information Services Inc.1022
 Professional Dynamics Inc.1756
 Professional Staffing Services753
 Protocols L.L.C.1254
 Prudential Financial Inc.950
 PureSafety1937
 Pureshare Inc.439

Q

Omedrix Systems Inc.1934
 Quest Insurance Solutions Ltd.1622
 QuestPro Consultants L.P.547

R

RCI Appraisal Co.508
 Reactions Publishing Group1704
 Recon Solutions417
 Reed Group Inc.1348
 Regional Reporting Inc.1445
 Reinsurance Solutions International L.L.C.646
 Remedy Interactive Inc.441
 Richard Meyers & Associates Inc.911
 RIMS Cyber Station1527
 RIMS Cyber Station341
 RIMS Massage Station353
 Ringler Associates Inc.1444
 Rising Medical Solutions Inc.1815
 Risk & Insurance Magazine535
 Risk and Insurance Management Society Inc.1119
 Risk Enterprise Management Ltd.1401
 Risk Management Solutions Inc.1051
 Risk Technologies Inc.615

Road Safety International Inc.423
 Rosenberg & Parker Inc.854
 RTW Inc.1542

S

Safe Travel Institute1355
 SAFECO Surety847
 Safety National Casualty Corp.655
 Safety Source Productions1151
 SafetySmart Magazine307
 SAVE A BACK Inc.702
 SB&T Captive Management Co.519
 SCCIA Inc.557
 Schirmer Engineering Corp.745
 ScripNet1153
 SEA Ltd.1521
 Sedgwick CMS Inc.1001
 Sergi1744
 ServiceMaster Clean1739
 Shoes For Crews Inc.1922
 Shorman Solutions1322
 St. John's University-School of Risk Management845
 St. Paul Travelers Cos. Inc.1301
 State of Hawaii701
 State of Vermont527
 Sterling Testing Systems Inc.617
 StrataCare2100
 Strategic Thought Group1912
 Structured Financial Associates Inc.1249
 Stryker651
 Subrogation Division Inc.1057
 Surety 2000 Inc.2242
 SurgiCount Medical Inc.956
 Sweett & Crawford Group Inc.751

T

Talisman Systems Group Inc.2002
 Tec Laboratories Inc.951
 TechHealth Inc.1845
 TeleVox L.L.C.839
 Total HealthCare Management Inc.2038
 Towers Perrin1007
 TradeWinds Environmental Restoration Inc.841
 TransPaC Solutions Inc.1554
 Transurance949
 TREDSAFE/Wal-mart1846
 Triton Risk Management1251
 Tropics Software Technologies Inc.522
 Trumbull1849
 Turks & Caicos Islands516
 TVA Fire & Life Safety Inc.2027

U

U.S. Jclean Inc.1547
 Underwriters Laboratories Inc.1353
 USA Risk Group523
 USI Holdings Corp.1821

V

Valley Oak Systems Inc.1933
 VeriClaim / vrs UNI-VERSE1010
 Virtual Driver Interactive734
 Visual Risk Solutions Inc.1652

W

Wachovia Insurance Services Inc.1617
 Ward-U.S. Risk L.L.C.1019
 Willis Group Holdings Ltd.1427
 Work Loss Data Institute1252
 WorkingRx Inc.1557
 World Access1050
 Worldwide Broker Network1831

X, Y, Z

XL Insurance427
 York Insurance Services Group Inc.455
 ZoneCare USA1055
 Zurich Financial Services Group1701

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Tours of Maui offer visitors scenes of great natural beauty

By ROBERTO CENICEROS

MAUI, Hawaii—From the farmlands and rain forest of East Maui to the luxurious hotels and golf resorts of West Maui, the island—formed by two volcanoes—offers visitors a wide variety of sightseeing.

The famed road to Hana, a scenic day tour, provides one of the most popular opportunities for experi-

encing East Maui.

The eastward drive begins in Kahului and ends where Haleakala National Park meets the coast, which is actually about 10 miles beyond Hana. While Hana is only about 53 miles from Kahului, plan for a six- to eight-hour round trip, depending on road conditions and the frequency of stops. And you will likely want to stop as often as

crowded shoulder space allows for visiting some gorgeous vistas.

Van tours are available for the trek to Hana, but piloting a rental car along the narrow winding road to Hana presents a challenging test of mountain driving skills. More than 600 turns and three-dozen single-lane bridges span much of the

See MAUI / next page



PHOTO: DIANE KELLY

Tourists can stop along the road to Hana to take in overlooks covered in lush greenery.



PHOTO: DIANE KELLY

Highway 360 to Hana features breathtaking waterfall views.

Mild weather is anticipated for Honolulu

Hawaii's weather during the Risk & Insurance Management Society Inc. Annual Conference & Exhibition should be glorious, if historical weather data is any indication.

Temperatures in Honolulu during April 23-27 tend to range consistently between the 60s and the 80s, with an average high of 83 and average low of 69. Mild weather is common from the second half of April through October, though this year storms raged in parts of the state in late March.

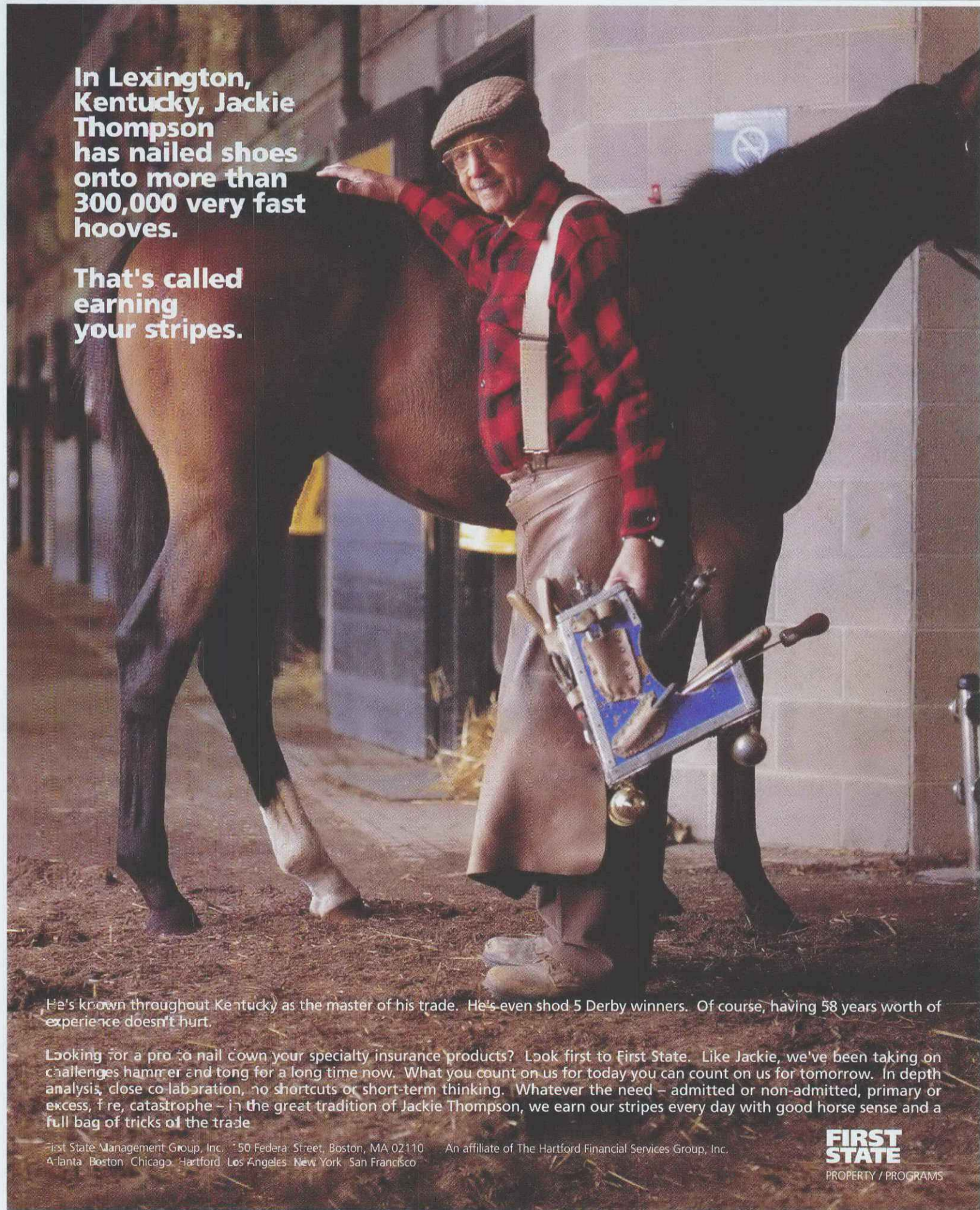
Heavy rainfall on Kauai caused flooding and led to the collapse of an earthen dam that killed at least seven people on March 14. While Kauai's Mount Waialeale is one of the wettest places on earth, with average annual rainfall exceeding 460 inches, last month's rains were considered unusual.

Visitors to Honolulu, however, can expect light rains, if at all. The city's normal precipitation is only 1.11 inches in April, and the average daily precipitation is 0.03 inch.

Trade winds are frequent on Oahu, carrying clouds and some rain, but they're seldom strong. Average wind speed for April is 9 mph, with a typical range of 4 to 14 mph.

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Maui: Touring offers visitors scenes of great natural beauty

Continued from page T21

drive hugging Maui's east coast. Most of the route is officially marked as Highway 360.

The rain forest beauty along the way is filled with waterfalls, hiking trails and exotic flora such as ginger blossoms. Or leave the highway and drive into the small communities along the route to view some of the oldest Hawaiian churches on the island.

Wainapanapa State Park, just a short side jaunt off the highway, offers a black-sand beach, small caves and aqua-colored surf crashing against black lava rock.

Before making the return trip, stop for lunch in Hana. The remote, sleepy little town known as "the last Hawaiian place" offers only three or four dining choices. The trip is really about the journey as much as the destination.

The biggest drawback to this drive is presented by the lack of

parking at stops popular with tour vans and other visitors. Some waterfalls, for example, may offer up a wide-enough stretch of roadside to park only a few cars.

Maui's second popular drive is the road up to Haleakala's summit, a volcano rising 10,023 feet above the island's floor, in Haleakala National Park.

On the drive to Haleakala, consider stopping for a meal at the Kula Lodge and Restaurant, one of last dining opportunities en route to Haleakala's summit. Enjoy its panoramic view of the surrounding mountains and distant towns. The rustic lodge features a garden terrace and outdoor fireplace. It also offers a spectacular view of the isthmus connecting East and West Maui, which helps make it apparent how the island was formed by two volcanoes rising from the ocean.

Haleakala's cinder-cone dotted



PHOTO: DIANE KELLY

Black lava rock formations stand out against the surf at Wainapanapa State Park, located just outside the little town of Hana.

crater is large enough to hold Manhattan. But according to the National Park Service—which charges \$10 per car to enter the area—it's misleading to refer to the large basin as a crater because it wasn't formed by volcanic activity. It was formed by wind, water and possibly glaciers cutting valleys in the giant mountain, according to the park service.

Maui weather at the summit's elevation is unpredictable and can change rapidly. Although the lookout atop Haleakala is often crowded with tourists, fog and rain can obliterate the view.

Another popular activity on the island is making the 38-mile ride down Haleakala by joining up with

a bicycle tour group. The bike tours often take all day, and some even allow riders to watch sunrise from the summit of the volcano. To see this, though, be prepared to get up early; the sunrise tours start at 3 a.m.

Those wanting to enjoy ocean-side villa accommodations, shopping for resort wear or spa treatments in a modern resort setting may find themselves drawn to West Maui's coastline. West Maui has its rugged beauty, but this is also the site of most of the island's major development.

This is also where the quaint town of Lahaina is located. In contrast to Hana, which can receive 150 inches of rain per year, Lahaina

is hot and dry.

Its streets fill with tourists visiting art galleries, gift stores, restaurants, T-shirt shops and night spots. But its history still shapes its ambience. Lahaina once served as the royal capital for King Kamehameha and was home to a whaling fleet in the 1800s. Today Lahaina Harbor is a departure point for dinner cruises.

Another popular Maui option involves boarding a power catamaran in Maalaea Harbor and heading for Molokini, a crater rim surfacing above the ocean. Tour operators say Molokini's reefs offer some of the island's best snorkeling.

Or, find your own off-the-beaten-path enjoyment on Maui. The island offers plenty for everyone.



PHOTO: DIANE KELLY

A series of natural pools can be found along Oheo Gulch in Haleakala National Park.

Volcano park proves a dramatic Big Island destination

By GAVIN SOUTER

HILO, Hawaii—While there is plenty to occupy visitors to Hawaii on the island of Oahu, where the Risk & Insurance Management Society Inc. conference is being held, the diversity of attractions on the other islands and their proximity should tempt attendees to take at least a day trip to another island in the chain.

High on the list of places to visit is the Hawaii Volcanoes National Park and other attractions on the island of Hawaii, or "the Big Island," as it is popularly known.

Flights to and from the Big Island leave regularly throughout the day from Honolulu, and to make the most of a day trip, an early start is essential. Before heading out though, regardless of how fine the weather may be in Honolulu, the visitor should pack a jacket or

sweater, as the climate can be very different on the Big Island.

After disembarking from the 45-minute flight to Hilo, head straight for a rental car. A car is virtually essential to explore the island because public transportation is limited. After you drive out of the airport, turn left at the first light and drive south for about 40 minutes, and you'll run straight into the park, where the central attraction is the Kilauea volcano and its active lava flows.

After paying the \$10 fee, the first stop should be at the visitors center, where the helpful and knowledgeable staff will give you an overview of the park, offer ideas about what to see in the time you have available and provide tips about the best times of day to visit the various sites.

Then, armed with a map provided at the entrance, visitors can take the drive the 11-mile loop around

the crater rim.

Starting out on the clockwise

See **BIG ISLAND** / page 24



PHOTOS: GAVIN SOUTER

Plumes of steam (above) at the end of Chain of Craters Road in Hawaii Volcanoes National Park indicate where volcanic lava continues to pour into the Pacific Ocean. The road (right) has been blocked by recent lava flows.



PHOTO: GAVIN SOUTER

A view from the top on an 11-mile loop around a crater rim.

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Big Island: Trekking over lava in the volcano park and its diverse environments

Continued from page T22

route, there are several sign-posted places to stop and take a walk through dense rain forest and look over the rim of the Kilauea Iki Crater and see the lake of lava left by a 1959 eruption and the steam vents rising out of the crater. An even closer look can be had by following a trail down to the crater floor, where you can traverse the cooled lava and climb back up to the rim.

Farther along the loop road is the Thurston Lava Tube, where you can hike through a tunnel that was created when a river of lava drained away 500 years ago.

A mile or so farther on, take a left turn on to the Chain of Craters Road, which passes through several lava fields on the way down to the Pacific shore. There are plenty of places to pull over on the 40-mile round-trip and take a closer look at the crumbly, charred, purple lava.

At the end of the road you can park and walk about a half-mile and see where the road has been blocked by recent lava flows, clamber over the lava—which still looks like it is oozing—and see plumes of steam where the lava continues to pour into the sea. To really see the glowing lava, it is necessary to visit the park after nightfall, but even then it is not guaranteed that the active lava flows will be visible.

After returning to the loop drive, the road passes around the vast Halemaumau Crater. A good stopping point is by the steam vents on the north rim, where you can get a close-up look at steam rising from the bluff above the crater. Rainwater seeps down through the ground and vaporizes when it comes into contact with the liquid rock, creating the plumes of vapor.

At the end of the loop is the Volcano House Hotel, which includes a

gift shop and a crowded restaurant where a \$15 buffet lunch is served.

The whole excursion could take up a whole day or even several days for those visitors who want to explore the park thoroughly, but even in a two- or three-hour trip, it is possible to get a good feel for this extraordinary site and then leave the rest of the day to see several of the many other areas of natural beauty on the Big Island (see story, below).

Exploring the Big Island's other natural marvels

HILO, Hawaii—The highlight of any trip to the Big Island will almost certainly be the Hawaii Volca-

noes National Park, but that natural marvel is far from the only site worth taking in on a daytrip.

Over the course of an afternoon, it is possible to travel through lush rain forests, desolate lava fields, verdant pasture lands and past craggy coastlines, and get a flavor of the amazing variety of environments that make up the Big Island.

After visiting the volcanoes, travel back to Hilo and turn left on to the Saddle Road and take a fun and, at times, challenging drive along the twisting and undulating 55-mile road that runs through the center of the island.

Starting off, the Saddle Road takes you through the outskirts of Hilo on a smooth surface where you are surrounded by large ferns and other tropical vegetation. But after 10 miles or so, the condition of the road worsens considerably and you enter bleak fields of crumbly lava with volcanoes in the background where you sometimes feel as though you are driving through a quarry.

After you reach the 6,500-foot summit of Saddle Road, the final third of the drive takes you through thick green pasture lands where cattle graze and the occasional cactus can be seen by the roadside.

The road ends in Waimea, which is dominated by the Parker Ranch, a vast working ranch that offers horseback rides over the property including a look around the ranch's racetrack. The Parker Ranch visitors center, in the middle of town near a statue of a paniolo—a Hawaiian



PHOTO: GAVIN SOUTER

Akaka Falls State Park features lush vegetation and pristine waterfalls.



PHOTO: GAVIN SOUTER

A statue of a paniolo, a Hawaiian cowboy, can be found on The Parker Ranch in Waimea. Visitors can explore the working ranch and take horseback rides.

cowboy—and amid upscale gift shops, gives a history of the ranch

and a taste of ranch life.

After passing through Waimea, follow the road east to the Hamakua Coast and then south back to Hilo.

Stopping off points along the way include Laupahoehoe Point, where the sea comes crashing in on the lava rocks, and the Akaka Falls State Park, where you can view bamboo and colorful tropical plants and birds on a walk through the rain forest to the Kahuna and Akaka waterfalls, which both cascade down more than 400 feet.

Back in Hilo, a good place to grab a meal before heading to the airport is in one of the several restaurants in the historic buildings on Kamehameha Avenue, which overlooks Hilo Bay. A good choice is Café Pesto, a casual airy restaurant, where you can relax over a mai tai or a locally brewed beer and enjoy a pizza, a calzone or one of the fresh fish or chicken dishes off the varied menu.

—By Gavin Souter



PHOTO: GAVIN SOUTER

The ocean crashes in on the lava rocks at Laupahoehoe Point.

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Recreational water sports

HONOLULU—Water sports enthusiasts should have a great time in Hawaii.

Famed for its surfing, Hawaii's beaches and resorts offer a wide range of activities for beginners and experts, whether it be boogie boarding, sports fishing, scuba diving or many other activities on and in the water.

Surfing has been practiced in Hawaii for centuries, and the islands attract the top surfers from around the world. Many of the elite surfers head for the big waves that can be found off the beaches on the North coast of Oahu, but intermediate surfers and beginners should find the more-gentle waves off Waikiki Beach easier to tackle.

Surfboards and boogie boards can be rented from stalls on Waikiki that also offer lessons. Surfboards rent for \$10 an hour, and boogie boards are \$5 an hour. An hour-long surfing lesson costs \$35 per person for a four-person group lesson, which includes board rental, and \$75 for a private lesson.

