

ABD PARENT WEIGHS OPTIONS FOR INSURANCE BROKERAGE, SALE POSSIBLE / PAGE 3

MARYLAND WON'T APPEAL RULING STRIKING DOWN 'FAIR-SHARE' LAW / PAGE 3

NORTH DAKOTA COMP OFFICIALS FACE FELONY CHARGES OVER HANDLING OF FUNDS / PAGE 3

In Brief

P/C insurers' income rises to \$64 billion

Helped by low catastrophe losses, the U.S. property/casualty industry posted \$63.7 billion in net income in 2006, up 44.3% compared with 2005, according to a report from Insurance Services Office Inc. and the Property Casualty Insurers Assn. of America. Insurers' combined ratio improved to 92.4% in 2006 from 100.9% in 2005, while net written premiums rose 4.3% to \$443.78 billion.

Oklahoma passes broad tort reforms

Oklahoma's Legislature has sent Gov. Brad Henry a broad tort reform bill that would impose caps on punitive damages, provide guidelines for expert witness testimony, curb

See **IN BRIEF** page 22

International NEWS

Uncertainty over pollution laws looms for companies in the U.K. as government says it will miss deadline to transpose E.U. rules; Convergium sues SCOR alleging rival broke securities laws in its



takeover bid; Guernsey regulators seek to extend powers to enforcement over insurers, captive managers and intermediaries. **Page 17**

CAMPUSES ON GUARD



REUTERS

Shootings prompt crisis plan reviews

Communications systems key priority

By **RUPAL PAREKH**

Risk managers at universities nationwide—prompted by the Virginia Polytechnic and State University massacre—last week began reassessing their schools' crisis management procedures, with an eye on bolstering campus-wide emergency notification systems.

tion systems.

In order to reach the maximum number of people rapidly, utilizing multiple communication systems is key, risk managers note.

"In an open campus environment," curbing threats can

See **CAMPUS THREATS** page 21

College tragedy highlights need to spot threats

Officials urged to act on warning signs

By **DAVE LENCKUS**

BLACKSBURG, Va.—As university risk managers last week hurriedly reviewed their crisis management plans, security experts stressed that the tragedy at Virginia Polytechnic Institute and State University underscores the need for threat assessment as well as improved emergency communications.

But few institutions try to identify potentially dangerous students and employees by the warning signs they typically display before exploding into fits of rage, security and legal experts said.

"A lot of people say these things can't be predicted, but there always are indication signs," said Gary Salmans, a Troy, Mich.-based executive vp of risk management services in the Critical Incident Prevention Management division of Arthur J. Gallagher & Co.

When an emergency does develop, effective campuswide communications have to be

SHOOTINGS: 2002 incident offers lessons in threat assessment for universities. **PAGE 20**

Virginia Tech shootings raise questions about potential liability for college. **PAGE 21**

Self-insurance pool provides college with \$2 million in liability limits. **PAGE 21**

See **SHOOTINGS** page 20

Pioneering diabetes management effort grows

Decade-old Asheville Project helps employers cut costs through free medication, education

By **JOANNE WOJCIK**

ASHEVILLE, N.C.—As the Asheville Project celebrates its 10th anniversary, the innovative diabetes disease

management program is being reproduced across the country.

So far, at least 80 employers in 20 locations are using the Asheville Project model, which was devel-

oped by the University of North Carolina, the North Carolina Pharmacist Assn. and the city of Asheville, N.C., and was first implemented in 1997 using employees and dependents of the city and Mission Health & Hospitals, the region's largest health care provider (*BI*, Aug. 15, 2005).

The Asheville Project, developed to produce significant savings for participating employers, provides employees with formal diabetes education and individualized counseling by trained pharmacists in diabetes management. In addition, the program waives employee copayments on all diabetes-related medi-

cations and supplies as long as they continue to receive counseling (see story, page 19).

The Asheville model also is the basis of the Diabetes Ten City Challenge, which was launched in 2005 and recently expanded into the Chicago metropolitan area by adding employer participants Pactiv Corp. of Lake Forest, Ill., the city of Naperville and the Jewish Federation of Metropolitan Chicago (*BI*, April 16).