If you want to enjoy the surf without having to worry about keeping your balance, the same stalls offer rides in an outrigger ca-

noe for \$120 for daily boat dives. The price includes gear and can include stops at shipwrecks, reefs and sea walls, depending on guest interest. Beginners can start the day with free lessons in the safety of a pool and then follow instructors on a boat dive.

Aqua Zone can be reached at 808-923-3483. Other centers include Dive Oahu, at 808-922-3483, and the Hawaii Water Sports Center, at 808-395-3773.

For families looking to interact

with dolphins, the Kahala Hotel & Resort has a private lagoon where Dolphin Quest provides a variety of educational and interactive programs daily. A two-hour program that allows children to interact with the hotel's small collection of dolphins costs \$185. For the same price, an adult can participate in a half-hour program. For more information, Dolphin Quest can be reached at 808-739-8918.

—By Roberto Cenicerros and Gavin Souter



Hawaii's beaches accommodate an array of water sports, including surfing, which is one of the more popular activities.



PHOTO: HTJ

Deep sea fishing charters can be booked for day or half-day trips.

noe for \$15 for a three-wave ride, which usually takes about 20 minutes.

For a sports fishing experience, there are plenty of options. Most of the hotels should be able to book day or half-day trips, but if you want to see a range of options, just head down to the dozen or so small huts that line the Kewalo Basin between Honolulu and Waikiki, talk to the boat captains or crew members and size up which boat you want to venture out on. The cost runs from about \$150 per person for a half-day shared excursion to about \$800 to \$900 for a full-day private charter for eight to 10 people.

Catches include mahi-mahi, blue marlin, striped marlin and ono, and if you land a fish you'd like to take home, many of the boat companies offer taxidermy services too.

Diving is another option for beginners or experts. Various scuba dive centers are located near Waikiki hotels or the centers will pick up customers at the hotels before boating to popular dive spots.

Aqua Zone, for example, charges



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Hawaii's restaurants offer mix of local, global flavors

Innovative takes on seafood, terrific views among the dining scene's charms

HONOLULU—The dining options on offer in Honolulu and Waikiki are varied enough to satisfy most tastes and wallets. While seafood dishes feature strongly on many menus, chicken and other meat dishes are also well represented. And the locations vary from spectacular heights above the city to a

wide selection of ocean side eateries, where you can enjoy the cooling ocean breeze as you dine.

Alan Wong's flagship restaurant offers some of Hawaii's finest contemporary dining and a soothing yet modern atmosphere away from the hustle and bustle of

Waikiki.

Founder Alan Wong, who is one of Honolulu's most famous chefs, is known for his incorporation of Hawaiian regional cuisine. His dishes are prepared using local produce and Pacific Ocean catch.

An open kitchen, beautiful wood columns and a cityscape view from some tables help shape the restaurant's enjoyable atmosphere.

While it takes experimentation to create the lively dishes served at Alan Wong's, the food is serious. On a recent visit, the service also proved impeccable and friendly, and every item included in a five-course sampling prix fixe dinner was delightful.

The dinner cost \$65 per person and started with a soup appetizer featuring a yin and yang arrangement formed with tomatoes of two shades. It also included a ginger-roasted onaga—a type of snapper—served with organically grown corn and mushrooms, pan-roasted day boat scallops served with truffled cauliflower puree and twice-cooked short ribs. The dinner finished off with a dessert duo of coconut tapioca and chocolate "crunch bars."

Entrees on the menu included ki-



PHOTOS: DIANE KELLY

Dishes at Alan Wong's, such as this scallop preparation, are made with local ingredients.

awe wood-grilled mahi-mahi for \$27, and Maui Cattle Co. New York steak with grilled vegetables for \$35. Appetizers included a nori-wrapped tempura ahi with tomato ginger relish and mustard sauce for \$13.50.

While Alan Wong's is located in a

neighborhood away from Waikiki tourism activity, it's still an easy cab ride away from the most popular hotels.

The chic W Hotel, tucked away in

Continued on next page



Tropical drinks are a popular accompaniment to Hawaiian sunsets.

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Continued from previous page
 a quiet neighborhood at the base of Diamond Head crater, is home to the **Diamond Head Grill**.

The food is regional Hawaiian with a large selection of meat dishes and seafood. The hospitable service

temporary jazz on Wednesday and Thursday nights.

On Friday and Saturday nights, it becomes the Wonderlounge, with a dance floor and a DJ spinning hip hop.



Honolulu restaurants offer delicious regional cuisine.

begins when the chef delivers an amuse-bouche, with one recent arrangement made of delicious ahi tartare on a bed of caramelized shallots and marinated cucumbers.

The Manila clams with garlic shallots and fresh herbs is an excellent starter dish at \$12. It pairs nicely with the D.H.G. Salad, a spectacular concoction of puff pastry filled with vine-ripened heirloom tomatoes, white grapes, sweet potato and Waimanalo greens tossed in a sherry vinaigrette and topped off with a drizzling of Caesar dressing for \$9.

Meat entrees include the duck breast, thin slices of braised duck in a lavender honey and orange marinade served with potato jewel boxes for \$25 and the macadamia-nut-crusted lamb chops at \$39.

The Diamond Head dessert sampler for two is priced at \$17 and offers a wonderful variety of sweets.

The restaurant's décor is anchored by large copper-clad columns separating the bar area and the expansive dining room, which is well lit by fixtures snaking across the ceiling.

The W's "Living Room" lobby is also a treat, decked out like the inside of Jeannie's bottle if she had hired a better interior decorator. Pillow-strewn sofas set among the candlelit Asian influences invite guests to lounge. The space offers live con-

If you are meeting a local business contact for breakfast, don't be surprised if he or she suggests the **Hau Tree Lanai** restaurant, which serves such locally inspired dishes as yummy poi pancakes.

Poi is a Hawaiian starch made from the potato-like taro root.

Sweet-bread French toast battered with "coco-macadamia nut" is another signature breakfast served at the casual beachfront eatery located in the New Otani Kaimana Beach Hotel. The breakfasts are tasty, but the restaurant's location is its best sell. Outdoor tables are set under the shade of a hau tree arbor on Sans Souci Beach at the east end of Waikiki.

It's a relaxing spot to watch the waves roll in while enjoying breakfast dishes such as fried rice and eggs served with ham, bacon, sausage or Spam for \$11.25. If the prospect of poi pancakes or poi Belgian waffles, priced at \$8.50, is not appealing, the Hau Tree also serves a Kaimana (American) breakfast of eggs, meat and potatoes for \$13.25. In true Hawaiian style, though, the menu permits the substitution of rice for the hash browns.

For lunch, the Hau Tree serves up a variety of salads and sandwiches—such as a mahi burger or a papaya chicken salad—that cost about

\$12.50 each. But lunches can be a bit more hectic than breakfast as the staff scrambles to serve a steady clientele.

The Hau Tree also has a menu of full-course dinners that includes steak and seafood entrees and offers a seat for watching the sunset. Or, just hang out at the bar and enjoy a drink, Hawaiian music and appetizers, known in Hawaii as pupu.

Hoku's strengths include its location inside the elegant Kahala Hotel & Resort, a stunning ocean view and an interesting mélange of ethnic flavors with Asian and European influences.

Diners can start with items from the sushi bar or by selecting among Indian flat breads, including a Tuscan-style eggplant naan, which is baked in the restaurant's tandoor, or clay oven.

Main courses include wok-fried jumbo prawns prepared with a spicy crust and served with Asian vegetables for \$36.

An entire crisped island fish, prepared for two and accompanied by sweet and sour, soy, ginger and black bean sauces is served with fried rice and offered at market price.

Hoku's, with its open kitchen and bamboo floors, is refined yet relaxed, and locals say it is a good bet for entertaining business associates. But the restaurant can miss a beat or two.

A main course of Hoku's wild mushroom and gnocchi for \$26 proved disappointing, and an herb-crusted fresh island onaga, or long-tail red snapper, served with



Hoku, located in Honolulu, is known for its artful dishes and innovative menu.

creamed spinach, red wine shallots and garlic mashed potatoes for \$37 could have been more flavorful.

Still, Hoku's is known for producing some of Honolulu's most innovative cuisine and artfully arranged dishes that impress.

Desserts such as a melting dark chocolate cake served with Grand Marnier sauce and vanilla bean ice cream will delight.

Hula Grill Waikiki is not the most subtle restaurant in town, but with its lively bar and large portions, it is a great place to enjoy a casual evening sharing good food in a beach side setting.

Located in the Outrigger Waikiki hotel, Hula sets out its plantation beach home theme with a grass-roofed bar that offers live music and

a great mai tai. The restaurant tables sit in a cooling breeze coming in off the ocean below.

The appetizers are too large for all but the healthiest of appetites to handle alone. The selection includes scallop and lobster pot stickers in guava plum sauce (\$9.50), waimanalo vegetables in phyllo pastry with a tomato cream sauce (\$8); and crab and macadamia nut wontons with shoyu mustard sauce (\$8)—a scrumptious, creamy combination.

Salads rely on local ingredients, such as the Nalo Farms baby greens (\$6.50) and the vine-ripened Hauula tomato and Maui onion salad (\$7.50).

Entrees include macadamia nut

Continued on next page



Hau Tree Lanai is an ideal spot for a quick breakfast meeting.

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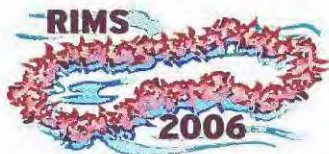
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crusted fresh fish (market price); filet steak Kiana, which is Hula's version of Steak Diane with shiitake mushroom cream and lilikoi butter (\$26); and grilled ono with spinach salad with lime vinaigrette and pineapple salsa (\$24.50), which is simple, fresh and fruity.

For dessert, it's hard to go wrong with the coconut crème brûlée served in a wedge of pineapple (\$6).

The wine list has a good selection of mainly California reds and whites—served by the glass or the bottle—and ranging in price from \$18 to \$85 a bottle.

If you like your steakhouses paneled with wood and furnished with lots of leather, **Hy's Steak House** is just the place.

The restaurant has the refined feel of a stately, private dinner club, yet a glass-enclosed, kiawe-fired grill that allows guests to sip martinis while watching a chef broil their prime-cut steaks lends a touch of excitement to dining at Hy's.

Kiawe is a native Hawaiian wood, and Hy's grill somewhat resembles a beautiful oversized timpani drum. Meats broiled on it are a satisfying alternative for carnivores tired of the Pacific Rim-inspired cuisine fea-

tured in many of Honolulu's upscale establishments.

Hy's, however, does offer an Opaakapaka Oriental entree of steamed pink snapper served sizzling with peanut and sesame oils, ginger and green onions on a bed of stir-fried Oriental vegetables for \$38.95. Other ocean dishes include Alaska king crab legs, which are available for \$58.95.

But the establishment specializes in serving dry-aged prime beef meals that start with warm cheese bread. Appetizers include a filet mignon tartare for \$11.95 and a tasty coconut-crust soft shell crab for \$15.95.

The kiawe-broiled steaks include an 11-ounce filet mignon for \$42.95, and the restaurant's signature New York strip, named "The Only," is delicious.

The staff is attentive and eager to please, making Hy's a great option in Honolulu.

In a decadent setting on the edge of Chinatown, **Indigo**, with its three bars, vibrant weekend scene and excellent Eurasian cuisine, is a hugely popular dinner and lunchtime spot in Honolulu.

Diners can choose between the main dining room, with its high ceilings, paper lanterns and adobe burnt red colored walls, and the garden tables by the fountain in the rear.

On weekend nights, the bustling venue attracts patrons to its Opium Den, Green Room and main restaurant bars as much as the restaurant itself, and a reservation is essential.

At lunchtime, this casual restau-



Popular Chinatown spot Indigo offers fusion cuisine and vibrant nightlife.

rant is a perfect spot to relax and look through the huge windows as Chinatown walks by.

Chef Glenn Chu's understated menu blends East and West from the outset with dim sum plates including lobster pot stickers (\$9.25) and goat cheese wontons with four fruit sauce (\$6.75).

The garden spring roll (\$7.75), which comes garnished with watercress on a bed of noodles with a lightly spiced tangerine sauce, is a delicious light appetizer.

Lunchtime entrees include miso marinated salmon with cucumber salad (\$19.25) and grilled dragon fire shrimp (\$19.75).

The grilled island breast of chicken with peanut sauce (\$16.25) might sound like a glorified chicken satay, but the brief description on the menu doesn't come close to doing justice to this blend of tropical and Asian flavors. Succulent chicken presented with chopped pineapple, tomatoes, peppers, carrots and bamboo shoots with a slice of pickled pear on the side is Indigo's most popular dish.

For a wider selection of dishes, the chilled buffet (\$15.55) is a popular choice.

Desserts include a "many times rich" goat cheesecake (\$6.25), ginger crème brûlée (\$6.25) and Madame Pele's chocolate volcano (\$10.75).

Indigo takes its drink offerings as seriously as its food, and that is reflected in the varied wine list and extensive list of ports, cognacs and other after-dinner drinks.

There are plenty of reasons to try **Orchids**—the service is extremely attentive, the food is very good and the room is elegant—but perhaps best reason to visit this restaurant is the view.

Located in the Halekulani Hotel, diners can enjoy the sound of waves breaking on the beach from the ocean front dining room and look up toward the towering Diamond Head crater.

Popular for its Sunday brunch, Orchids is also an excellent dinner venue. Enjoying a cocktail while the sun is setting on the ocean is about as perfect a way to start an evening as you are likely to find in Waikiki.

The menu is strong on seafood with appetizers such as ahi tuna and king crab roll (\$15.50) and sautéed umbo sea scallops (\$17). Other choices include steamed kalua pork and foie gras gyoza (\$11), and the simple but tasty Big Island goat cheese and locally grown fresh beets (\$9.50).

Entrees include a delicately flavored sautéed ehu (\$31), which is Hawaiian short-tail snapper, served on fresh artichokes and edamame with a port wine glaze. Other dishes include lemon and rosemary roasted island chicken with caramelized beets (\$22), charbroiled Kona-raised Maine lobster (\$42) and a "healthy grill" option where any fish on the menu is grilled simply and served

Continued on page T30



PHOTO: DIANE KELLY

Diners at Hy's Steak House can watch as their steaks are broiled on a wood-fired grill.

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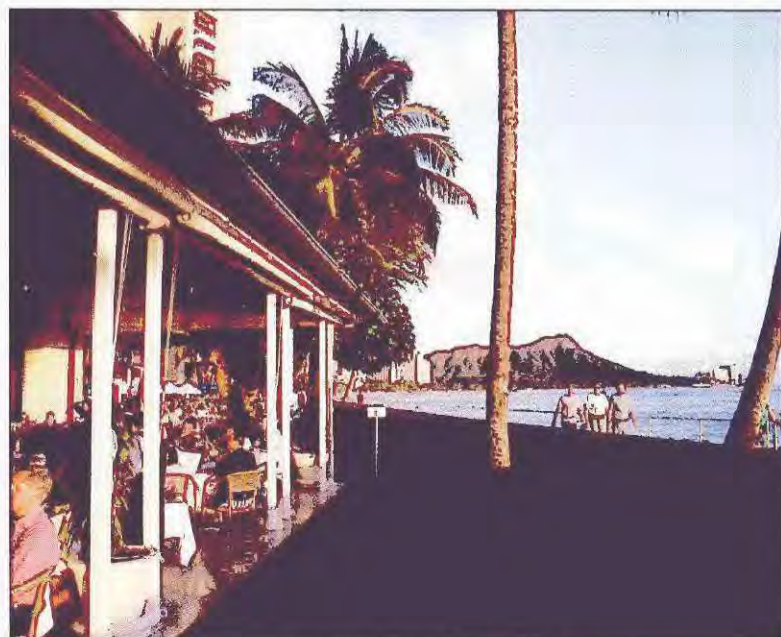
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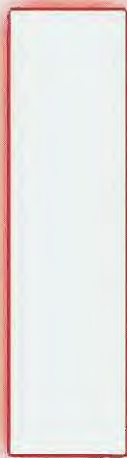
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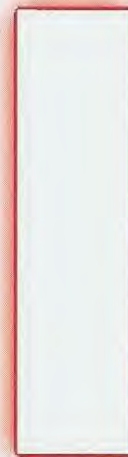


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Continued from page T28

with steamed vegetables and white rice.

Desserts include frozen nougat with Big Island honey and macadamia nut croquet served in a chilled guava strawberry cup—delicious.

The wine list has a good selection of American and European wines that range in price from \$18 for a half bottle of 2003 Louis Jadot Beaujolais Villages to \$528 for a bottle of 1999 Chateau Lafite Rothschild.

By Hawaii standards, Orchids is quite formal and a shirt with a collar—a Hawaiian style shirt if you wish—is required, but there is no

need to bring a tie.

There are several reasons why visitors to Honolulu should know about the flagship **Roy's Restaurant**.

Most importantly, the food is consistently spectacular. Secondly, locals know that if they don't have reservations to eat in the elegant upstairs dining room, they can walk in and find a seat among less formal yet comfortable downstairs tables.

Some also prefer the downstairs because it is quieter than the often full and lively upstairs with its open kitchen. Yet the lower level still commands a relaxing view of beautiful Maunaloa Bay.

Sure, Roy's is now a highly successful chain with 31 restaurants, including 22 across the continental United States. But the dishes still represent outstanding Hawaiian regional cuisine with an emphasis on local catch; and the Honolulu restaurant is where Chef Roy Yamaguchi helped pioneer the fusion of European style cooking with Pacific Rim ingredients.

The menu changes regularly. But Roy's classic roasted macadamia nut mahi-mahi in lobster butter sauce, recently priced at \$29, is delicious, as are the signature crispy crab cake appetizers served with spicy sesame butter sauce for \$13.50.

A recent menu with "from-the-land" entrees included honey mustard

grilled beef short ribs for \$27.50 and an appetizer referred to as Roy's "original" blackened ahi with hot soy mustard butter sauce for \$13.50.

So if you're short on dinner reservations, Roy's might provide a solution, along with an out-of-this-world melting hot chocolate soufflé for desert.

Taking a look at the slightly kitschy lunchtime menu at **Tiki's Grill & Bar**, complete with its offer of a souvenir cocktail glass, it might be easy to underestimate the quality of the plainly presented but flavorful dishes that this pleasantly relaxed venue has to offer.

Situated on the pool level of the Aston Waikiki Beach Hotel, the restaurant goes for a South Pacific theme in the interior with palm wood floors, carved masks on the walls and fishing nets hanging from the ceiling. But lunchtime patrons are more likely to opt for the stone-tiled terrace where they can peek through the palm trees to watch surfers glide onto Waikiki Beach and enjoy the friendly service that Tiki's offers.

Poi pounders (\$9.95) are a good appetizer option that features Kalua pig and Boursin cheese in phyllo pastry in a lightly spiced sweet chile and pesto sauce. Another option is the fresh poke sampler, which is made up of a selection of bite-sized pieces of raw fish (\$9.95).

Pork and seafood also feature strongly on the list of entrees. Tiki's fish and chips (\$11.95) is served on a ti leaf and comprises mahi-mahi crusted with panko and cilantro,



Tiki's Grill & Bar, located at pool level of the Aston Waikiki Beach Hotel, offers a more casual, kitschy dining experience.

and is served with key lime tartar sauce and French fries. Heartier options include guava-glazed grilled pork ribs (\$16.95).

If you have room for dessert, maybe go for the chocolate lava flow, which, as the name suggests, resembles a volcano with a chocolate mousse pyramid with a

macadamia nut caramel center on a bed of chocolate crumble and topped with vanilla ice cream (\$8.95).

You can quench your thirst with a Kona Firestone beer or make a selection from the list of American wines that range from \$20 to \$30 a bottle.



Roy's Restaurant's chocolate soufflé.



Charming tearoom a relaxing retreat

Escape to a less-hecky, bygone era and an often-overlooked Honolulu neighborhood for breakfast, lunch or high tea at the Wai'oli Tea Room.

Nestled in the lush Manoa Valley, the tearoom allows guests to enjoy casual meals while seated on the wrap-around porch of a historic 1922 structure that formerly served as a children's home.

The stone building has been added to the state and national registries of historic places. Gardens abound and help make the property, which is owned by the Salvation Army, a relaxing retreat from bustling Waikiki Beach.

Breakfasts include a frittata made with zucchini, tomatoes, mushrooms, black olives, ham, mozzarella cheese and salsa, served with potatoes, toast and white or brown rice for \$8.75. Or try the French toast,

made of guava bread topped with caramelized pecans and mixed berry compote, for \$10.25.

Lunches include a variety of sandwiches, salads, soups and quesadillas. The Wai'oli curry chicken salad for \$9.75 is a guest favorite and can be served in pita bread as a sandwich.

Reservations are required for high tea.

Meal service is excellent, enhancing the restaurant's charm. Part of that charm stems from its location in one of Oahu's older neighborhoods, where stately homes are set on large properties.

Even though the tearoom is just minutes away from Waikiki, the area receives ample precipitation, giving it a lush, rain forest feel. The property includes a lovely chapel that is often used for weddings.

-By Roberto Cenicerros

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A Alan Wong's Restaurant

1857 S. King St., Honolulu;
808-949-2526; Fax: 808-951-9520
www.alanwongs.com

Atmosphere: Semiformal setting.
Cuisine: Hawaiian.

Specialties: Ginger-crusted onaga, macadamia nut- and coconut-crusted lamb chops, whole tomato salad with li hing mui vinaigrette dressing.

Average dinner for two: Over \$100.
Neighborhood: Ala Moana.

Attire: Business casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Dinner only: 5 p.m.-10 p.m.

Reservations: Recommended.
Valet parking available

B Bali by the Sea

2005 Kalia Road, Honolulu;
808-949-4321; Fax: 808-947-7926
www.hiltonhawaiianvillage.com

Atmosphere: Open-air dining room with a view of Waikiki Beach.

Cuisine: Pacific Rim.

Specialties: Black Angus filet mignon, Colorado rack of lamb, macadamia nut-crusted opakapaka with kaffir lime sauce, orange miso-glazed Kona kam-pachi.

Average dinner for two: Over \$100.
Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Monday-Saturday, 6 p.m.-9:30 p.m.

Reservations: Recommended.
Parking available
Valet parking available



Bali Hai

5380 Honoiki Road, Princeville, Kauai;
808-826-6522; Fax: 808-826-6680
www.hanaleibayresort.com

Atmosphere: Romantic, open-air location overlooking Hanalei Bay with mountain and waterfall views.

Cuisine: Pacific Rim.

Specialties: Bali Hai crab cakes served on roasted Kauai sweet corn with curry butter sauce and mango-papaya relish; banana cream pie; garlic and rosemary demi glace marinated grilled lamb chops with mushroom risotto.

Average dinner for two: Over \$100.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: Breakfast: 7 a.m.-11 a.m.; lunch: 11:30 a.m.-2 p.m.; dinner: 5:30 p.m.-9 p.m.; lounge: 11:30 a.m.-9:30 p.m.

Reservations: Recommended.
Parking available

Banyan Veranda

2365 Kalakaua Ave., Honolulu;
808-922-3111; Fax: 808-924-4748
www.moanasurfrider.com

Atmosphere: Casual dining in a multi-purpose patio area while relaxing in a rattan armchair beside a stately banyan tree.

Cuisine: Pacific Rim.

Specialties: Cherries jubilee (flamed

tableside), Hawaiian seafood bouillabaisse, steamed whole Hawaiian snapper Chinese style.

Average dinner for two: \$26 to \$50.
Neighborhood: Ala Moana.

Attire: Business casual.

Credit cards accepted: All major credit cards.

Hours: Breakfast: 7 a.m.-11 a.m.; brunch: Sunday, 9 a.m.-2 p.m.; afternoon tea: Sunday, 3 p.m.-4 p.m., Monday-Saturday, 1 p.m.-4 p.m.; dinner: 5:30 p.m.-9 p.m.; entertainment: 5:30 p.m.-10:30 p.m., nightly.

Reservations: Recommended.

Bubba Gump Shrimp Co. and Market

1450 Ala Moana Blvd., Suite 3253, Honolulu;
808-949-4867; Fax: 808-952-0400
www.bubbagump.com

Atmosphere: Fun, casual family atmosphere.

Cuisine: Seafood.

Specialties: Fish and shrimp.

Average dinner for two: \$51 to \$75.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: All major credit cards

Hours: Sunday-Thursday, 10:30 a.m.-10 p.m.; Friday-Saturday, 10:30 a.m.-11 p.m.

Reservations: Not accepted.

Buca di Beppo

1030 Auahi St., Honolulu;
808-591-0800; Fax: 808-591-0990
www.bucadibeppo.com

Atmosphere: Italian family-style dining in a festive, hospitable environment.

Cuisine: Italian.

Specialties: Fettuccine gamberi, fresh salmon with pesto, pizza con pollo, Tuscan chicken and vegetables.

Average dinner for two: \$26 to \$50.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: Sunday-Thursday, 11 a.m.-10 p.m.; Friday-Saturday, 11 a.m.-11 p.m.

Reservations: Recommended.

Parking available

C

CanoeHouse

Mauna Lani Bay Hotel & Bungalows, 68-1400 Mauna Lani Drive, Kohala Coast, Hawaii;
808-881-7911; Fax: 808-881-7000
www.maunalani.com

Atmosphere: Ocean front setting with a view of the Kohala Coast sunset.

Cuisine: Hawaiian.

Specialties: Chinatown duck with tequila sauce.

Average dinner for two: Over \$100.

Neighborhood: Kohala Coast.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: 6 p.m.-9 p.m., nightly.

Reservations: Recommended.

Parking available

Valet parking available



Chai's Island Bistro

1 Aloha Tower Drive, Honolulu;
808-585-0011; Fax: 808-585-0012

Atmosphere: Tropical setting with both indoor and outdoor seating, surrounded by a waterfall.

Cuisine: Pacific Rim.

Specialties: Fresh ahi katsu, kataifi and macadamia nut-encrusted jumbo black tiger prawn, seafood risotto with fresh Big Island hearts of palm.

Average dinner for two: \$76 to \$100.

Neighborhood: Downtown.

Attire: Business casual.

Credit cards accepted: All major credit cards.

Hours: Lunch: Tuesday-Friday, 11 a.m.-4 p.m.; dinner: 4 p.m.-10 p.m., nightly.

Reservations: Recommended.

Parking available

Valet parking available

Chef Mavro

1969 S. King St., Honolulu;
808-944-4714; Fax: 808-944-3903
www.chefmavro.com

Atmosphere: Comfortable, relaxing conversational ambiance with original Hawaiian art.

Cuisine: Contemporary.

Specialties: Fresh fish and lobster.

Average dinner for two: Over \$100.

Neighborhood: Ala Moana.

Attire: Business casual.

Credit cards accepted: All major credit cards.

Hours: 6 p.m.-9:30 p.m.

Reservations: Recommended.

Valet parking available

D

Daniel Thiebaut Restaurant & Catering

65-1259 Kawaihae Rd., Kamuela, Kauai;
808-887-2200; Fax: 808-887-0811
www.danielthiebaut.com

Atmosphere: Restored century-old

Continued on next page

What's real Hawaiian? All kinds of grinds

Partaking of one's share of Hawaii's ample consumption of Spam may not make it onto most visitors' must-do lists, but don't write off da local grinds, brah.

In large part, Hawaiian grinds, or local foods, appear to be shaped by history and cultural influences. Plate lunches, for example appear to have their roots in bento boxes, the compartmentalized metal lunch boxes that Japanese plantation hands carried to work.

So while the South has its Waffle House, California its In-N-Out Burger and the Midwest its White Castle, Hawaii has Zip-py's, L&L Drive-Inn and other local legends serving bentos and the plate lunch.

At least consider joining Hawaiians in their enjoyment of the hot soupy bowls of noodles called saimin, the high-calorie loco moco or the ubiquitous plate lunch.

The lunch plate typically consists of meats such as Korean barbecue chicken, batter-fried mahi mahi or teriyaki beef—and, of course, Spam—served with the obligatory two scoops of rice and one scoop of macaroni salad. Hawaiians consume more Spam than do the residents of any other state, according to Austin, Minn.-based Hormel Foods Corp., the makers of the pink canned meat.

Saimin is another Asian-influenced Hawaiian favorite. Greens, chicken, onions, egg, Portuguese sausage and Spam are among the many ingredients used to garnish the brothy noodles. In Hawaii, even McDonald's includes saimin on its menu. McDonald's also serves up breakfasts of Portuguese sausage or Spam with its egg dishes, along with green tea or fruit punch.

Other mainland-born fast-food restaurants also adjust their menus to accommodate Hawaiian sensibilities. For example, don't look for mashed potatoes in a Honolulu KFC restaurant; rice will have to do.

The loco moco also calls for white rice, topped with a hamburger patty and a sunny-side-up egg covered with gravy.

Loco mocos aren't found in Hawaii's fine dining establishments, and grinds aren't the exclusive domain of fast-food restaurants. Nor are grinds limited to saimin, loco moco or the plate lunch.

But really great grinds are found in establishments where locals gather for heaping plates of their favorites. One such place is the Side Street Inn at 1225 Hopaka St. The part bar, part restaurant is said to be a late-night hangout for some of Honolulu's most-prestigious chefs, who seek out its pan-fried pork chops, teriyaki rib eye and other Island-inspired creations.

There are numerous opportunities, many off the beaten path, for finding mo' bettah grinds.

—By Roberto Cenicerros





Continued from previous page
Chock in Store with an eclectic blend of antique furnishings, vintage Hawaiian art and brightly colored fabrics.

Cuisine: French.

Specialties: Catch of the day crab-crusted with sweet chili butter sauce, hoisin barbecue-glazed pork tenderloin with tamarind plum sauce and a honey sweet potato, Hunan-style rack of lamb with eggplant compote and thyme-infused lamb jus.

Average dinner for two: \$76 to \$100.

Attire: Business casual.

Credit cards accepted: American Express, MasterCard, Visa.

Hours: Brunch: Sunday, 9 a.m.-1:30 p.m.; lunch: 11:30 a.m.-2 p.m.; dinner: 5:30 p.m.-9 p.m.; bar: 5 p.m.-closing.

Reservations: Recommended.

Parking available

Dave and Buster's Inc.

1030 Auahi St., Honolulu;
808-589-2215; Fax: 808-589-8966
www.daveandbusters.com

Atmosphere: A family-outing place with ocean view dining and a sunset bar.

Cuisine: American.

Specialties: Bananas Foster pie; pastas accented with chardonnay sauce, poblano peppers or avocado pico de gallo; seafood; steaks; triple chocolate cake.

Average dinner for two: \$51 to \$75.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: Sunday, 11 a.m.-12 a.m.; Monday, Tuesday, Thursday, 11 a.m.-1

a.m.; Wednesday, Friday and Saturday, 11 a.m.-2 a.m.

Reservations: Not accepted.

Parking available

Valet parking available



David Paul's Lahaina Grill

127 Lahainaluna Road,
Lahaina, Maui;
808-667-5117; Fax: 808-661-5478
www.lahainagrill.com

Atmosphere: Refined, comfortable ambiance.

Cuisine: Pacific Rim.

Specialties: New American cuisine using flavors from around the world, blended with ingredients cultivated by Maui's local farms, dairies and surrounding waters.

Average dinner for two: \$51 to \$75.

Attire: Casual.

Credit cards accepted: All major credit

cards.

Hours: 6 p.m.-10 p.m., nightly.

Reservations: Recommended.

Diamond Head Grill

2885 Kalakaua Ave., Second Floor,
Honolulu;
808-922-3734; Fax: 808-791-5164
www.w-dhg.com

Atmosphere: Vibrant ambiance with a mountain view.

Cuisine: Pacific Rim.

Specialties: Colorado rack of lamb, filet mignon of bison, Mediterranean paella, sauteed whole fresh lobster.

Average dinner for two: \$76 to \$100.

Neighborhood: East Honolulu.

Attire: Business casual.

Credit cards accepted: All major credit cards.

Hours: Breakfast: 7 a.m.-10 a.m.; dinner: Sunday-Thursday 6 p.m.-10 p.m., Friday-Saturday, 6 p.m.-9:30 p.m.

Reservations: Recommended.

Valet parking available

E

E&O Trading Co.

1200 Ala Moana Blvd., Honolulu;
808-591-9555; Fax: 808-591-9005
www.eotrading.com

Atmosphere: Fusion of British and Southeast Asian influences with a palette of rich spice colors.

Cuisine: Asian.

Specialties: Char siu-style smoked mero (sea bass), Indonesian corn fritters, mustard-glazed Thai ribs.

Average dinner for two: \$76 to \$100.

Neighborhood: Ala Moana.

Attire: Business casual.

Credit cards accepted: American Express, Discover, MasterCard, Visa.

Hours: Sundays, 11:30 a.m.-0:30 p.m.; Friday-Saturday, 11:30 a.m.-11:30 p.m.

Reservations: Recommended.

Eggs 'n Things

1911-B Kalakaua Ave., Honolulu;
808-949-0820; Fax: 808-247-5689
www.eggsthings.com

Atmosphere: Casual.

Cuisine: American.

Specialties: Fruit cup, strawberry mountain.

Average dinner for two: Under \$25.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: Credit cards not accepted.

Hours: 11 p.m.-2 p.m., closed afternoons.

Reservations: Not accepted

Parking available

G

Gaylord's at Kilohana

3-2087 Kaunualii Highway,
Lihue, Kauai;
808-245-9593; Fax: 808-246-1087
www.gaylordskauai.com

Atmosphere: Old Hawaii charm with an intimate courtyard setting.

Cuisine: American.

Specialties: Deep-fried chocolate truffles, fresh fish, homemade lanana cream pie, seafood rhapsody.

Average dinner for two: Over \$100.

Attire: Casual.*

Credit cards accepted: All major credit cards.

Hours: Breakfast: Monday-Saturday, 7:45 a.m.-9:45 a.m.; brunch: Sunday, 7:45 a.m.-2:30 p.m.; lunch: Monday-Saturday, 11 a.m.-2:30 p.m.; dinner: 5:00 p.m.-8:45 p.m., daily.

Reservations: Recommended.

Parking available

*Dressy in the evening.

Golden Dragon

2005 Kalia Road, Honolulu;
808-949-4321; Fax: 808-947-7926
www.hiltonhawaiianvillage.com

Atmosphere: Authentic Chinese setting overlooking Waikiki Beach.

Cuisine: Chinese.

Specialties: General Tsao's chicken, imperial beggar's chicken, lobster curry with fried haupia, Peking duck, sizzling pepper beef tenderloin.

Average dinner for two: \$76 to \$100.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.

Hours: Tuesday-Sunday, 5:30 p.m.-9:30 p.m.

Reservations: Recommended.

Parking available

Valet parking available

H

Hang Ten Bar and Grill

57-091 Kamehameha Highway,
Kahuku, Oahu;
808-293-3000; Fax: 808-293-9147
www.turtlebayresort.com

Atmosphere: Watch the sun set in a casual poolside setting by Turtle Bay

Continued on next page

Restaurants by cuisine

American

Dave and Buster's Inc.
Eggs 'n Things
Gaylord's at Kilohana
Hard Rock Cafe
Palm Terrace
Planet Hollywood Honolulu

Asian

E&O Trading Co.

Bar and grill

Hang Ten Bar and Grill
Moana Terrace

Chinese

Golden Dragon

Contemporary

21 Degrees North
Chef Mavro

European

Palomino

Eurasian

Indigo

French

Daniel Thiebaut Restaurant
& Catering

La Mer
Michel's Restaurant

Hawaiian

Alan Wong's Restaurant
CanoeHouse
L&L Hawaiian Barbecue/
L&L Drive-Inn
Merriman's Restaurant

Indian

India Cafe Hawaii

Italian

Buca di Beppo

Japanese

Japanese Restaurant & Bar Shokudo
L'Uraku Restaurant
Sansei Seafood Restaurant
and Sushi Bar
Tanaka of Tokyo Restaurants,
Central, East and West

Pacific Rim

3660 on the Rise
Bali by the Sea
Bali Hai
Banyan Veranda
Chai's Island Bistro
David Paul's Lahaina Grill



Diamond Head Grill
Hau Tree Lanai Restaurant
Kuhio Beach Grill
Pacific'O Restaurant
Roy's Restaurant Hawaii Kai
Tiki's Grill & Bar

Seafood

Bubba Gump Shrimp Co. and Market
John Dominis Restaurant
Hula Grill Waikiki
Nick's Fishmarket

Orchids
Surf Room

Steak

Ruth's Chris Steak House
Village Steak & Seafood

Tearoom

Wai'oli Tea Room

Thai

Singha Thai Cuisine



Continued from previous page

and relax to the sounds of the ocean surf.

Cuisine: Bar and grill.

Specialties: Hang Ten rolled tacos, Hawaiian ahi sashimi, honey shoyu glazed wings

Average dinner for two: \$26 to \$50.

Neighborhood: North Shore.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: Sunday-Saturday, 10 a.m.-10 p.m.; food service, 10 a.m.-5 p.m.

Reservations: Not accepted.

Parking available

Valet parking available

Hard Rock Cafe

1837 Kapiolani Blvd., Honolulu; 808-955-7383
www.hardrock.com

Atmosphere: Rock 'n' roll setting with a priceless collection of rock memorabilia.

Cuisine: American.

Specialties: Signature ahi sandwich and two fresh catches of the day.

Average dinner for two: \$51 to \$75.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: 11 a.m.-11 p.m.

Reservations: Required.

Parking available

Valet parking available*

*Thursday-Sunday

Hau Tree Lanai Restaurant

2863 Kalakaua Ave., Honolulu; 808-921-7066; Fax: 808-921-7031
www.kaimana.com

Atmosphere: Open air with a view of Waikiki Beach.

Cuisine: Pacific Rim.

Specialties: Fresh seafood.

Average dinner for two: \$76 to \$100.

Neighborhood: East Honolulu.

Attire: Business casual.

Credit cards accepted: All major credit cards.

Hours: Breakfast: 7 a.m.-11 a.m.;

lunch: 11:30 a.m.-2 p.m.; dinner: 5:30 p.m.-9 p.m.

Reservations: Recommended.

Parking available

Valet parking available

Hula Grill Waikiki

Outrigger Hotel, 2335 Kalakaua Ave., Honolulu; 808-923-4852; Fax: 808-923-8518
www.hulagrillwaikiki.com

Atmosphere: See review on page 27.

Cuisine: Seafood.

Average dinner for two: \$76 to \$100.

Neighborhood: East Honolulu.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: Breakfast: 6:30 a.m.-10:30 a.m.;

dinner: 5 p.m.-10 p.m.

Reservations: Recommended.