In the first five years after implementation, the city of Asheville and Mission Health saw the average cost

See **DIABETES** page 19

INDEX

Advertiser Index	20
Business Resources	16
Commentary	18
End Page	23
International	17
Market Moves	10
Opinions	8
Perspective	12
Professional Marketplace	16
Stocks	22

To Subscribe Call

1-888-446-1422 in the U.S. or

1-313-446-0450 outside the U.S. or

go online to www.businessinsurance.com

Our brokers want a fast turnaround.
Our clients want a long-term relationship.

We deliver.



From solid financial ratings, to superior customer service, to a strong global presence, Allied World Assurance Company is uniquely positioned to deliver the insurance and reinsurance solutions you need, when you need them.

www.awac.com

BERMUDA BOSTON CHICAGO DUBLIN LONDON NEW YORK SAN FRANCISCO

Insurance coverage is underwritten by member companies of the Allied World Assurance Group. Coverage is subject to underwriting. Member companies may not be licensed in your state or jurisdiction. To find out if coverage is available, please contact your insurance broker.



Rewalk the red carpet.

Have you received editorial coverage in **Business Insurance**?

If your company is featured in **Business Insurance** that's great news to share with your clients and prospects. What next? Why not take advantage by spreading the word with our editorial reprints, electronic Eprints and digital NXTprints?

For information, call:
800-290-5460 ext. 160
or e-mail
BusinessInsurance@reprintbuyer.com

Available in sizes to fit your needs.

Business Insurance
www.BusinessInsurance.com

More shareholders leave energy mutual

By **RUPAL PAREKH**

HAMILTON, Bermuda—Thirteen more shareholder members are departing energy industry mutual Oil Insurance Ltd., reducing OIL's shareholder base to a total of 61 as of May 31.

OIL—the largest of three mutual companies making up the Hamilton, Bermuda-based OIL Group of Cos.—last week announced that 12 shareholders elected to withdraw from OIL and not renew their policies effective June 1. The shareholders had an April 16 deadline to give notice of withdrawal from the mutual.

Additionally, OIL said, one member became ineligible for continued membership after it merged with a non-OIL member. "Under the rules, if the new parent is eligible and they elect not to join, then the existing member must withdraw," OIL President and Chief Executive Officer Robert Stauffer said.

The latest departures are in addition to nine shareholders that exited the OIL structure effective Jan. 1. Prior to that, OIL had 83 sharehold-

er members.

Of the 12 members leaving in June, nine are utility companies, according to OIL.

The number "wasn't outside of our range of expectations...obviously we would prefer for it to be much smaller," said George F. Hutchings, OIL's senior vp and chief executive officer. "It wasn't a stunning blow to us."

Effective on their withdrawal, the companies will be obligated to pay to OIL the full amount of their respective withdrawal premium/avoided premium surcharges, which are estimated to total more than \$100 million.

"The organization is certainly disappointed to see any members leave, but we respect their decisions and wish them well," Mr. Stauffer said in a company statement.

OIL said in the statement that it "does not believe that the departure of these shareholders will have a material adverse effect on the ability of OIL to continue to provide its members with the capacity and coverage our shareholders have come to expect."

N.J. top tornado risk

By **MARK A. HOFMANN**

OLDWICK, N.J.—New Jersey tops the list of states with the highest average expected, or modeled, insured losses per 1,000 square miles from tornadoes and related weather events, according to a report issued last week by A.M. Best Co. Inc.

The Garden State, far from the "Tornado Alley" of the Great Plains, is followed by Connecticut, Massachusetts, Ohio and Rhode Island in terms of highest modeled losses from such violent weather, Best reported.

According to the Oldwick, N.J.-based rating agency, the five states' high average loss rates "are affected heavily by insured property values, in addition to the frequency of the storms."

Tornadoes and related weather events caused more than \$8 billion in insured losses nationwide in 2006, the worst year for such losses

on record, according to Best. The rating agency noted that the first three months of this year saw an estimated 334 tornadoes, up 65% over the prior-year period.



LANDOV

New Jersey tops the list of states with the highest modeled tornado losses, according to an A.M. Best report.