Parking available

Valet parking available

India Cafe Hawaii

1016 Kapahulu Ave., Suite 180, Honolulu; 808-737-4600
www.indiacafehawaii.com

Atmosphere: Cozy place to enjoy an exotic meal.

Cuisine: Indian.

Specialties: Cauliflower kari, chai tea, chicken and fish curries, coconut cabbage, curried potatoes, fresh made dosai bread and masala dosai, fruit lassis, okra curry, samosas, spicy eggplant, spicy shrimp sambal, tender lamb masala, vegetarian specialties.

Average dinner for two: \$26 to \$50.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: Lunch: Friday-Sunday, 11 a.m.-2 p.m.;

dinner: 5 p.m.-9 p.m., nightly.

Reservations: Recommended.

Parking available

Indigo

1121 Nuuanu Ave., Honolulu; 808-521-2900; Fax: 808-537-4164
www.indigo-hawaii.com

Atmosphere: See review on page 28.

Cuisine: Eurasian.

Average dinner for two: \$76 to \$100.

Neighborhood: Chinatown.

Attire: Casual.

Credit cards accepted: Diner's Club,



Discover, MasterCard, Visa.
Hours: Lunch: Tuesday-Friday, 11:30 a.m.-2 p.m.;

dinner: Tuesday-Thursday, 6 p.m.-9:30 p.m.;

Friday-Saturday: 6 p.m.-10 p.m.

Reservations: Recommended.

Parking available

Valet parking available

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: All major credit cards.

Hours: Sunday-Thursday, 11:30 a.m.-1 a.m.;

Friday-Saturday, 11:30 a.m.-2 a.m.

Reservations: Recommended.

Parking available

John Dominis Restaurant

43 Ahui St., Honolulu; 808-523-0955; Fax: 808-526-3758
www.johndominis.com

Atmosphere: View of Diamond Head, Waikiki Beach and the surrounding ocean. An island ambiance of lava rock walls, koa wood beams and a kahawai interior waterway with live fish.

Cuisine: Seafood.

Specialties: Fresh Hawaiian fish (lobster, mahi-mahi, onaga, opakapaka, tiger prawns).

J

Japanese Restaurant & Bar Shokudo

1585 Kapiolani Blvd., Ground Floor, Honolulu; 808-941-3701; Fax: 808-947-9486
www.shokudojapanese.com

Atmosphere: Casual, comfortable setting in contemporary surroundings.

Cuisine: Japanese.

Specialties: Contemporary Japanese food.

Average dinner for two: \$51 to \$75.

Continued on next page

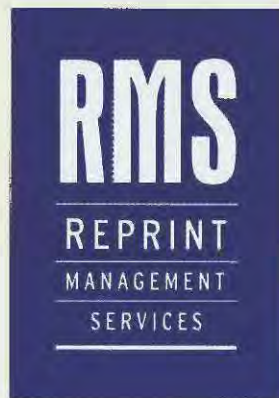


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L'URAKU RESTAURANT

Continued from previous page

Average dinner for two: \$26 to \$50.
Neighborhood: Ala Moana.
Attire: Dressy.
Credit cards accepted: All major credit cards.
Hours: 5:30 p.m.-9 p.m.
Reservations: Recommended.
Valet parking available

K

Kuhio Beach Grill

2552 Kalakaua Ave., Honolulu; 808-921-5171
www.marriottwaikiki.com
Atmosphere: Family restaurant with indoor and outdoor seating.
Cuisine: Pacific Rim.
Specialties: Continental cuisine infused with Hawaii and Pacific Rim flavors.
Average dinner for two: \$51 to \$75.
Neighborhood: East Honolulu.
Attire: Casual.

Credit cards accepted: All major credit cards.
Hours: Breakfast: 5 a.m.-11 a.m.; dinner: 5 p.m.-11 p.m.
Reservations: Not accepted.
Parking available
Valet parking available

L

L&L Hawaiian Barbecue/ L&L Drive-Inn

931 University Ave., Suite 202, Honolulu; 808-951-9888; Fax: 808-951-0888
www.hawaiianbarbecue.com
Atmosphere: Hawaiian-themed quick casual restaurant.
Cuisine: Hawaiian.
Specialties: Chicken katsu, kalua pork with cabbage, loco moco burger.
Average dinner for two: Under \$25.
Neighborhood: Ala Moana.
Attire: Casual.

Credit cards accepted: Credit cards not accepted.
Hours: 10 a.m.-9 p.m.
Reservations: Not accepted.
Parking available

La Mer

2199 Kalia Road, Honolulu; 808-923-2311; Fax: 808-926-8004
www.halekulani.com
Atmosphere: Intimate and elegant dining experience with an oceanfront view.
Cuisine: French.
Specialties: Neoclassic French cuisine.
Average dinner for two: Over \$100.
Neighborhood: East Honolulu.
Attire: Dressy.*
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: 6 p.m.-10 p.m.
Reservations: Required.
 *Jacket required.

L'Uraku Restaurant

1341 Kapiolani Blvd., Honolulu; 808-955-0552; Fax: 808-596-2960
www.luraku.com
Atmosphere: Casual, interior space personifies the central theme, and the decor reflects the cuisine presentation.
Cuisine: Japanese.
Specialties: Micro cilantro and truffle miso sauce, miso-braised short ribs in miso red wine with sugar snap peas and mushrooms, roasted fingerling potatoes.
Average dinner for two: \$76 to \$100.
Neighborhood: Ala Moana.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: 11 a.m.-2 p.m.; dinner: 5:30 p.m.-10 p.m.

Reservations: Recommended.
Parking available

M

Merriman's Restaurant

65-1227 Opelo Road, Kamuela; Hawaii 808-885-6822; Fax: 808-885-8756
www.merrimanshawaii.com
Atmosphere: Casual, comfortable setting with Hawaiian art deco and a splash of French country.
Cuisine: Hawaiian.
Specialties: Merriman's original wok-charred ahi.
Average dinner for two: Over \$100.
Neighborhood: Kohala Coast.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Lunch: Monday-Friday, 11:30 a.m.-1:30 p.m.; dinner: 5:30 p.m.-9 p.m.
Reservations: Recommended.
Parking available

Michel's Restaurant

2895 Kalakaua Ave., Honolulu; 808-923-6552; Fax: 808-926-6063
www.michels-hawaii.com
Atmosphere: Romantic with an ocean view.
Cuisine: French.
Specialties: Escargot, lobster bisque.
Average dinner for two: Over \$100.
Neighborhood: East Honolulu.
Attire: Business casual.*
Credit cards accepted: All major credit cards.
Hours: Brunch: Sunday 10 a.m.-1 p.m.; dinner: 5:30 p.m.-10 p.m.
Reservations: Recommended.

Valet parking available
 *Elegantly casual, slacks, collar shirt, shoes, no beachwear.

Moana Terrace

Kealohilani Tower, 2552 Kalakaua Ave., Third Floor, Honolulu; 808-922-6611
www.marriottwaikiki.com
Atmosphere: Inviting and casual ambience at poolside, overlooking Waikiki Beach, with live Hawaiian entertainment.
Cuisine: Bar and grill.
Specialties: Flat-bread pizza, island-style burgers, mango barbecued ribs, seared Hawaiian tuna salad, volcano chicken hot wings.
Average dinner for two: \$26 to \$50.
Neighborhood: East Honolulu.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 11 a.m.-11 p.m.
Reservations: Not accepted.
Parking available
Valet parking available

N

Nick's Fishmarket

2070 Kalakaua Ave., Honolulu; 808-955-6333; Fax: 808-946-0478
www.nicksfishmarket.com
Atmosphere: Cozy intimate setting.
Cuisine: Seafood.
Specialties: Fresh seafood.
Average dinner for two: Over \$100.
Neighborhood: Ala Moana.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Dinner: Sunday-Thursday, 5:30

Continued on next page

Restaurants by cost



L&L HAWAIIAN BARBECUE/ L&L DRIVE-INN

Under \$25

Eggs 'n Things
 L&L Hawaiian Barbecue/
 L&L Drive-Inn
 Planet Hollywood Honolulu

\$26 to \$50

Banyan Veranda
 Buca di Beppo
 Hang Ten Bar and Grill
 India Cafe Hawaii
 John Dominis Restaurant
 Moana Terrace
 Tiki's Grill & Bar
 Wai'oli Tea Room

\$51 to \$75

Bubba Gump Shrimp Co. and Market
 Dave and Buster's Inc.
 David Paul's Lahaina Grill
 Hard Rock Cafe
 Japanese Restaurant & Bar Shokudo

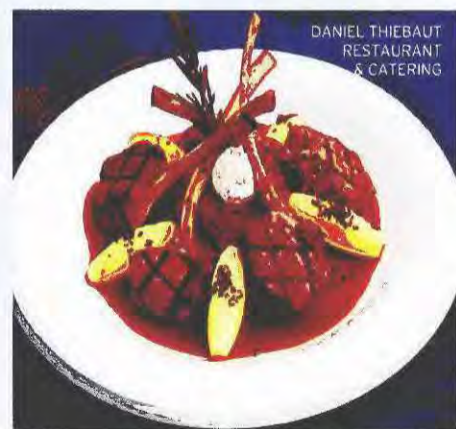


JAPANESE RESTAURANT & BAR SHOKUDO

\$76 to \$100

Kuhio Beach Grill
 Palm Terrace
 Palomino
 Ruth's Chris Steak House

21 Degrees North
 Chai's Island Bistro
 Daniel Thiebaud Restaurant & Catering
 Diamond Head Grill
 E&O Trading Co.
 Golden Dragon
 Hau Tree Lanai Restaurant
 Hula Grill Waikiki
 Indigo
 L'Uraku Restaurant
 Orchids
 Roy's Restaurant Hawaii Kai
 Sansei Seafood Restaurant and Sushi Bar
 Singha Thai Cuisine
 Tanaka of Tokyo Restaurants, Central, East and West



DANIEL THIEBAUD RESTAURANT & CATERING

Over \$100

3660 on the Rise
 Alan Wong's Restaurant
 Bali by the Sea
 Bali Hai
 CanoeHouse
 Chef Mavro
 Gaylord's at Kilohana
 La Mer
 Merriman's Restaurant
 Michel's Restaurant
 Nick's Fishmarket
 Pacific'O Restaurant
 Surf Room
 Village Steak & Seafood



Continued from previous page
p.m.-10 p.m.; Friday-Saturday, 5:30
p.m.-11 p.m.
Reservations: Recommended.
Valet parking available

O

Orchids

Halekulani Hotel, 2199 Kalia Road,
Honolulu;
808-923-2311; Fax: 808-926-8004
www.halekulani.com

Atmosphere: See review on page 28.

Cuisine: Seafood.

Average dinner for two: Over \$100.

Neighborhood: East Honolulu.

Attire: Business casual.

Credit cards accepted: American Ex-

press, Diner's Club, MasterCard, Visa.

Hours: Breakfast: Monday-Saturday,

7:30 a.m.-11 a.m.; Sunday brunch:

9:30 a.m.-2:30 p.m.; lunch:

Monday-Saturday, 11:30 a.m.-2:30

p.m.; dinner: 6 p.m.-10 p.m., nightly.

Reservations: Recommended.

Parking available

P

Pacific'O Restaurant

505 Front St., Lahaina, Maui;
808-667-4341
www.pacificomaui.com

Atmosphere: Casual dining on the
beach front with a sunset view.

Cuisine: Pacific Rim.

Specialties: Fresh fish.

Average dinner for two: Over \$100.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: Lunch: 11:30 a.m.-4 p.m.; din-

ner: 5:30 p.m.-9 p.m.; live jazz music,

Friday-Saturday, 9 p.m.-2 a.m.

Reservations: Recommended.

Palm Terrace

57-091 Kamehameha Highway,
Kahuku, Oahu;
808-293-6000; Fax: 808-293-9147
www.turtlebayresort.com

Atmosphere: Casual yet elegant envi-
ronment with an ocean view.

Cuisine: American.

Specialties: Fresh seafood, pizza,
poultry, steaks.

Average dinner for two: \$51 to \$75.

Neighborhood: North Shore.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: Breakfast: full buffet, 6:30

a.m.-10:30 p.m., ala carte, 6:30 a.m.-

11 a.m.; lunch: full buffet, 11:30 a.m.-

2:30 p.m., ala carte, 11 a.m.-2:30

p.m.; dinner: full buffet, 5:30 p.m.-9

p.m., ala carte, 5 p.m.-9 p.m.

Reservations: Recommended.

Parking available

Valet parking available

Palomino

66 Queen St., Mezzanine, Honolulu;
808-528-2400; Fax: 808-528-2591
www.palomino.com

Atmosphere: Upbeat restaurant and
bar with rich, stylish ambiance.

Cuisine: European.

Specialties: Chop chop salad,
desserts, paella, pasta, Roma-style
thin-crust pizza, seafood.

Average dinner for two: \$51 to \$75.

Neighborhood: Downtown.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: Lunch: Monday-Friday, 11

a.m.-2:30 p.m.; dinner: Sunday, 4

p.m.-10 p.m.; Monday-Thursday, 5

p.m.-10 p.m.; Friday, 5 p.m.-11 p.m.,

Saturday, 4 p.m.-11 p.m.

Reservations: Recommended.

Parking available

Valet parking available

Planet Hollywood Honolulu

2155 Kalakaua Ave., Suite 200,
Honolulu;
808-924-7877; Fax: 808-924-7811
www.planethollywood.com

Atmosphere: Indoor and outdoor din-
ing surrounded by movie and televi-
sion memorabilia, movie clips, pre-
views, music videos and more.

Cuisine: American.

Specialties: World-famous chicken
crunch.

Average dinner for two: Under \$25.

Neighborhood: East Honolulu.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: 11 a.m.-10:30 p.m.; live enter-

tainment, 6 p.m.-9 p.m., nightly.

Parking available

R

**Roy's Restaurant
Hawaii Kai**

6600 Kalaniana'ole Highway, Honolulu;
808-396-7697; Fax: 808-396-8706
www.roysrestaurant.com

Atmosphere: Vibrant, lively.

Cuisine: Pacific Rim.

Specialties: Blackened yellow fin tuna

with soy mustard burre blanc, Hawaii

kai crispy crab cakes with spicy

sesame butter sauce, misoyaki butter-

fish with wasabi butter sauce, Roy's

classic macadamia nut-crusted Hawai-

ian island white fish, wood grilled

Mongolian spiced pork ribs.

Average dinner for two: \$76 to \$100.

Neighborhood: East Honolulu.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: Sunday, 5 p.m.-9:30 p.m.;

Monday-Thursday, 5:30 p.m.-9:30

p.m., Friday 5:30 p.m.-10 p.m., Satur-

day, 5 p.m.-10 p.m.

Reservations: Recommended.

Parking available

Ruth's Chris Steak House

Restaurant Row, 500 Ala Moana
Blvd., Honolulu;
808-599-3860; Fax: 808-533-0786
www.ruthschris.com

Atmosphere: Warm, comfortable am-
biance.

Cuisine: Steak.

Specialties: Desserts, New Orleans-
inspired appetizers, seafood, steaks.

Average dinner for two: \$51 to \$75.

Neighborhood: Downtown.

Attire: Business casual.

Credit cards accepted: American Ex-
press, MasterCard, Visa.

Hours: 5 p.m.-10 p.m., nightly.

Reservations: Recommended.

Parking available

Valet parking available

S

**Sansei Seafood Restaurant
& Sushi Bar**

115 Bay Drive, Lahaina, Maui;
808-669-6286
www.dkrestaurants.com

Atmosphere: Casual dining overlook-
ing Waikiki Beach.

Cuisine: Japanese.

Specialties: Sushi.

Average dinner for two: \$76 to \$100.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: 5:30 p.m.-10 p.m.

Reservations: Recommended.

Parking available

Singha Thai Cuisine

1910 Ala Moana Blvd., Honolulu;
808-941-2898; Fax: 808-585-0012
www.singhathai.com

Atmosphere: Tropical setting with in-
door and outdoor seating, surrounded
by rich Hawaiian koa wood, Thai
artifacts, a waterfall and tropical flow-
ers.

Cuisine: Thai.

Specialties: Big Island baby greens,
fresh local seafood and meat, fresh
Waianae escargot.

Average dinner for two: \$76 to \$100.

Neighborhood: Ala Moana.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: Dinner: 4 p.m.-11 p.m., nightly

with live performance of Royal Thai

Dancers, 7 p.m.-9 p.m., nightly.

Reservations: Recommended.

Parking available



Surf Room

Royal Hawaiian Hotel, 2259 Kalakaua
Ave., Honolulu;
808-931-8383; Fax: 808-931-7400
www.royal-hawaiian.com

Atmosphere: Relaxing, romantic open-
air ocean front dining on Waikiki
Beach.

Cuisine: Seafood.

Specialties: Chinese greens with Thai
curry sauce, coconut ginger cream
and Kaffir lime leaf oil; roasted Chilean
sea bass with Australian blue shrimp.

Average dinner for two: Over \$100.

Neighborhood: East Honolulu.

Attire: Casual.

Credit cards accepted: All major cred-
it cards.

Hours: Breakfast: 6:30 a.m.-11:30

a.m.; brunch: Sunday, 11 a.m.-2 p.m.;

lunch: 11:30 a.m.-2 p.m.;

dinner: 6 p.m.-9:30 p.m.; Friday night

seafood buffet, 5:30 p.m.-9:30 p.m.

Reservations: Recommended.

Parking available

Valet parking available

T

3660 on the Rise

3660 Waiialae Ave., Honolulu;
808-737-1177; Fax: 808-735-6105
www.3660.com

Atmosphere: Casual bistro style.

Cuisine: Pacific Rim.

Specialties: Ahi katsu, Chinese
steamed snapper, chocolate soufflé
cake, creme brulee, mile-high Waiialae

Continued on next page

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Continued from previous page
 pie, New York steak alaea, potato-crust crab cake, tempura farm-raised catfish.
Average dinner for two: Over \$100.
Neighborhood: East Honolulu.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Tuesday-Sunday, 5:30 p.m.-9 p.m.
Reservations: Recommended.
Parking available

21 Degrees North

57-091 Kamehameha Highway, Kahuku, Oahu;
 808-293-6000; Fax: 808-293-9147
 www.turtlebayresort.com
Atmosphere: Floor-to-ceiling windows offer views of Turtle Bay and the Pacific Ocean.
Cuisine: Contemporary.
Specialties: Crab-crust Hawaiian sea bass, Newport beef filet mignon, pan-seared opakapaka with tiger shrimp.
Average dinner for two: \$76 to \$100.
Neighborhood: North Shore.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Tuesday-Saturday, 6 p.m.-10 p.m.
Reservations: Recommended.
Parking available
Valet parking available

Tanaka of Tokyo Restaurants
 Waikiki Shopping Plaza, 2250 Kalakaua Ave., Fourth Floor, Honolulu;
 808-922-4702; Fax: 808-922-5485
 www.tanakaoftokyo.com
Atmosphere: Exotic, elegant ambience. Food prepared and presented by master teppan-yaki chefs on your table top grill.
Cuisine: Japanese.
Specialties: Certified Black Angus sir-

loin, filet mignon, imported lobster tails, king salmon, scallops, shrimp, teriyaki chicken.
Average dinner for two: \$76 to \$100.
Neighborhood: East Honolulu.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Dinner: 5:30 p.m.-last order at 9:30 p.m.
Reservations: Recommended.
Parking available
Other locations: Tanka of Tokyo Restaurants, East, Kings Village, 131 Kaiulani Ave., Third Floor, Honolulu; Tanka of Tokyo Restaurants, West, Renaissance Ilikai Hotel, 1777 Ala Moana Blvd., Honolulu.

Tiki's Grill & Bar

2570 Kalakaua Ave., Honolulu;
 808-923-8454; Fax: 808-922-5883
 www.tikisgrill.com
Atmosphere: Open-air restaurant with a retro South Pacific design.
Cuisine: Pacific Rim.
Specialties: Nightly seafood specials.
Average dinner for two: \$26 to \$50.
Neighborhood: East Honolulu.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: 10:30 a.m.-4 p.m.; dinner: 4 p.m.-10:30 p.m.; bar: 10:30 a.m.-1 a.m.
Reservations: Recommended.
Valet parking available

V

Village Steak & Seafood

2005 Kalia Rd., Honolulu;
 808-949-4321; Fax: 808-947-7926
 www.hiltonhawaiianvillage.com
Atmosphere: Casual, poolside location with indoor and outdoor seating and an indoor gazebo area.
Cuisine: Steak.
Specialties: Atlantic salmon marinated with soy mirin, Back Angus filet mignon, Black Angus prime rib of

Authentic luaus offer visitors a taste of Polynesian culture

Luaus, with their Polynesian entertainment and feasting on roasted pig and other island delights, are plentiful in Hawaii.

A few Honolulu hotels provide the traditional Hawaiian feasts on their grounds. Companies that specialize in hosting luaus daily on their private beaches provide bus service, picking up guests around 4:30 p.m. from their hotels and then returning them around 11 p.m.

The cost for a luau can vary depending on factors such as how many mai tais a guest might desire, what constitutes the entertainment and whether the luau operator provides transportation, but prices per adult run from about \$65 to about \$115.

The entertainment can include coconut tree climbing exhibitions, fire knife dancing demonstrations and, of course, traditional hula dancing with guests allowed to join in. Part of the draw is also the opportunity to watch as the imu, or underground oven, is uncovered after the pig has been roasting all day.

Luau operators include Germaine's Luau, which can be reached at 808-941-3338, and Paradise Cove Luau, which is at 808-842-5911. The Polynesian Cultural Center also provides a luau, beginning at 5 p.m. The center can be reached at 808-293-3333.

—By Roberto Cenicerros



beef, grilled island mahi-mahi with mango-papaya relish, grilled veal chop, lobster tail.

Average dinner for two: Over \$100.
Neighborhood: Ala Moana.
Attire: Casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Wednesday-Monday, 5:30 p.m.-9:30 p.m.
Reservations: Recommended.
Parking available
Valet parking available

W

Wai'oli Tea Room

2950 Manoa Road, Honolulu;
 808-988-5800; Fax: 808-988-1580
 www.thewaiolitearoom.com
Atmosphere: Garden, tropical paradise setting with a mountain view and bungalow-style 1922 lava rock structure.
Cuisine: Tea room.
Specialties: BLT wrap, butterscotch

brownies, chicken curry salad, high tea, lilikoi chiffon cake, quiche and salad, roast beef sandwich, scones.

Average dinner for two: \$26 to \$50.
Neighborhood: Manoa Valley/Makiki.
Attire: Casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Monday-Friday, 10:30 a.m.-3:30 p.m.; Saturday-Sunday, 8 a.m.-3:30 p.m.
Reservations: Recommended.
Parking available

Restaurants by island location

Hawaii

- CanoeHouse
- Merriman's Restaurant

Kauai

- Bali Hai
- Daniel Thiebaut Restaurant & Catering
- Gaylord's at Kilohana

Maui

- David Paul's Lahaina Grill
- Pacific'O Restaurant
- Sansei Seafood Restaurant and Sushi Bar

Oahu

- Alan Wong's Restaurant
- Bali by the Sea
- Banyan Veranda
- Bubba Gump Shrimp Co. and Market

Buca di Beppo

- Chai's Island Bistro
- Chef Mavro
- Dave and Buster's Inc.
- Diamond Head Grill
- E&O Trading Co.
- Eggs 'n Things
- Golden Dragon
- Hang Ten Bar and Grill
- Hard Rock Cafe
- Hau Tree Lanai Restaurant
- Hula Grill Waikiki
- India Cafe Hawaii
- Indigo
- Japanese Restaurant & Bar Shokudo
- John Dominis Restaurant
- Kuhio Beach Grill
- L&L Hawaiian Barbecue/L&L Drive-Inn
- La Mer
- L'Uraku Restaurant

- Michel's Restaurant
- Moana Terrace
- Nick's Fishmarket
- Orchids
- Palm Terrace
- Palomino
- Planet Hollywood Honolulu
- Roy's Restaurant Hawaii
- Ruth's Chris Steak House
- Singha Thai Cuisine
- Surf Room
- Tanaka of Tokyo Restaurants
- 3660 on the Rise

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OLD REPUBLIC INSURANCE COMPANY FINANCIAL RATINGS
A.M. Best A+ X (Superior), Moody's Aa2 (Excellent), Standard & Poor's AA (Excellent)

Odyssey: Ratings agencies contemplate company's financial outcome

Continued from page 4

the \$35.6 million cumulative decrease will be offset by net income of \$12.5 million to be recognized for the first quarter of 2006, in connection with one of the restated reinsurance contracts.

In filing its restated results, Odyssey acknowledged in a statement that it "did not maintain effective internal controls over the accounting for complex reinsurance transactions, which constitutes a material weakness." As a result, the company intends to "implement a remediation plan which will supplement the existing controls," Odyssey said.

Meanwhile, Odyssey's parent, Toronto-based Fairfax Financial Holdings Ltd. last week also filed its year-end 2005 results, which had been delayed pending Odyssey's filing of results. Fairfax did not restate its financial results due to Odyssey's restatement.

Following the completed 10-K filings, New York-based Standard & Poor's Corp. removed the A- ratings of Odyssey and its related units from under review, while at the same time removing the BB counterparty credit ratings of Fairfax and its Morristown, N.J.-based Crum & Forster Holding Inc. subsidiary from under review with negative implications.

Oldwick, N.J.-based A.M. Best Co. also removed Odyssey's A financial strength rating and Fairfax's bb+ credit rating from under review. "A.M. Best has reviewed the ac-

counting considerations that led to Odyssey's need to restate its financial statements...and believes they are not of a sufficient nature to directly cause a negative rating action," Best said in a statement.

Chicago-based Fitch Ratings, though, kept under review the ratings of both the reinsurer and its parent, "due to the substantial uncertainty surrounding the ongoing investigations of Fairfax and Odyssey Re," Fitch said in a statement.

Fitch has given Odyssey a BBB+ financial strength rating and B+ senior debt rating for Fairfax.

Fitch added: "There is the increased risk that the ongoing investigations by the Securities and Exchange Commission and the U.S. attorney's office for the Southern District of New York could bring about a civil action against the company. Fitch believes that any such action could negatively affect the companies' franchise, reputation and competitive position, particularly for Odyssey Re as a reinsurer, in addition to the financial implications of any fines and/or penalties levied."

Fairfax—along with its chief executive officer, Prem Watsa, and

various third parties, including its independent auditor and a shareholder—has been the target of several subpoenas from the SEC and U.S. attorney's office. Among the information sought by the subpoenas is that associated with certain nontraditional insurance deals between Fairfax's Fairmont Specialty Group division and Stamford-based General Re Corp., a unit of Berkshire Hathaway Inc.

"At the present time, the company cannot predict the outcome from these continuing inquiries, or the ultimate effect on its financial statements, which effect

could be material and adverse," Fairfax noted as part of its annual report.

"A.M. Best recognizes that Fairfax and certain subsidiaries and individuals associated with Fairfax have received subpoenas from the Securities and Exchange Commission, as have other insurance industry participants," Best said in a statement. "The timing of a response from the SEC is indefinite, and the nature of the response is unknown. Because this concern cannot be analyzed or quantified, it is not currently being incorporated into the ratings," Best said.

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2/06 (✓)

Perspectives

To go global, expand your risk focus

Unique products, services respond to overseas exposures



By Carl Bach and Andrew MacKinnon

U.S.-based businesses of every size continue to express an appetite for global market share—and the profits and risks that accompany it.

Despite ongoing geopolitical uncertainty across the Middle East and other hot spots, U.S.-based businesses continue to enter the global marketplace in unprecedented numbers. The risk management imperative for U.S. businesses—protecting human and physical assets—is the same regardless of where in the world their employees travel to do business or where their products are manufactured, marketed or used. So, too, are the factors that determine their global marketplace success: their understanding of the spectrum of global business risks and their ability to mitigate exposures whenever and wherever they

occur.

“Going global” creates unique exposures, with long- and short-term financial implications that must be included in the risk assessment process. Businesses that expect their domestic insurance coverage “safety net” to stretch overseas make a critical—and potentially costly—error.

The size and complexity of the global geopolitical arena creates shifting levels of political risk and, with it, the potential for expropriation, the loss of trade credit and other outcomes that can savage financial resources. The cultural environment (and appetite for litigation) varies by region, as do the legal ramifications when claims are made. Even when employees never leave the home office, as is often the case when companies outsource manufacturing and other functions, U.S.-based businesses are vulnerable.

The rise in global trade has created a wave of legal suits brought against U.S.-based organizations in every corner of the world. Yet, in many cases involving foreign jurisdiction for products liability, businesses mistakenly assume that their domestic policies will protect against global exposures. U.S.-based businesses must keep in mind the complex political, cultural and legal global framework when evaluating their risk of overseas exposures.

Employees working abroad also face risks, including kidnapping, illness, injury and death. When they crash rental cars, damage their hotel rooms, lose laptops and other equipment, suffer injuries and fall ill, their employers may be liable for costs that include medical care and evacuation, repatriation and property damage. Businesses must also be prepared to assist when employees misplace passports, become lost or stranded, are robbed or assaulted or otherwise need help. Whether involving employees or property, when exposures occur overseas, U.S.-based businesses must be prepared to act quickly, locally and with expertise, which is especially critical in high-risk regions.

Companies considering going global must also consider the implications when claims are filed overseas. They must be prepared to mitigate exposures and manage losses by investigating and streamlining the claims process in a timely manner, regardless of cultural, legal and language differences.

When U.S.-based businesses stretch their boundaries to encompass the globe, their risk management programs must be equally flexible. Prudent risk management strategies are preventive and proactive. Before going global, companies should review their programs and

bolster their risk management arsenals if necessary, including considering the following products and services:

Political risk: Available through select global carriers, these insurance products are designed to protect business assets in the event of expropriation or the loss of trade credit.

Employers responsibility: These insurance products are designed to provide voluntary compensation and to cover medical and related costs if employees are injured or become ill when working on foreign soil.

Commercial general liability: These insurance products are designed to protect against losses when companies are sued in foreign courts. Don't leave home without them, because domestic policies do not stretch overseas.

Global employee assistance and expert response: Available through select global carriers, employee assistance programs provide 24/7 employee access to expert local assistance.

Kidnap and extortion: Kidnap and extortion insurance pays extortion and ransom monies when employees or their families are kidnapped on foreign soil.

Claims management: Doing business overseas means managing

overseas claims. A business can achieve efficiencies and curb losses by selecting an insurer with a global network of claims professionals who understand local languages and customs and can streamline claims processing.

It is no accident when U.S.-based companies succeed in the global marketplace. Those companies that do take steps to safeguard their human and physical assets through prudent risk management at the front end are equally prepared to mitigate exposures. They thoroughly evaluate their risks, design proactive risk management strategies and secure the flexible insurance coverage, global network of claims professionals, underwriting expertise and unique risk management services and insurance products that enable them to react quickly, locally and expertly wherever and whenever exposures occur.

Carl Bach is executive vp of ACE USA Global Solutions, an operating division of ACE USA. Andrew MacKinnon is executive vp-casualty of ACE USA's International & Specialty Group, an operating division of ACE USA. Both are based in Philadelphia. This article reflects the opinions of its authors and not those of ACE USA or any of its operating companies.

Self-inflicted injury doesn't preclude comp benefits

A state trooper's suicide was caused by a post-traumatic stress disorder related to an earlier incident and, thus, a statute prohibiting recovery of workers compensation benefits for a knowingly inflicted injury did not preclude recovery of benefits by

the trooper's descendants, according to the Court of Appeals of Indiana.

James Wiessing, a trooper with the Indiana State Police, stopped a motorist in 1994 during a routine traffic stop. The motorist attempted

Legal Briefs

to take Mr. Wiessing's gun. A struggle ensued, and Mr. Wiessing shot and killed the motorist. In 1995, Mr. Wiessing was diagnosed as suffering from a chronic post-traumatic stress disorder, allegedly in response to the 1994 event. Mr. Wiessing came close to committing suicide in 1997. Furthermore, he was diagnosed with maladjustment behavior and developed problems in his personal relationships. In October 2000, Mr. Wiessing died from a self-inflicted gunshot wound to the head. His two sons filed an application for death and burial benefits. The compensation board awarded benefits to the sons. The state police appealed, arguing that his injury was knowingly self-inflicted, thus barring recovery under state law.

The appellate court said that whether an employee's injury was self-inflicted is uniquely a factual matter for the board. If a slender thread of evidence supports the board's decision, the court said, it must affirm, because the board has the power to determine the ultimate facts in the case. The court reviewed the evidence and record and concluded that Mr. Wiessing's suicide appeared to be the culmination of his inability to deal with the psychological consequences of his involvement in the 1994 police ac-

tion shooting, as well as his inability to manage the stress and adjustment issues associated with continuing his career as a law enforcement officer following the 1994 events. Because evidence in the record supported the board's factual determination, the court affirmed the award of benefits.

Indiana State Police vs. Wiessing, Court of Appeals of Indiana, Nov. 10, 2005 (BI/02/A.-\$10)

Spoiled peanut butter not property damage

Packets of spoiled peanut butter supplied for inclusion in a customer's cookie mix boxes did not cause “property damage” within the coverage of a commercial general liability insurance policy, according to the 7th U.S. Circuit Court of Appeals.

Sokol & Co. is a food products manufacturer that supplied sealed packets of peanut butter to Continental Mills for inclusion in boxes of Continental's cookie mix. In 2001, Sokol sent a shipment of the packets to Continental. After Continental incorporated the packets into the cookie mix boxes—but before any mix was sold to the consuming public—Continental discovered that the peanut butter was rancid. Continental retrieved all of the affected boxes, removed the packets and substituted new peanut butter it acquired from a different vendor. Continental demanded

Sokol reimburse it for its costs. Sokol notified Atlantic Mutual Insurance Co., the insurer under the CGL policy, to indemnify Sokol. The insurer denied coverage. Sokol paid Continental and then brought this lawsuit against the insurer seeking reimbursement. The trial court ruled for the insurer. Sokol appealed.

The appellate court said that Sokol's peanut butter, whether rancid or merely “off taste,” did not cause “physical injury to tangible property,” as required by the CGL policy. “The paste was sealed in individual packets,” the court said, “and those packets were simply removed from the boxes of cookie mix.” Because Sokol's payment to Continental was not a sum Sokol was legally obligated to pay for “property damage” as that term was defined in the policy, the court said that the insurer had no duty to indemnify Sokol. The trial court decision was affirmed.

Sokol & Co. vs. Atlantic Mutual Insurance Co., U.S. Court of Appeals for the Seventh Circuit, Nov. 29, 2005 (BI/03/A.-\$10)

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available, at \$10 each, by sending a check payable to Mayo H. Stiegler, to Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Provide the listed number for each opinion ordered.

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COMMENTARY

Senior Editor Douglas McLeod

A season in full swing

It's another new season for the insurance industry, and fans are wondering how it will emerge from the cloud of accounting scandal over it, especially since the publication of "Industry of Shadows: The Financial Steroids Scandal that Rocked Professional Underwriting."*

This devastating exposé documents several insurers' use of banned bookkeeping gimmicks to artificially boost their financial performance.

The existence of such gimmicks, of course, is not news to knowledgeable fans. For years, they've been placing a mental asterisk next to the quarterly numbers of certain companies that have gained suspicious amounts of market share while hitting seemingly impossible combined ratio targets.

The problem, in fact, has already been the subject of a handful of books. A surge of concern met last year's publication of "Juiced: Wild Times, Risk-Free Re, Hefty Nets and How Insurance Got Big,"* by disgraced disability reinsurance specialist Jose Canseco.

Canseco's book was followed by "Beanball: Nine Tips For Brushing Back Insurance Stock Analysts,"* an otherwise obscure CEO self-help title produced by statutory accountants Walter and Randy Johnson.

Congress quickly got into the act, holding hearings last summer on no-risk finite transactions and other alleged accounting abuses. Several insurance company CEOs testified under oath that they had never used such techniques. One of them, Baltimore-area executive Rafael Palmeiro, later signed off on a questionable loss portfolio deal and was released by his company. No other insurer has yet expressed an interest in signing him.

Nothing published to date will likely equal the impact of "Industry of Shadows," though. The reason: its exhaustively detailed allegations against legendary industry figure Maurice R. "Barry" Bonds.

Mr. Bonds, hard-driving and short-tempered, transformed American General Underwriting Enterprises from a bit player to one of the world's largest insurance conglomerates in his 40-year career. As it grew, AGUE kept a solid balance sheet and virtually unbroken record of annual net earnings gains, often in stark contrast to competitors.

According to "Industry of Shadows," some of AGUE's accomplishments were not just a result of Mr. Bonds' insistence on disciplined underwriting. The book charges that Mr. Bonds:

- Ordered AGUE officials to ar-

range a year-end loss portfolio deal with another insurer that transferred no risk and was designed only to allow AGUE to report an increase in its reserve levels.

- Approved the formation of offshore reinsurers that AGUE secretly controlled and for which it improperly took reinsurance credit in its statutory filings.

- OK'd plans to mischaracterize workers compensation premiums as general and auto liability business to avoid state premium taxes and residual market assessments.

- Approved the use of an offshore entity to improperly convert underwriting losses into capital losses to make its underwriting performance appear better than it was.

Along with its painstaking dissection of AGUE financial statements, "Industry of Shadows" offers a fascinating glimpse into the daily routine of one of the country's business titans, from his regular lunch of flaxseed oil and scrod to his frequent hosting of foreign dignitaries.

Immediately after the book's release, Mr. Bonds emphatically denied any wrongdoing. He has since met all questions about its allegations with the rejoinder, "Do you want to talk insurance or do you not want to talk at all?"

"Industry of Shadows" has already provoked action from various commissioners. The U.S. Securities and Exchange Commission has launched an investigation of AGUE and several other insurers over their alleged use of finite coverages and other techniques to enhance financial performance.

National Assn. of Insurance Commissioners President Bud Selig expressed shock that insurers might violate accounting rules, and promised to do something, up to and including forming a task force to look into the matter.

With the sudden harsh light cast on their accounting effects, finite deals have dwindled to fraction of their previous numbers, and at least one reinsurer specializing in the coverages has closed its doors.

For fans already dismayed by charges of cooked books, the potential impact of a stricter accounting oversight is—paradoxically—proving worrisome.

Many suspect the industry's favorite players, without their accustomed financial stimulants, will be prone to underwriting injury and will see their performance decline.

For these fans, there may be only one answer: Wait till next year.

* In case you were wondering if these are real books, they aren't.