Maryland: Law fizzles

CONTINUED FROM PAGE 3

Judge Motz said the law violated the fundamental purpose of ERISA preemption: to permit multistate employers to maintain nationwide health care plans with uniform benefits.

That ruling chilled the interest of other states in enacting similar bills, with most of those proposals never moving past the committee stage. California legislators passed a Fair Share bill, but Gov. Arnold Schwarzenegger vetoed it.

The second and last legal blow

came in January when the 4th U.S. Circuit Court of Appeals affirmed Judge Motz's decision. The appeals court said Congress made preemption a part of ERISA to minimize the administrative and financial burden of employers in complying with varying state benefit laws and rules.

"Were we to approve Maryland's enactment solely for its noble purpose, we would be leading a charge against the fundamental policy of ERISA and surely other states and local governments would follow," the appeals court ruled.

IN SIZE, STRENGTH AND TOUGHNESS,
PROPERTY RISK HAS MET ITS MATCH.



Longevity in the commercial property insurance marketplace takes strength.

The same kind of strength it takes to underwrite any property risk, no matter how complex or simple. In other words, Lexington strength. For almost forty years, Lexington's Property Insurance Division has provided innovative risk solutions, customized underwriting and the expertise to write virtually any line of property business. Lexington takes on the highest risks while providing the highest levels of security and comfort. And our financial strength helps assure that as long as there's risk to property, Lexington Insurance Company will be there.

Lexington Insurance Company

The Power of Financial Strength®

For more information, please e-mail LexProperty@aig.com or visit www.LexingtonProperty.com

Business Insurance OPINIONS

Opportunity arises out of school tragedy

ONE OF THE MANY troubling facts from last week's deadly shooting at Virginia Polytechnic Institute and State University is that this tragedy could happen again, anywhere.

The shooting, which left 32 dead on the campus, was the worst such attack in U.S. history. Eerily, the tragedy occurred just days before the April 20 anniversary of the previous most deadly school shooting, at Columbine High School in Littleton, Colo. Much of the nation remains in shock, and a spirited debate on how to prevent further incidents is already taking place.

Many organizations will look to their risk managers for answers, if indeed they haven't already. As our report beginning on page 1 indicates, steps can be taken to reduce the likelihood of more shootings. That risk cannot be eliminated, however.

Risk management faces constant challenges in creating certainty and reducing the possibility of loss, but what can risk managers do to prevent a mentally disturbed, armed person from harming others in the open environment of an educational institution?

The University of Arizona, which years earlier also faced a fatal shooting incident, found that communication is a powerful tool. Sharing information among instructors, campus police and other administrators can identify troubled individuals and help curtail threatening behavior.

The shooting at Virginia Tech was a nightmare. But it also has provided an opportunity to find better ways to protect people, whether through improved security procedures, scenario planning or better communication technology. No one person or department can solve this problem, though, and it will take a group approach to mitigate the possibility of such a tragedy occurring again.

A spirited debate on how to prevent further incidents is already taking place.

State 'Fair Share' law finally put to rest

WE APPLAUD Maryland Attorney General Douglas Gansler's decision last week not to seek U.S. Supreme Court review of rulings that struck down the state's so-called "Wal-Mart" or "Fair Share" law.

As Mr. Gansler put it, the state did not appeal because it did not think it could win.

The reason for his pessimism: Lower courts found the law was pre-empted by the Employee Retirement Income Security Act and little evidence suggested the Supreme Court would have ruled differently.

To us, this was an open and shut case from the beginning. The Maryland law required any employer with at least 10,000 employees in the state to spend at least 8% of payroll on health care benefits or pay the difference into a state fund.

The numbers affected only Wal-Mart Stores Inc., one of the nation's biggest nonunion employers and one that has drawn the ire of organized labor—no small force in Maryland. And while organized labor has every right to do battle with Wal-Mart, and vice versa, labor's legislative allies would have been wise to consult ERISA attorneys before backing a measure that was so patently pre-empted by ERISA.

As any ERISA attorney could have told Maryland legislators, a key purpose of ERISA pre-emption was to encourage national employers to offer uniform benefit plans. If one state were allowed to require employers to spend a certain amount on health insurance, others might follow with different requirements and make it very expensive, if not impossible, for a multistate employer to offer uniform health care benefits.