Senior Editor Doug McLeod's commentary appears periodically. He can be reached at dmcLeod@businessinsurance.com.

St. Paul Travelers' settlement of asbestos case OK'd by court

By DOUGLAS McLEOD

NEW YORK—A federal judge has dismissed objections from asbestos claimants and insurers to St. Paul Travelers Cos. Inc.'s two-year-old, \$500 million settlement of certain claims arising from the Johns-Manville Corp. bankruptcy.

St. Paul Travelers, Manville's longtime primary insurer, agreed in 2004 to settle three groups of so-called "direct action" lawsuits filed against it by claimants allegedly injured by products made by Denver-based Manville.

Plaintiffs argued, among other things, that the insurance company violated state unfair claim and trade practices statutes in handling claims and violated duties to disclose what it knew of asbestos hazards.

The lawsuits were filed and settlement talks begun despite a prior bankruptcy court order prohibiting such suits and channeling all Manville-related claims to the Manville Personal Injury Trust. The settlements included a provision barring future direct action claims against St. Paul Travelers.

After a bankruptcy judge approved the deals, a number of asbestos plaintiffs and insurance companies appealed to the U.S. District Court in New York on various grounds.

The objecting insurers included Chicago-based Continental Casualty Co. and Boston-based OneBeacon America Insurance Co., both Manville insurers; and Warren, N.J.-based Chubb Indemnity Insurance Co. Both Continental and Chubb were also named in direct

action suits.

In a ruling late last month, U.S. District Judge John G. Koeltl dismissed the objections and affirmed the St. Paul Travelers settlements.

Judge Koeltl turned aside arguments from insurers' that the bankruptcy court did not have the jurisdiction to bar direct action claims—which would include other insurers' claims for contribution and indemnification against St. Paul, Minn.-based St. Paul Travelers—as part of the Manville reorganization.

The judge also rejected several other claimant objections, including arguments that the bankruptcy court did not thoroughly examine the reasonableness of the settlement and that the claimants did not receive sufficient notice of the proposed deal.

BMOY: BI seeking nominees for award

Continued from page 4

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of employee benefit consulting firms, brokerage firms, health insurers/managed care organizations, benefits industry vendors as well as the 2005 award recipient.

A profile of the 2005 Benefit Manager of the Year appeared in the Dec. 5, 2005, issue of *Business Insurance*.

"As benefit programs become strategic tools for employers to increase employee health and wellness and to maintain productivity, *Business Insurance* believes it's important to give special recognition to leaders in the benefits field," said BI Editor Regis Coccia.

"We invite all our readers to help

us identify the top benefit managers by submitting nominations," he said.

Candidates may nominate themselves or be nominated by a supervisor, colleague, broker, consultant or service provider, but the nomination must be accompanied by a letter from a superior who is familiar with the candidate's work. The deadline is April 21.

To nominate a candidate, please download a nomination form at www.BusinessInsurance.com/BMOY or request a nomination form from Regis Coccia at 360 N. Michigan Ave., Chicago, Ill. 60601; rcoccia@businessinsurance.com.

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Lloyd's bent, not broken by '05 storms

By SARAH VEYSEY

LONDON—The chain of hurricanes that hit the United States last year pushed Lloyd's of London into the red for the first time since 2001.

The insurance market reported a pretax loss of £103 million (\$176.8 million) for 2005 compared with a profit of £1.37 billion (\$2.61 billion) for 2004, which was restated to comply with U.K. generally accepted accounting principles.

The 2005 loss was caused, in large part, by £3.31 billion (\$5.68 billion) in claims stemming from last year's hurricanes.

Luke Savage, director of finance and risk management and acting chief executive of Lloyd's, said that the market's gross loss from the hurricanes was £8.77 billion (\$15.06 billion).

The market's net loss from Hurricane Katrina was £2.21 billion (\$3.79 billion), up from an estimate of £1.93 billion (\$3.31 billion) announced in November.

For Hurricane Rita, Lloyd's net loss was £602 million (\$1.03 billion), up from the £535 million (\$918.5 million) November estimate. And for Hurricane Wilma, Lloyd's net loss was £498 million (\$854.9 million), up slightly from the £483 million (\$829.2 million) estimate announced in November, Mr. Savage said.

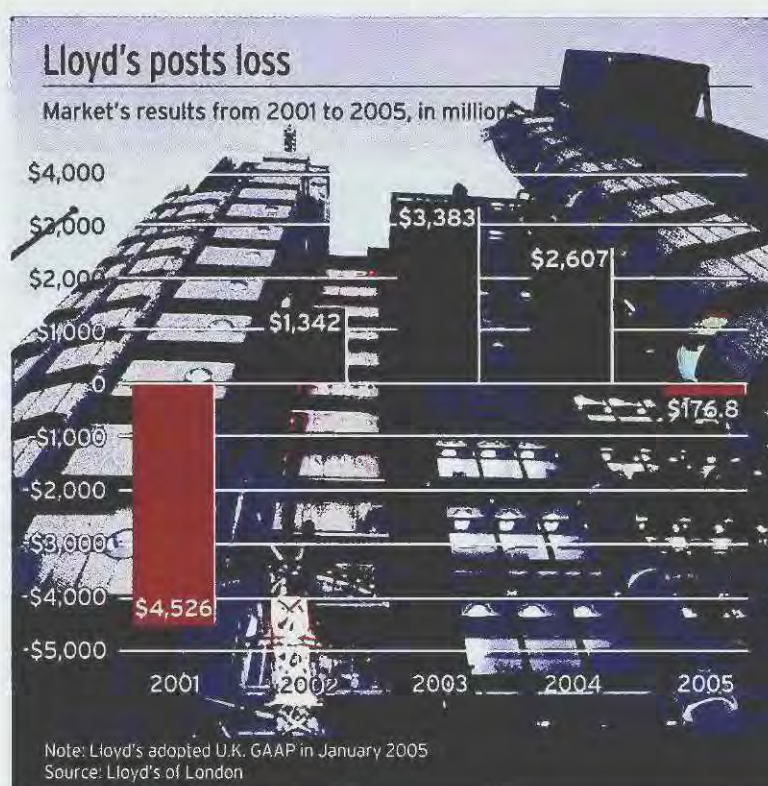
Lord Peter Levene, chairman of Lloyd's, said that claims on the market's Central Fund—which is intended to meet the liabilities of syndicates when they cannot do so themselves—were "negligible."

According to Lloyd's, Central Fund claims and provisions were £253.8 million (\$435.7 million) for 2005, compared with £392.2 million (\$746.4 million) for 2004.

Lloyd's combined ratio for 2005 was 111.8%, compared with 96.6% in 2004.

The market's gross written premiums increased slightly in 2005 to

See LLOYD'S / page 19



Consensus growing for U.K. compulsory pension saving plan

LONDON—In its final report, the U.K. Pensions Commission has again called for employers to make compulsory contributions to pensions unless employees opt out of pension plans and to help fund a proposed National Pension Savings Scheme.

Amid speculation that the U.K. government is divided on the proposals outlined in the Pensions Commission's earlier report and ahead of a government white paper on pension reform slated for later this spring, Lord Adair Turner, chairman of the Pensions Commission, said the commission has been "heartened by the degree of consensus" around its proposals.

And market sources say that U.K. Chancellor Gordon Brown, who was thought to be opposed to some elements of the commission's proposals on cost grounds, is now more open to many of the principles enshrined in the those proposals.

The Pensions Commission, which was set up by the U.K. government in 2002 to "keep under review the regime for U.K. private pensions and long-term savings," proposed plans in November 2005 for a so-called National Pension Savings Scheme aimed at increasing pension saving in the United Kingdom. The nationwide, low-cost pension

saving plan—into which all employees would be enrolled automatically unless their employers operated more generous occupational plans—would be funded by default contributions from employees of 5% of gross pay, of which 1% would be tax deductible, and from employers of 3% of gross pay.

Lord Turner on Tuesday acknowledged that some business groups—including the Confederation of British Industry and the British Chambers of Commerce—had voiced opposition to this "contingent compulsion" because of the potential costs for employers.

Lord Turner said, though, that for small businesses, government funding support could be derived from savings on rebates for employees who opt out of the state pension system. Those rebates would be reduced, Lord Turner argued, by reforms to the state pension, resulting in fewer employees opting out.

Other proposals put forward by the commission include raising the state pension age gradually between 2020 and 2050 to 67 to 69 years old, according to demographic trends.

The Engineering Employers Federation welcomed the

See PENSIONS / page 19

Buyers confident about contract certainty gains

Survey finds forward momentum

By SARAH VEYSEY

Most commercial insurance buyers in the United Kingdom are confident that they will reach agreement on all coverage terms prior to coverage inception at their next renewal, but results were mixed at the last renewal, a study showed.

The London-based Assn. of Insurance & Risk Managers, which represents risk managers in the United Kingdom, surveyed 125 of its members about whether they had

Belief in a better future

Percentage of risk managers who are confident they will achieve contract certainty at their next renewal, by line of business.

- 89%** on employers liability
- 87%** on auto
- 84%** on general liability
- 84%** on D&O liability
- 78%** on property
- 76%** on business interruption

Source: Assn. of Insurance & Risk Managers

achieved contract certainty, as defined by a market reform body, at their last renewal and how confident they were of achieving contract certainty at their next renewal.

The Market Reform Group—a body that comprises representatives of Lloyd's of London companies, the London company insurance

market and brokers—is tasked with helping the market meet a regulatory deadline of Jan. 1, 2007, for contract certainty to be achieved on all business. The group defines contract certainty as: "the complete and final agreement of all terms (including signed lines) between insured and insurers before inception."

The definition also requires that "the full wording must be agreed before any insurer formally commits to the contract" and that "an appropriate evidence of cover is to be issued within 30 days of inception."

According to the study, 61% of buyers achieved contract certainty on directors and officers liability business at their last renewal, 55% achieved contract certainty on auto business, 47% on general liability business, 38% on business interruption coverage, 35% on property and 35% on employers liability.

The Market Reform Group and the Financial Services Authority—the U.K. insurance regulator—have set a series of interim targets ahead of the FSA's original Jan. 1, 2007, deadline. The first of those targets—for 30% of all contracts placed in December to meet the contract certainty definition—was exceeded, according to the Market Reform Group, with 65% of all contracts agreed on during December qualifying as certain.

AIRMIC noted that much of the insurance bought by its members is renewed before the end of the year, so a direct comparison with the Market Reform Group's figures is

See CERTAINTY / page 19

Updates

G6 implements use of ACORD standards

The so-called "Group of Six"—or "G6"—Lloyd's of London managing agents have agreed to a new process that will use ACORD data standards to transfer risk-related data between group members and four brokers. The G6 group of companies—Amlin P.L.C., Beazley P.L.C., Catlin Group Ltd., Hiscox P.L.C., Kiln P.L.C. and Wellington Underwriting P.L.C.—was set up in January to "identify practical opportunities to streamline and improve Lloyd's market processes," according to a G6 statement. The group announced that it had agreed with Aon Ltd., Benfield Group Ltd., Marsh Ltd. and Willis Group Holdings Ltd. to implement a new process using ACORD standards.

Willis launches Inspace unit in France

Willis Group Holdings Ltd. has opened an aerospace consulting unit in Neuilly-sur-Seine, France. Willis Aerospace Consulting, a division of Willis' Inspace arm, will focus primarily on providing space insurance and aerospace consulting services in Continental Europe, the Middle East and Africa, Willis said in a statement. The Inspace division now has offices in France, Malaysia, Spain, the United Kingdom and the United States.

Alea Group posts steep losses in 2005

Alea Group Holdings (Bermuda) Ltd., which is in runoff, has announced a loss of \$178.9 million for 2005, compared with a loss of \$4.3 million in 2004. The Bermuda-based company was placed into runoff in the fourth quarter of 2005, having been downgraded by ratings agencies because of a series of poor results. Alea suffered pretax losses from the series of storms last year of \$108.5 million. The company's combined ratio for 2005 was 126.1%, compared with 104.2% in 2004.

Lloyd's to open office in Shanghai

Lloyd's of London is opening an onshore reinsurance operation in Shanghai, China. The company, Lloyd's Reinsurance Co. (China) Ltd., will give Chinese cedents access to the Lloyd's market, Lloyd's said in a statement. Lloyd's already has a representative office in Beijing. Chinese President Hu Jintao gave Lloyd's the go-ahead to set up an onshore reinsurance operation in November, the statement said.

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NOTICE

The Superintendent of Insurance of the State of New York as Liquidator (the "Liquidator") of Medical Malpractice Insurance Association ("MMIA") hereby gives you notice that, pursuant to Article 74 of the New York Insurance Law, he has presented the Supreme Court of the State of New York a petition for approval (the "Petition") of his report (the "Report") setting forth the status of the MMIA liquidation proceeding and requesting issuance of an order approving the Report and the transactions set forth therein and authorizing: (i) the establishment of June 30, 2006 as a bar date for presentation of all creditor claims other than administrative costs and expenses (ii) to the extent assets are available, payment of all administrative costs and expenses and a distribution to MMIA's creditors with allowed claims, consistent with Article 74 of the New York Insurance Law, including interest at the rate of six (6%) percent per annum; and (iii) to the extent assets are available after payment of all administrative costs and expenses and creditor claims with interest, transfer of all remaining assets to the Miscellaneous Special Revenue Fund of the State of New York (the "Proposal").

A hearing is scheduled on the Petition on June 9, 2006 at 9:30 AM, before the Supreme Court of the State of New York, County of New York at the Courthouse IAS Part 49, Room 232, 60 Centre Street, New York, New York. If you wish to object to the Petition, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator, at least ten (10) business days prior to the hearing. Service on the Liquidator shall be made by first class mail at the following address:

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 State of New York as Liquidator of
 Medical Malpractice Insurance Association
 123 William Street
 New York, New York 10038-3889
 Attention: Melvin Burruss, Esq.

The Petition and Report are available for inspection at the above address. The Report is discussed below, in the event of any discrepancy between the summary herein and the documents, the documents control.

The Report
 By order entered May 14, 2001, MMIA was placed into liquidation and the then Superintendent of Insurance and his successors in office were appointed as Liquidator. All of MMIA's policyholder liabilities have been assumed by Medical Liability Mutual Insurance Company ("MIMIC") as of July 1, 2000. Pursuant to New York Insurance Law and the Liquidation Order, the Liquidator was tasked with the responsibility of, among other things, marshaling MMIA's assets and adjudicating claims consistent with Article 74 of the Insurance Law. The Liquidator discusses in the Report his progress in liquidating MMIA.

As indicated, the Liquidator is submitting a Proposal he believes will assist in winding up the affairs of the MMIA liquidation. The Liquidator seeks approval of his Report and the transactions set forth therein, and authorization of (i) the establishment of June 30, 2006 as a bar date for presentation of all creditor claims other than administrative costs and expenses, (ii) to the extent assets are available, payment of all administrative costs and expenses and a distribution to MMIA's creditors with allowed claims consistent with Article 74 of the New York Insurance Law, including interest at the rate of six percent (6%) per annum; and (iii) to the extent assets are available after the payment of all administrative costs and expenses and creditor claims with interest, transfer of all remaining assets to the Miscellaneous Special Revenue Fund of the State of New York.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor Claims Department at (212) 341-6271.

HOWARD MILLS
 Superintendent of Insurance of the
 State of New York as Liquidator of
 Medical Malpractice Insurance Association

REQUEST FOR PROPOSALS

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL CAPTIVE MANAGEMENT SERVICES

The Port Authority of New York and New Jersey is interested in receiving written proposals from captive management firms to initiate the administration of the Port Authority's Captive Insurance Company ("Captive").

The Port Authority proposes to pay market-based premiums to an affiliated company for the purpose of accumulating resources to pay losses that would otherwise have been insured by the commercial insurance market. Therefore, the Port Authority's purpose for forming the Captive is to provide the Port Authority, its wholly owned corporate entities, and its contractors continuing flexibility in their risk management programs. Based on loss forecasts and premiums to be paid to the Captive, the Captive will be a financially secure insurance company with continued growth and profitability.

The specific proposal information is set forth in the document entitled "Request For Proposal for Performance of Expert Professional Captive Management Services." A copy of this RFP is available via download at www.panynj.info. A copy can also be requested via e-mail at askforbids@panynj.info. When requesting the RFP, please reference RFP Number 9570 in the subject line. Your e-mail should include: firm name, e-mail address, contact person, mailing address, and telephone number. Joint ventures/teams are acceptable.

Proposals in response to this RFP are due by 2 P.M. on May 1, 2006, and must have the RFP Number and full legal firm name clearly indicated on the outside package.

REQUEST FOR PROPOSALS



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Seacrest: Startup brokerage firm draws lawsuit from Wachovia

Continued from page 3

fortable in at Palmer & Cay rather than taking advantage of opportunities in the marketplace.

"We thought very highly of the model we all worked in for 20 plus years and our efforts are to largely preserve the model that we worked in," Mr. Paddison said, noting how the executives liked working in the brokerage's "home office" with easy access to upper management. Wachovia, on the other hand, is a large publicly held organization "with lots of bureaucracy," he said.

Unlike Palmer & Cay, though, Seacrest will have a diverse group of owners, Mr. Paddison said. "One of our critical components is we must work in a collaborative manner and have buy-in from the group before we proceed with anything."

Furthermore, as a start up, Seacrest will be able to "spend a majority of our time on our client services model, on our carrier relationship model and on how we work with our employees," he added.

"As a small boutique firm, the most important element to our success will be our commitment to client service excellence," said Ms. Robinett, who is a partner and director of risk management services at Seacrest. "We have to be able to act faster, think smarter and work harder than our competitors to deliver services that our clients value ... and we intend to do just that."

Wachovia Insurance Services, however, is not taking the formation of Seacrest lightly.

In a lawsuit filed in Savannah seeking a temporary restraining or-

der and preliminary and permanent injunctions, Wachovia charges that while still employed at the broker-

"While we have tried to create a channel of communication with our former employer, thus far that has not been successful."

David E. Paddison
Seacrest Partners Inc.

age the defendants "abused their positions of trust and violated their nonpiracy, nonsolicitation and nondisclosure agreements by devoting their time, attention and efforts" to establishing, staffing and pursu-

ing the business interests of Seacrest, including diverting business opportunities to the new brokerage.

Wachovia specifically charges, among other things, that the defendants obtained a certificate of incorporation from the state, met and secured appointments with various insurers and obtained an agency license from the Georgia Department of Insurance on behalf of Seacrest, while still employed by Wachovia.

Since leaving Wachovia, at least two clients have executed agent of record letters appointing Seacrest as their exclusive agent with respect to their renewal applications, the complaint states.

In addition to seeking to enjoin Seacrest from further alleged unlawful activities, Wachovia seeks to recover the compensation that it paid

to the individuals during their period of alleged disloyalty and other damages.

"While we have tried to create a channel of communications with our former employer, thus far that has not been successful," Mr. Paddison said, declining to discuss specifics of the lawsuit.

"We don't have control over what they do. All we have control over is what we do and a central component of our business is to operate with the highest level of morals and ethics and to conduct ourselves in a professional manner with prospective clients, markets and the business community in general," he said. "We will continue to operate our business and focus on the future."

Wachovia declined to comment.

Transsexual: Bias against sexual identity ruled to constitute sex discrimination

Continued from page 4

ward way to deal with the factual complexities that underlie human sexual identity," he said. "These complexities stem from real variations in how the different components of biological sexuality—chromosomal, gonadal, hormonal and neurological—interact with each other and, in turn, with social, psychological and legal conceptions of gender."

Judge Robertson denied the library's motion to dismiss the case. "There are facts that Schroer could prove which would support her claim that the library refused to hire her solely because of her sexual identity" and in doing so discriminated against her because of sex,

says the ruling. He called for a status conference as the next step in the litigation.

A Library of Congress spokeswoman had no comment.

Some observers say that if Judge Robertson's approach is ultimately upheld, it will make it easier for transsexuals to pursue employment discrimination cases against their employers.

Under Judge Robertson's approach, "you wouldn't have to say that someone was holding you up to stereotypical gender norms to make out a Title VII case. You can just say, 'Because I'm a transsexual, I was treated differently than people who are not transsexuals,'" said

Paul M. Secunda, assistant law professor at the University of Mississippi Law School in University, Miss. "It broadens the theory and permits a larger group of transsexuals to recover under Title VII, potentially," Mr. Secunda said.

It would be "pretty significant" if the decision is ultimately upheld, said Arthur S. Leonard, a professor at New York Law School. Transsexuals "wouldn't have to prove any facts about stereotyping if they could show they were suffering discrimination because of their gender identity. That would be enough to have coverage under Title VII. It would certainly simplify the proof issues under the case," said Mr.

Leonard.

"I don't think that employers necessarily discriminate against transsexuals because they fail to conform with stereotypes," he added. In many cases, they do so because they "think it's weird. They don't understand it. They think someone who has this gender identity is in some sense sick or unstable, or they worry about the image of their business" or about higher health care costs because of the hormones transsexuals take as part of their gender reassignment, he said.

James McDonald Jr., an employer attorney with Fisher & Phillips in Irvine, Calif., said, though, that while "this case uses a little differ-

ent analysis," the "net result here is another case where a court has applied Title VII to transsexual plaintiffs."

What this means for employers is they "need to be aware that discrimination against people who are transsexuals may well be attacked as unlawful." One particular danger for employers lies "in asking too many questions of an employee applicant," said Mr. McDonald. "It's a very tough area for employers."

Diane J. Schroer, plaintiff, vs. James H. Billington, Librarian of Congress, defendant, U.S. District Court for the District of Columbia, Civil Action No. 05-1090 (JR).

Pensions: Consensus grows for compulsory plan

Continued from page 17

commission's proposals but expressed concern that the issue of pension reform should not become a "political football." The London-based EEF said in a statement that "whilst there may need to be some debate about detail, the most important issue is that government should now lead a rational consensus on the way forward."

The CBI said it believed the commission's final report provided "a solid foundation for defusing the looming pensions crisis." But the London-based employer body

warned that forcing companies to contribute to pension plans could be harmful and said it remained concerned that some employers would "level down" their occupational pension provisions to the minimum level of benefits provided by the proposed NPSS.

Robert Birmingham, president of the London-based Society of Pension Consultants, expressed concern that accommodating the requirements of running a pension plan comparable or better than the proposed NPSS may prove too complicated or costly for some employ-

ers, which might opt to abandon their occupational plans and instead automatically enroll employees into the NPSS even if their own pension plans were "just as good or better."

The Trades Union Congress, a London-based labor union, welcomed the commission's report and said in a statement that, "without a NPSS with compulsory employer contributions, there will be no prospect of delivering a decent living standard for future pensioners, given the retreat by employers from good schemes."

Certainty: Confidence found in contract reforms

Continued from page 17

"not appropriate."

Of those AIRMIC members surveyed who did not achieve contract certainty at their last renewal, 74% said they are now working more closely with their broker, 50% said they are now working more closely with their insurer and 25% said they are now working more closely with their own colleagues to achieve contract certainty.

Furthermore, 73% of those who failed to achieve contract certainty

at their last renewal said they now expect to begin the renewal process earlier.

For forthcoming renewals, most of those AIRMIC members surveyed said they were confident or somewhat confident of achieving contract certainty.

According to the study, 89% of buyers said they were confident of achieving contract certainty for employers liability business, 87% for auto business, 84% for general liability, 84% for D&O, 78% for property and 76% for business in-

terruption insurance.

"This research demonstrates that the market is on the right track," said Andrew Cornish, head of insurable risk at Centrica P.L.C. and AIRMIC's representative on the Market Reform Group's contract certainty group.

"I can't emphasize too strongly, however, that we must continue the momentum. This is a unique opportunity to achieve something that's eluded us for decades, and we must not be complacent," Mr. Cornish said.

Lloyd's: Loss levels encouraging, given size of 2005 catastrophes

Continued from page 17

£14.98 billion (\$25.72 billion), up 2.5% from 2004. Mr. Savage said the increase resulted from reinstatement premiums written following the series of hurricanes.

Lloyd's 2006 capacity is £14.80 billion (\$25.41 billion), up 7% compared with 2005.

Observers said that the level of loss recorded by the Lloyd's market for 2005 was encouraging, given the magnitude of catastrophe losses last year.

Andrew Hubbard, head of the insurance group at the London-based accounting firm of Mazars, described Lloyd's 2005 result as "remarkable, given the highest (catastrophe) loss year ever and the worst two (catastrophe) years ever," he said referring to 2005 and 2004.

Given the size of Hurricane Katrina, the 2005 result is "heartening," according to Peter Allen, a partner in the financial markets group at the London-based accounting firm of Grant Thornton U.K. L.L.P.

"In particular, the fact that there was negligible impact on the Central Fund shows the value of the recently improved capital adequacy

regime," he said in a statement.

Looking ahead, Mr. Savage said Lloyd's likely would benefit from rate increases in several lines in 2006. He noted, though, that rate hikes following last year's hurricanes have been dampened by increased competition from start-up insurers and reinsurers. Lloyd's was "disappointed" that the increases were not larger and were concentrated mainly on loss-affected business.

Mr. Savage has been acting chief executive of Lloyd's since Nick Prettejohn left Lloyd's in January. Richard Ward, previously chief executive of the International Petroleum Exchange, was appointed chief executive officer of Lloyd's in March. He will begin work at Lloyd's on April 24.

Lord Levene said that Mr. Ward will be tasked with implementing the market's three-year strategic plan, announced in January (BI, Jan. 23), which is intended to help the market remain competitive compared with other insurance centers, set out performance standards for businesses in the market, and reduce the cost of doing business at Lloyd's, among other things.

Results: Reinsurers report profits despite massive hurricane losses in 2005

Continued from page 3

Bruce Ballentine, vp and senior credit officer at Moody's Investors Service in New York. Insured catastrophe losses were more than \$50 billion, of which the reinsurers absorbed about half, he said.

"Recapitalization was swift and strong, with over \$20 billion of fresh capital entering into existing and new reinsurers, so it pretty much offset the catastrophe losses borne by the reinsurers," said Mr. Ballentine.

The outlook for the year depends, at least in part, on the level of storm activity this year. The stock market "is clearly very worried" that major catastrophes are going to be increasingly common, said Cliff Gallant, an analyst with Keefe, Bruyette & Woods Inc. in New York.

Despite hardening of property and catastrophe pricing as a result of the storms, "the stocks are not going up, mainly because I think there's real fear these price increases are justified," he said.

But, observers say, reinsurers are more insulated from storm losses than they have been in the past. James Inglis, managing director at Stamford, Conn.-based Philo Smith & Co., an investment banking firm,

said primary insurers are increasing retentions and buying higher aggregate covers, which is changing reinsurers' risk profile. It means that if there is going to be a big hurricane, "they're going to be hurt worse," but not if there are a number of smaller storms.

"I'm not sure I'd expect them to show improved earnings overall, but I think they'll still earn a good return," said Mr. Inglis.

"Reinsurers, generally speaking, are kind of further removed" from catastrophes because of higher deductibles, Mr. Meredith said. "I think the reinsurers can produce some pretty attractive results in 2006."

Assuming a return to a normal catastrophe year, the reinsurance market will be "at or near an underwriting profit for '06," said James B. Auden, senior director at Chicago-based Fitch Ratings.

Reinsurers are better prepared this year, said Moody's vp and senior analyst James Eck. "I think they're getting better pricing going in, and they've tightened up some of the contract language," he said.

Reinsurers are also likely to benefit from improved investment returns, say observers. "I think there'll

be a slight improvement in their investment results area in the next 12 to 18 months as interest rates continue to inch upward," said Cincinnati-based independent insurance analyst John L. Ward.

However, Mr. DeRose said Best is

"Recapitalization was swift and strong, with over \$20 billion of fresh capital entering into existing and new reinsurers, so it pretty much offset the catastrophe losses."

Bruce Ballentine
Moody's Investors Service

maintaining a negative outlook for reinsurers this year. "We think that the hard property market's probably going to be fairly narrowly focused and relatively short lived," he said.

"There's increased competition from hedge funds and start ups. Ca-

sualty business is really seeing little benefit from the property catastrophe losses of '05, and everyone seems to be predicting an active storm season for 2006," Mr. DeRose said.

Furthermore, "We anticipate there's going to be some level of adverse reserve development out of the '97 to '01 years, but that should be at a significantly lower level going forward," he said.

In addition, said Mr. DeRose, "We perceive that some companies' financial flexibility may be stretched, given that they had to go to the market in '05 to replenish capital. Whether or not they'd have that ability in '06 remains to be seen, and capital requirements are somewhat more stringent now, given the hindsight for property exposed business, so they're going to have to price higher in order to get the returns."

There is a "surprising lack of optimism about '06 results, especially considering we've had such strong rate increases," said Mr. Gallant. Among the reasons for this, he said, are that "capital requirements have gone up—pushed by the rating agencies—several of the catastrophe reinsurers have had to reduce their

exposure and I think there does seem to be some changes in the weather."

Observers say revelations by regulators concerning reinsurers' use of finite reinsurance can be expected, although they are unlikely to have a dramatic impact on the overall market. Zurich Financial Services Group Inc.'s latest settlement with New York Attorney General Eliot Spitzer, for instance, detailed how certain Zurich subsidiaries used nontraditional reinsurance to bolster ZFS' results (BI, April 31).

"A lot of companies have already come under scrutiny," said Mr. Gallant. "I'm assuming we're closer to the end of this series of investigations than we are (to) the beginning."

Meanwhile, observers say that while property cat rates will remain high, there are signs of softening in the casualty market. The impact of the 2005 catastrophes is "starting to play itself out," said Mr. Ward.

"It's cushioning the soft market trend in some lines of business," he said, particularly in property lines and in catastrophe prone areas.

"Longer term, you can see a modest downward movement in casualty," said Fitch's Mr. Auden.

Largest U.S. reinsurers' 2005 results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

| Reinsurer | Net reinsurance premiums written 2005 | Net reinsurance premiums written 2004 | Policyholder's surplus (reinsurers only) | Net income (loss) | Loss & loss adjustment expenses | Loss ratio | Underwriting expenses | Expense ratio | Combined ratio 2005 | Combined ratio 2004 |
|--|---------------------------------------|---------------------------------------|--|--------------------|---------------------------------|---------------|-----------------------|---------------|---------------------|---------------------|
| National Indemnity Co. ¹ | \$3,147,413 | \$2,808,601 | \$30,046,842 | \$4,136,234 | \$3,295,705 | 104.9% | 255,601 | 8.1% | 113.0% | 64.3 |
| Transatlantic Re/Putnam Re | 3,089,634 | 3,393,309 | 2,617,997 | 5,809 | 2,586,708 | 85.5 | 845,250 | 27.4 | 112.9 | 101.7 |
| GE Insurance Solutions ² | 2,425,960 | 3,585,684 | 6,430,309 | (1,042,169) | 4,801,228 | 180.7 | 757,464 | 31.2 | 211.9 | 133.8 |
| Everest Reinsurance Co. | 2,289,178 | 2,800,503 | 2,327,594 | (26,874) | 2,129,584 | 92.0 | 582,472 | 25.4 | 117.4 | 100.4 |
| Odyssey American Re/Odyssey Reinsurance ³ | 2,098,116 | 2,131,351 | 2,071,287 | (161,511) | 1,914,685 | 92.6 | 577,229 | 27.5 | 120.1 | 100.7 |
| Swiss Reinsurance America Corp. ⁴ | 2,031,210 | 2,139,071 | 2,775,800 | 38,801 | 1,821,978 | 89.9 | 512,718 | 25.2 | 115.2 | 116.3 |
| General Re Group ⁵ | 1,987,961 | 2,746,950 | 7,912,018 | 347,025 | 1,759,664 | 80.0 | 748,494 | 37.6 | 117.6 | 102.6 |
| Berkley Insurance Co. | 1,739,247 | 1,599,717 | 1,785,231 | 180,705 | 1,176,561 | 72.6 | 433,182 | 24.9 | 97.5 | 96.9 |
| American Re-Insurance Co. ⁶ | 1,253,205 | 1,849,985 | 3,131,708 | (1,390,769) | 2,305,145 | 189.0 | 322,788 | 25.7 | 214.7 | 123.5 |
| Folksamerica Reinsurance Co. | 737,764 | 993,083 | 1,074,153 | (81,690) | 851,506 | 102.7 | 198,997 | 27.0 | 129.7 | 103.7 |
| Partner Re U.S. ⁷ | 677,737 | 875,947 | 565,622 | 10,044 | 618,888 | 89.2 | 211,489 | 31.2 | 120.4 | 109.4 |
| Platinum Underwriters Reinsurance Inc. | 601,760 | 715,432 | 447,207 | (21,884) | 369,660 | 57.9 | 337,899 | 56.2 | 114.1 | 97.0 |
| Axis Reinsurance Co. ⁸ | 573,627 | 218,600 | 524,135 | (50,466) | 253,490 | 80.8 | 116,484 | 20.3 | 101.1 | 104.3 |
| XL Reinsurance America ⁹ | 515,417 | 546,020 | 1,856,151 | 46,904 | 449,312 | 88.4 | 86,437 | 16.8 | 105.2 | 89.2 |
| American Agricultural Insurance Co. | 441,587 | 484,560 | 458,988 | 27,257 | 299,709 | 70.4 | 114,843 | 26.0 | 96.4 | 100.8 |
| QBE Reinsurance Corp. | 427,462 | 449,410 | 539,485 | 27,213 | 251,702 | 60.9 | 145,843 | 34.1 | 95.0 | 93.6 |
| Insurance Corp. of Hanover | 399,617 | 67,931 | 324,765 | (19,755) | 160,505 | 68.2 | 80,623 | 20.2 | 88.4 | 98.1 |
| The Toa Reinsurance Co. of America | 275,359 | 282,964 | 340,143 | 8,379 | 250,035 | 93.3 | 61,625 | 22.4 | 115.7 | 115.1 |
| Endurance Reinsurance Corp. of America | 271,629 | 339,102 | 514,844 | (66,694) | 285,597 | 89.7 | 132,539 | 48.8 | 138.5 | 100.4 |
| SCOR U.S. Group/SCOR Reinsurance Co. | 123,092 | 136,235 | 462,450 | (28,014) | 145,899 | 128.8 | 55,618 | 45.2 | 174.0 | 168.8 |
| Totals for Top 20 | \$25,106,975 | \$28,164,455 | \$66,206,729 | \$1,938,545 | \$25,727,561 | 102.8% | \$6,577,595 | 26.2% | 129.0% | 104.7% |
| Totals for all companies | \$25,330,697 | \$28,759,085 | \$66,997,713 | \$1,856,066 | \$26,063,644 | 102.9% | \$6,710,172 | 26.5% | 129.4% | 106.2% |

1. Underwriting results exclude assumptions from affiliated General Re Group. 2. Includes the results of GE Reinsurance Corp. and Employers Reinsurance Corp. filing on a consolidated basis. 3. Includes combined results of Odyssey America Re Corp., Clearwater Insurance Co., First Specialty Insurance Corp., The Medical Protective Co. and GE Reinsurance Corp. 4. Represents only part of Swiss Re Group's business and includes a number of impacts including cessions to the parent.

5. All data presented for the North America Property/Casualty segment of the General Re group. Underwriting results exclude certain intercompany transactions and other adjustments. Underwriting results also exclude cessions to certain affiliated members of the Berkshire Hathaway Group. 6. Includes the combined results of American Re-Insurance Co., American Alternative Insurance Corp., and the Princeton Excess & Surplus Lines Insurance Co. Am Re's results reflect a re-estimation and strengthening of net loss and loss adjustment expenses reserves of \$1,426.5 million. Results exclude the initial effect of Am Re's loss portfolio reinsurance treaty with its ultimate parent, Munich Re, effective in the third quarter. 7. Includes the combined results of Partner Reinsurance Co. of the US and its subsidiary Partner Re Insurance Co. of New York. 8. Excludes reinsurance business of Axis Capital Holdings Ltd. written in Bermuda. 9. XL Reinsurance America's net underwriting results consist of its net pooled share of the combined underwriting results of the XL America Group Pool. All pool members are wholly owned subsidiaries of XL Reinsurance America. 10. Total net premiums written shown for December 2004 are those reported in the December 2004 Reinsurance Underwriting Report.

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Massachusetts: Reform mandates coverage for individuals

Continued from page 1

ees, with the law stipulating how much of the premium companies could require their employees to pay. Like Massachusetts, Maine three years ago passed legislation subsidizing health insurance premiums of lower-income residents. But it did not mandate that employers offer coverage or that individuals obtain coverage, and as a result, the Maine law has yet to make a sizeable dent in reducing the number of uninsured.

In 2003, California passed legislation requiring large employers to pay 80% of group health insurance premiums or contribute to a state fund. One year later, though, voters narrowly approved a referendum to repeal the law before it took effect. Opponents of the law argued, among other things, it would cost the state jobs as companies moved out to avoid the mandate.

And Massachusetts once before passed legislation with the same goal: moving the state toward universal health care coverage. But that 1988 law, which did not include an individual coverage mandate but imposed a much stiffer financial penalty on employers not

offering health care plans, later was repealed amid much lobbying by the small-employer community worried about its financial impact on companies.

By contrast, Massachusetts' latest health care coverage initiative, which Gov. Mitt Romney is expected to sign—though possibly proposing some changes—is drawing praise from business groups representing small and large companies, who believe it may aid employers by reducing provider cost-shifting.

"It could reduce costs, and that would be a step in the right direction," said Bill Vernon, state director of the Massachusetts Federation of Independent Business in Boston, which primarily represents small employers.

"We are cautiously optimistic," said Eileen McAnneny, vp-government affairs for Associated Industries of Massachusetts in Boston, whose members include many of the state's largest employers.

Ms. McAnneny, for example, notes that the legislation significantly boosts state reimbursement for providers who treat Medicaid patients. That could reduce cost-shifting by providers to insured pa-

tients. Providers have long complained that Medicaid does not cover the true cost of services.

And down the road, as more individuals are insured, hospitals and other providers will not be stuck

Perhaps the most critical issue—from an employer perspective—that will need to be resolved is what is considered to be a "fair and reasonable" employer contribution toward group health care coverage.

providing care for which they are not fully reimbursed, a cost they try to shift to those in group plans.

"Business ought to receive a benefit through a reduction in the cost shift," said Linda Bergthold, a consultant with Watson Wyatt Worldwide in Los Angeles.

While there are many unknowns about the bill, some of which will be addressed by regulations in the months ahead, benefit experts say its importance—and the potential that other states may follow Massachusetts' lead if the initiative is successful—cannot be overstated.