We hope Maryland legislators develop proposals that will broadly and legally expand coverage. That surely is far more in the public interest than corporate bashing games.



BI beats list

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.

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.

Claims management:
Rupal Parekh.

Employment practices:
Judy Greenwald.

Environmental risk management: Sally Roberts.

Federal regulation/

legislation—benefits:
Jerry Geisel.

Federal regulation/legislation—risk management:
Mark A. Hofmann.

Health care industry operations: Gloria Gonzalez.

Industry Focus: Rodd Zolkos, Meg Fletcher.

Insurance coverage litigation: Douglas McLeod.

Insurance fraud:
Douglas McLeod.

Latin American markets:
Roberto Cenicerros.

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.

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.

Online Poll at www.businessinsurance.com

Should Congress repeal insurers' McCarran-Ferguson's antitrust law exemption?



NEXT WEEK'S POLL: Does your organization have plans in place to respond to a shooting such as occurred at Virginia Tech?

BI Online Poll tool sponsored by Wausau

Vice President/Publisher:
Martin J. Ross III (New York)

Associate Publisher/Editorial Director:
Paul D. Winston (Chicago)

Editor: Regis J. Coccia (Chicago)

Editor-at-Large: Jerry Geisel (Washington)

Managing Editor: Gavin Souter (Chicago)

Assistant Managing Editor - Graphics:
Kathy L. Barnes (Chicago)

News Editor: Matt Scroggins (Chicago)

Senior Editors: Roberto Cenicerros (Los Angeles);
Meg Fletcher, A.R.M. (Chicago); Judy Greenwald
(San Jose); Mark A. Hofmann (Washington); Dave
Lenckus (Tucson); Douglas McLeod (New York);
Sally Roberts (Denver); Joanne Wojcik (Denver);
Rodd Zolkos—Industry Focus (Chicago)

Associate Editors: Louise Esola (Chicago); Gloria
Gonzalez (New York); Rupal Parekh (New York)

Correspondents: Elizabeth Fry (Australia)

Deputy Graphics Editor: William Murphy (Chicago)

Copy Editors: Charmain Benton (Chicago);
Joe Walker (Chicago)

Assistant Copy Editor: Carrie A. Peinado (Chicago)

Research Director: Kevin P. Edison (Chicago)

Research Editor: Karen Brown Tucker (Chicago)

Online Editor: Katherine Downing (Chicago)

Online Producer: Amy R. Curtis (Olathe)

Editorial Cartoonist: Roger Schillerstrom (Chicago)

Advertising Director:

Robert A. Raloff Jr. (New York)

Director - Business Development:
Robert L. Niesse (Chicago)

District Managers: Ron Kolgraf (Boston);
William J. McGuire (Chicago);
Robert B. Murray (New York)

Regional Sales Manager: Russell J. Carpel (Chicago)

Todd D. Lockwood (New York)

Classified Advertising Manager:

Tina Vasilakis (Chicago)

Assistant to the Publisher: Pat Ghazvini (New York)

Advertising Traffic: Monique Murray (New York)

Production Manager: J. Thomas Janka (Chicago)

Circulation Manager: William O'Driscoll (New York)

Circulation Coordinator: Craig Bowman (Detroit)

Director of Communications:

Ronnie I. Drachman (New York)

Promotion Manager: Michael Ambrosio (New York)

Promotion Coordinator:

Barbara O'Brien (New York)

EDITORIAL: Chicago: 312-649-5200;
Denver: 303-282-4260; London: 44-207-457-1400;

Los Angeles: 323-370-2455; New York: 212-210-0100;

San Jose: 408-774-1500; Tucson: 520-579-1937;

Washington: 202-662-7200

ADVERTISING: Boston: 617-292-4856;
Chicago: 312-649-5276; Los Angeles 323-370-2405;

New York: 212-210-0133

SUBSCRIPTIONS: Detroit: 888-446-1422

Business Insurance is published by
Crain Communications Inc.

Chairman: Keith E. Crain

President: Rance Crain

Secretary: Merrilee Crain

Treasurer: Mary Kay Crain

Executive Vice President/Operations:

William A. Morrow

Senior Vice President/Group Publisher:

Gloria Scoby

Group Vice President/Technology, Circulation,

Manufacturing: Robert C. Adams

Vice President/Production & Manufacturing:

Dave Kamis

Crain's Corporate Circulation Director:

Patrick Sheposh

Chief Information Officer:

Paul Dalpiaz

G.D. Crain Jr. Founder (1885-1973)

Mrs. G.D. Crain Jr. Chairman (1911-1996)

S.R. Bernstein Chairman

executive committee (1907-1993)

Published weekly at 360 N. Michigan Ave., Chicago, Ill.
60601-3806. Fax: 312-280-3174. biweb@crain.com. Offices:
711 Third Ave., New York, N.Y. 10017-5806. Fax: 212-210-
0704; Suite 814, National Press Building, Washington, D.C.
20045-1801. Fax: 202-638-3155; 6500 Wilshire Blvd., Suite
2300, Los Angeles, Calif. 90048-4947. Fax: 323-655-8157;
967 Bermuda Court, Sunnyvale, Calif. 94086-6750. Fax:
408-774-1155; 21 St. Thomas St., London SE1 9RY, U.K. Fax:
+44-(0)20-7457-1440; 7300 N. San Anna Drive, Tucson,
Ariz. 85704. Fax: 520-579-3476; 1746 Cole Blvd., Suite 150,
Golden, Colo. 80401. Fax: 303-733-9941; 12524 Acuff Cou-
t, Olathe, Kan. 66062. Fax: 312-280-3174. 77 Franklin St., Suite
809, Boston, Mass. 02110-1510. Fax: 212-210-0704. \$5 a copy
and \$97 a year in the U.S., \$130 in Canada and Mexico
(includes GST). All other countries, \$230 a year (includes
expedited air delivery). Four weeks' notice required for
change of address. Send subscription correspondence to
Circulation Department, Business Insurance, 711 Third
Avenue, New York, N.Y. 10017-5806. Microfilm copies
available: University Microfilms, 300 Zeeb Road, Ann
Arbor, Mich. 48103. Microfiche copies: Bell & Howell, Micro
Photo Division, Old Mansfield Road, Wooster, Ohio 44691.
Portions of the editorial content of this issue are available
for reprint or reproduction in other media. For reprints or
reprint permission: Reprint Management Services, 1808
Colonial Village Lane, Lancaster, PA 17601; 800-290-5450,
ext. 160; businessinsurance@reprintbuyer.com.

To subscribe, Call 888-446-1422 or
312-649-0450 outside the U.S.

www.businessinsurance.com

BPA **AMERICAN BUSINESS MEDIA**
The Association of Business Publications

CREATE A BRIGHTER FUTURE. MAKE PROGRESS.

Taking on the responsibility of risk is what we do at ACE. With our expert underwriting, superior claims handling, and local market experience, you can focus on the possibilities, not the liabilities, to make progress in your business. For more on the ACE Group of insurance and reinsurance companies, visit: insuringprogress.com

A PROPERTY & CASUALTY

A ACCIDENT & HEALTH

A LIFE

INSURING PROGRESS®



Market Moves

Insight Catastrophe expands U.S. coastal capacity

NEW YORK—Insight Catastrophe Group has expanded its property insurance capacity in 18 U.S. coastal areas through an agreement with three subsidiaries of Berkshire Hathaway Inc.

Insight, a New York-based property catastrophe risk management provider and



underwriter formed in 2005, said Coastal Risk Underwriters L.L.C., its wholly owned managing general agency, would offer up to \$5 million in limits for commercial businesses

as well as residences with a value in excess of \$1 million.

The coverage will be underwritten by Berkshire Hathaway surplus lines arms Berkshire Hathaway International Insurance Ltd., National Indemnity Co. and National Fire & Marine Insurance Co., all of which have a Standard & Poor's Corp. rating of AAA.

The additional capacity will "take on the growing demand for catastrophe-exposed risk," said Insight Chairman and Chief Executive Officer Andrew DiLoreto in a statement.