"It is a grand experiment from a health care policy standpoint," said John Piro, an attorney in the Norwalk, Conn., office of Hewitt Associates Inc.

"This is great public policy. Because people will have coverage, care will be delivered much more efficiently," said Phil Edmundson, chief executive officer of insurance broker William Gallagher Associates in Boston and chairman of Affordable Care Today, a coalition of Massachusetts consumer, labor and provider groups backing expanded health care access.

If the legislation does achieve universal coverage at an affordable cost, "a lot of other states will look at this and say, 'This is the way to go,'" Mr. Piro said.

Questions remain

For most employers now offering health care coverage to Mas-

sachusetts employees, the direct impact of the legislation will be minimal. But for others, some key questions—to be resolved by regulations—are not explicitly addressed by the legislation.

"Over the next year, we will find out through regulation the details. Right now, we only have part of the picture," said Paul Sullivan, an assistant vp with Aon Consulting in Newburyport, Mass.

"A lot is going to be left to regulation," concurred Deborah Wozniak, a consultant with Mercer Health & Benefits in Boston.

Perhaps the most critical issue—from an employer perspective—that will need to be resolved is what is considered to be a "fair and reasonable" employer contribution toward group health care coverage. Employers sponsoring such plans would be exempt from the \$295 per employee assessment.

"How 'skinny' can a plan be and pass muster?" asked Watson Wyatt's Ms. Bergthold.

Also not clearly addressed by the legislation is how, if at all, the employer assessment will be applied for those companies that provide coverage to full-time employees but not to part-time workers.

AXA Re: Binding offer received from newly formed company Paris Re Holdings

Continued from page 3

cessions businesses. That combination was unraveled, however, in 2002 (*BI*, Sept. 23, 2002).

In addition, in 2002, AXA withdrew from financial guarantee reinsurance business, and ceased underwriting and renewing the life and nonlife reinsurance contracts writ-

ten by its U.S. subsidiaries, saying that it would continue to write some U.S. reinsurance business from Paris (*BI*, Jan. 20, 2003).

Over the past three years, AXA has limited its reinsurance business, according to a spokesman for AXA. "For the past three or four years, the strategy for AXA Re has been to

keep its shareholders' equity at about €1 billion (\$1.35 billion) and not go above that, because we don't want to increase our exposure to the reinsurance market," the spokesman said.

Sources say that AXA had been seeking to rid itself of the potentially volatile nature of a reinsurance

book since the Sept. 11, 2001, terrorist attacks in the United States. AXA's losses from those attacks were an estimated €350 million (\$370.3 million).

"AXA has been worried about the volatility of the reinsurance business for some time," even given the recent rise in reinsurance rates, said

Mikir Shah, an insurance analyst at Fox-Pitt, Kelton in London.

AXA Re has done a good job of restructuring since Sept. 11, 2001, said Jean-Michel Lewis, a director in the reinsurance division of London-based broker Heath Lambert Group.

The new entity likely will be well-supported by brokers, he said.

Tulane: Allianz policy excludes flood losses, the insurer argues

Continued from page 1

A Tulane spokesman would say only that university officials are reviewing the complaint and are confident in their coverage position.

Katrina claims have already sparked numerous coverage battles, many involving disputes over the extent of policies' flood coverage.

Xavier University of Louisiana, another New Orleans school, with more than 4,000 students, sued Travelers Property Casualty Co. of America earlier this year for coverage for property damage and lost business income that the school estimated at more than \$30 million.

Several other New Orleans-area commercial property owners are similarly embroiled in disputes with insurers, including a residential real estate management company; two retail mall owners; a local operating engineers' union; and a Covington, La., law firm. In addition, San Francisco-based Kimpton Hotel & Restaurant Group Inc. is suing Liberty Mutual Fire Insurance Co. to recover more than \$10 million in flood damage to its Hotel Monaco in New Orleans, court records show.

Mississippi Attorney General Jim Hood last year sued numerous insurers for refusing to honor policies

that he says should cover damage from the storm surge pushed ashore when Katrina hit the Gulf Coast last Aug. 29.

In Gulfport, Miss., federal court, the owners of the Hard Rock Hotel & Casino Biloxi are likewise suing

Tulane University, the largest private employer in New Orleans, reopened for classes in January, five months after Katrina caused damage that the university calculates to be more than \$200 million.

two of the casino's insurers for refusing to pay Katrina-related damage.

Tulane, the largest private employer in New Orleans, reopened for classes in January, five months after Katrina caused damage that the university calculates to be more

than \$200 million.

The school's uptown New Orleans campus, attended by more than 11,000 students, covers 110 acres and includes about 80 buildings.

"Almost every building on campus had some kind of damage," ranging from roof damage to—in one case—the partial destruction of an external wall, a Tulane spokesman said. Most major repair work at the campus has been completed and all of its buildings are being used again, the spokesman said.

Tulane's \$450 million in property coverage comprises a \$25 million primary policy written by the Lexington Insurance Co. unit of American International Group Inc., along with three excess layers.

Zurich Insurance Co. provided a \$75 million limit above the primary layer, Allianz wrote a \$250 million limit excess of the Zurich layer and ACE American Insurance Co. wrote the top excess layer of \$100 million, according to the Allianz complaint.

Tulane notified its insurers of the damages to its campus soon after Katrina hit, and Lexington and Zurich have since paid the combined \$100 million limits of their policies, the suit notes.

Tulane then advised Allianz that

the school's Katrina losses would exceed the attachment point of Allianz's layer, and on March 28 forwarded a request for a partial payment of \$100 million from the insurer.

Allianz responded with the declaratory action, filed March 31 in U.S. District Court in New Orleans.

While the Lexington and Zurich policies provided flood coverage to varying extents, the Allianz policy excluded all losses resulting from flood, according to the complaint and Lawrence T. Hofmann, a partner with Zelle, Hofmann, Voelbel, Mason & Gette in Minneapolis, who represents Allianz.

Allianz contends that Tulane's losses in excess of \$100 million resulted from flooding, Mr. Hofmann said.

An AIG spokesman confirmed that Lexington had paid its limit to Tulane. A Zurich spokesman declined to comment other than to say that Zurich had fulfilled its obligations to Tulane.

Allianz has asked the court to rule that its policy excludes flood losses and that Tulane did not sustain any losses excess of \$100 million that are covered by the Allianz policy.

ADVERTISER

INDEX

Issue of April 10

| ADVERTISER | PAGE # |
|------------------------------------|-----------------------------------|
| Ace | T17, T20 |
| Adrian's Bordereaux | 16 |
| Aetna Corporate | 5 |
| AIG | 24 |
| American Re-Insurance | T6 |
| Aon Corporation | 2 |
| Arch Insurance | T3 |
| Broadspire | T5 |
| Burnham System | 16 |
| Business Insurance | 10, 15, 21, C3, T9, T26, T29, T33 |
| CNA Insurance | T13 |
| C.V. Starr | T23 |
| Dempsey, Myers & Co., LLP | 10A |
| Discover Re | T4 |
| Endurance Re | T8 |
| First State Management | T21 |
| Georgia State University | T24 |
| Health Alliance Plan | 15A |
| Hib Rogal & Hobbs Co. | T25 |
| Insurance Overload Staffing | T16 |
| Integro Ltd. | 9 |
| Lexington Insurance | T7 |
| Liberty International Underwriters | 7 |
| Liberty Mutual | T11 |
| Marsh Inc. | C2 |
| Mercurator Risk | 6 |
| National Alliance | T27 |
| Old Republic Risk Management | C4 |
| Sentry Insurance | 13 |
| Specialty Risk Services | T15 |
| Swiss Re | 12 |
| XL Insurance | 11 |

Charter: Federal insurance regulation introduced

Continued from page 1
 of regulation for life and property/casualty insurers, agents and brokers that choose federal rather than state regulation. An office of national insurance would be created within the U.S. Treasury Department to oversee the nationally chartered entities. Nationally chartered entities would remain subject to some state laws, such as tax laws. National insurers would also be required to participate in state guaranty funds under most circumstances. Health insurers would not be affected by the bill.

Sen. Sununu said that Sen. Richard Shelby, R-Ala.—the chairman of the Senate Banking Committee, upon which both of the bill's sponsors serve—indicated that he would like to hold hearings on the measure soon, possibly within the next month to six weeks. Sen. Johnson warned, though, that supporters "don't think this will be on the floor of the Senate overnight."

In an interview after the press conference unveiling the bill, Sen. Sununu said that he had discussed the issue with Treasury Secretary John Snow and "got the sense" that the treasury chief shares his concerns about the costs of a "patchwork" regulatory system.

The measure won plaudits from risk managers as well as some insurers and brokers.

"Going back to the testimony we gave in 2004, RIMS supported the concept of an optional federal charter, and we certainly support Sens. Sununu and Johnson in their efforts to modernize the insurance purchasing process," said Janice

Ochenkowski, treasurer of the New York-based Risk & Insurance Management Society Inc., who testified on behalf of RIMS before a House Financial Services subcommittee considering the issue two years ago (BI, April 5, 2004) "The advantages are that it should allow efficient issuance of insurance policies and it should allow for more creativity within the insurance industry to solve business problems," said Ms. Ochenkowski, who is also director-global risk management for Chicago-based Jones Lang LaSalle.

"Our members don't want protection from competition, which is what the current state regulatory system sustains," said Joel Wood, senior vp at the Council of Insurance Agents & Brokers in Washington. "The template here is the dual banking system, which obviously works well. For decades now, insurance regulators have tried to create a more uniform and less protectionist regulatory environment, but because of turf and, frankly, because of homegrown industry protectionism, the state regulators have had mixed results at best."

"It certainly is a significant moment. I think to have a bill introduced in the U.S. Senate by thoughtful senators such as Sununu and Johnson underscores that we've arrived at a time when Congress is seriously going to consider the optional charter," said Leigh Ann Pusey, senior vp at the American Insurance Assn. in Washington.

No one expects the issue to be resolved quickly.

"Nobody's under any illusion

that this going to be enacted in the next year or two. This is going to be a long, tough slog. The key to changing the political dynamic is for insurance company executives to impress upon their appointed agents the desperate need for these kinds of reform," said Mr. Wood.

Ms. Pusey said enacting a federal charter will take time but said she believes it can be done within a reasonable period.

Another insurer trade group greeted the proposal with more skepticism.

"Our outlook is a long view. We view this as the opening salvo in what will be a long and protracted debate on the issue of insurance regulation," said Ben McKay, acting head of the Property Casualty Insurers Assn. of America's Washington office. "We originally viewed this as a symptom of a problem that's been frustrating the industry, which is the inability of the state system to enact meaningful reforms. We view it now not only as a symptom of that, but as a strong incentive for the state system to get its act together."

"Similarly, the SMART Act that we expect to see (introduced) within the next few months will serve to add some additional pressures," said Mr. McKay, in reference to a measure designed to reform state insurance regulation that awaits introduction in the House of Representatives.

Mr. McKay said that PCI continues to support the SMART approach and is "naturally wary about the creation of an entire new bureaucracy."

Late News

Continued from page 1 Livery RRG to surrender Arizona license

A seven-month-old Arizona-licensed risk retention group writing commercial auto liability coverage for livery companies—now barred by the Arizona Department of Insurance from issuing or renewing policies—is expected to voluntarily surrender its license, say state captive regulators. The department took action against National Transportation Risk Retention Group Inc. in February after its manager, USA Risk Group Inc., provided "credible evidence" that the RRG had reduced its capital and surplus below \$1.5 million—the minimum amount required as a condition of it being licensed—and that it did not have its manager sign off on all bills before payment, according to an order issued by Christina Urias, director of the insurance department. In its brief existence, the RRG generated about \$130,000 in premium volume and wrote 28 policies in five states.

APIW names Woman of the Year

Corbette S. Doyle has been selected as the Insurance Woman of the Year by the Assn. of Professional Insurance Women. Ms. Doyle is chief diversity officer of Aon Corp. and chair of its national health care practice. She will be honored at a cocktail reception and award ceremony on June 8 in New York.

P/C rates fall as capacity grows

The property/casualty insurance market showed more signs of softening in March, with composite rates dropping an average 6% from the same month a year earlier, according to Dallas-based MarketScout.com, an online distribution channel. In a commentary accompanying the March report, MarketScout Chairman and Chief Executive Officer Richard Kerr said, "Excess capacity, higher interest rates and favorable underwriting results will continue to support a soft market for the balance of 2006, barring any unusual or cataclysmic events."

Trial on finite risk deal moves to Connecticut

A U.S. district court judge has agreed to transfer to Connecticut from

Virginia the trial of former General Re Corp. Chief Executive Officer Ronald Ferguson, two other former Gen Re officers and a former American International Group Inc. executive on charges stemming from their alleged involvement in a 2000 loss portfolio transaction that has been the target of regulatory probes. The four defendants—Mr. Ferguson, former Gen Re Chief Financial Officer Elizabeth Monrad, former Gen Re Assistant General Counsel Robert Graham and former AIG Vp-Reinsurance Christian Milton—had all entered not guilty pleas to the charges that they conspired to commit fraud in connection with the transaction during a Feb. 16 arraignment before Judge Lee. Judge Lee set a May 22 trial date at the arraignment.

Starr agency to offer Everest National coverage

San Francisco-based C.V. Starr & Co. (California), which specializes in covering public entity risks and writing excess casualty insurance for residential and commercial contracting risks, said it will begin offering commercial insurance coverage on behalf of Everest National Insurance Co., a member of the Hamilton, Bermuda-based Everest Re Group. C.V. Starr & Co. (California) is a unit of New York-based holding company C.V. Starr & Co. Inc. It is one of the managing general agencies still controlled by former American International Group Inc. Chairman Maurice R. Greenberg, who has been embroiled in a dispute with AIG over their control.

Executive chairman quits JLT Risk Solutions

Dominic Collins has resigned as executive chairman of Jardine Lloyd Thompson Group P.L.C.'s Risk Solutions arm. A spokesman JLT would only say that Mr. Collins has decided "to take up new challenges outside of the group." In addition, the London-based broker announced that Mark Drummond-Brady, a director of the Risk Solutions division, and head of its financial risks team, has been appointed chairman of JLT Risk Solutions, subject to approval from the Financial Services Authority. JLT, which has undertaken a review of its business, last month said it would merge the Risk Solutions unit with its corporate risks brokerage operations.

BI Stock Index [4/3 - 4/7]

Up-to-the-minute data for all 85 companies that comprise the BI Stock Index can be found at www.businessinsurance.com.

Percentage change of BI Stock Index vs. key indicators

| | |
|-----------------------|---|
| BI Stock Index |  |
| 2909.56 | -1.57 |
| Dow Jones |  |
| 11120.04 | 0.10 |
| S&P 500 |  |
| 1295.50 | 0.05 |

Source: FinancialContent Inc. (<http://financialcontent.com>)

Largest gains

| | |
|--------------------------|---------------|
| Tower Group Inc. | 14.89% |
| Fairfax Financial | 13.56% |
| Odyssey Re | 5.99% |
| Unitrin Inc. | 5.53% |
| American Safety | 4.43% |

Largest losses

| | |
|------------------------------|----------------|
| Vesta Insurance Group | -59.18% |
| NYMAGIC Inc. | -8.45% |
| EMC Insurance Group | -7.93% |
| UnumProvident | -6.15% |
| Health Net Inc. | -5.55% |

Weekly change by market segment

| | |
|-----------------------------------|---------------|
| Brokers | -0.99% |
| Insurers/reinsurers | -1.59% |
| Managed care organizations | -2.90% |



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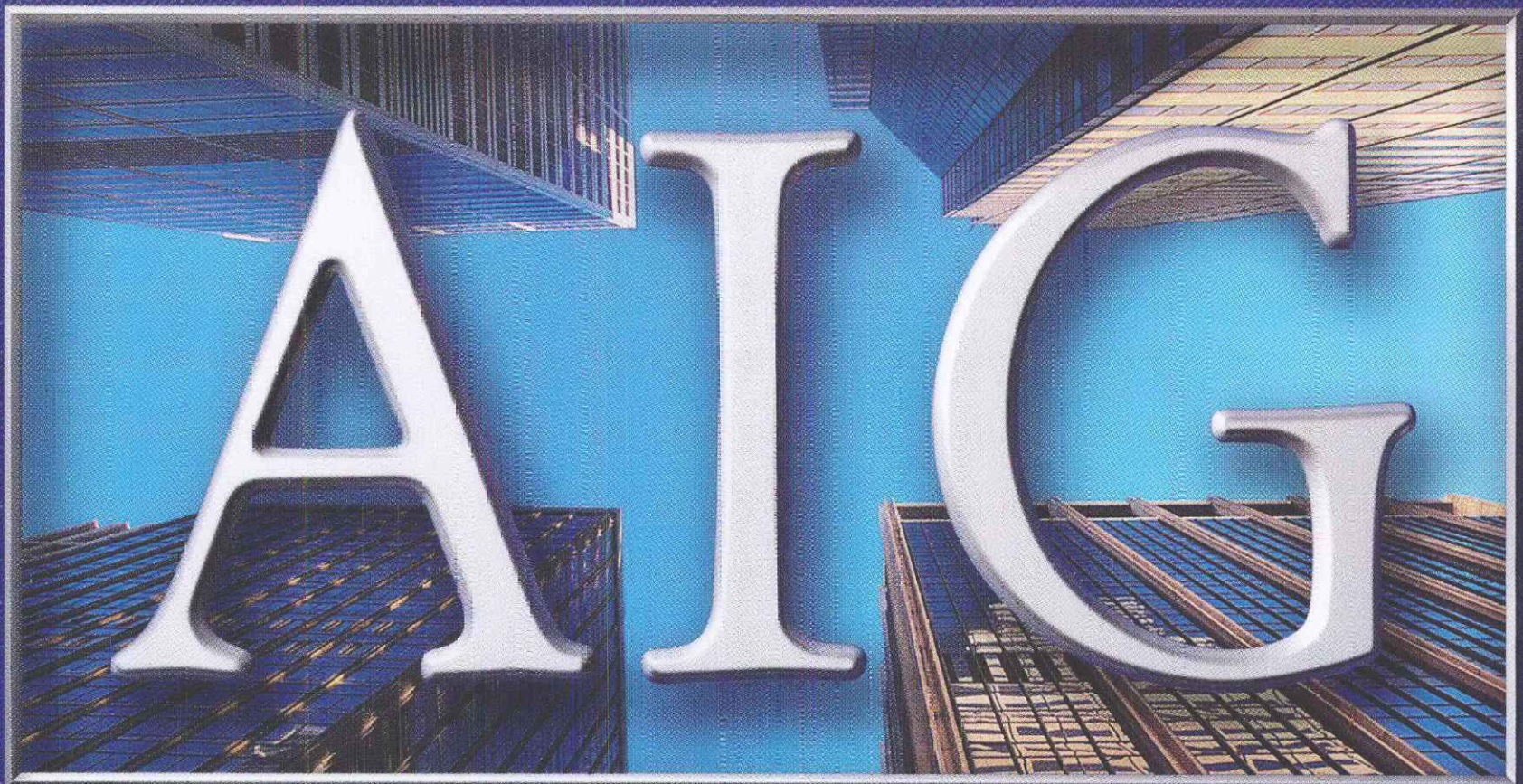
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New Online Poll:
 How much justification is there for the federal government to reinsure natural—as opposed to terrorism-related—catastrophes?

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