The 18 coastal areas affected are within the states served by the program, which began writing cover this month. The states are: Alabama, Connecticut, Delaware, Florida,

Georgia, Hawaii, Louisiana, Massachusetts, Maryland, Mississippi, North Carolina, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia.

Crawford adds Puerto Rico to Lloyd's Agency services

ATLANTA—Crawford & Co.'s Global Marine & Transportation Services unit has been named as the Lloyd's of London agent for Puerto Rico, Atlanta-based Crawford said in a statement.

The Crawford unit responsible for Puerto Rico, Crawford Marine, will provide survey and adjusting services to underwriters for Lloyd's and other insurers using Lloyd's

Agency Network, a worldwide system of 360 businesses with the primary function of providing surveying services to the maritime market. Crawford Marine already provides such services in the United States, Canada, Colombia and Sweden.

Crawford & Co., a claims management provider to insurers and self-insured entities, has 700 offices in 63 nations.

New Regence Group office targets health care debate

PORTLAND, Ore.—Regence Group has opened an office in Washington to be part of the "critical" debate on the future shape of U.S. health care, the Portland, Ore.-based nonprofit health care plan announced.

Jason Daughn, director of federal public policy for Regence, will oversee the Washington office and work with national policymakers.

"This is a critical time for health care in our country," Mr. Daughn said in a statement. "As Congress, presidential candidates and national policymakers consider how they might improve the nation's health care system, it's important for these groups to listen to voices from other parts of the country."

Regence operates in the northwestern part of the United States. It includes Regence BlueShield of Idaho, Regence BlueCross BlueShield of Oregon, Regence BlueCross BlueShield of Utah and Regence BlueShield in Washington state.

Regence Group provides health, life, vision, dental and long-term care insurance to nearly 3 million members, the company said.

Victor O. Schinnerer sponsors Web site

CHEVY CHASE, Md.—Professional liability and specialty insurance underwriting manager Victor O. Schinnerer & Co. said it is sponsoring the Practice Matters section of Architectural Record's Web site.

The site, www.archrecord.com, and the magazine are owned by McGraw-Hill Cos.

Chevy Chase, Md.-based Schinnerer said as sole sponsor of the Practice Matters section, it would link the Architectural Record site with its site to provide information concerning design firms, consultants and other topics related to the insurance industry.

Schinnerer said it has about 25,000 construction industry-related clients, about half of which are architects.

Support Group

Whether your clients face professional or management liability risks or are exposed to loss as a result of providing computer, healthcare and technology services, we can help you find appropriate protection.

Insuring a safer and more supportive workplace for corporate managers and professionals takes the insight and experience of the Swett & Crawford Professional Services Group. Through PSG, you have direct access to the unsurpassed class-of-business knowledge of more than 40 D&O, miscellaneous E&O and fiduciary liability experts throughout our national network.

In addition, the Group also applies more than 30 years of experience in the healthcare industry to the placement of medical malpractice for non-standard physicians and professional liability for a broad range of allied health services and medical facilities.

We put all this intellectual capital—account experience, risk management consultation and underwriting strategies, negotiation tactics, and unsurpassed market access—to work on every one of your accounts. We act as your advisors and advocates to assure placement of even the most difficult risks.

For more information on coverages for:

- D&O, E&O and Professional Risk for a broad range of service industries
- Healthcare professional/miscellaneous medical facility liability
- Technology E&O/Cyber Liability
- A&E, Lawyers, Media, Real Estate and Accountants Liability
- All Misc.

Contact a Professional Services Group broker at your nearest Swett & Crawford office or click on www.swett.com



Corporate Headquarters
3715 Northside Pkwy, NW
Building 200, Suite 800
Atlanta, GA 30327

www.swett.com
877-Swett-92

EVERYTHING WE KNOW GOES INTO EVERYTHING WE DO

© Swett & Crawford 2007

TO SUBMIT ITEMS

BI's new Market Moves column reports on activities by insurance industry companies and related entities. Personnel changes appear in Comings & Goings, while new product offerings appear in Products & Services. Please send Market Moves news to: Charmain Benton, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; cbenton@businessinsurance.com. P&S and C&G items should be mailed to Joe Walker at the above address or e-mailed to jwalker@businessinsurance.com.



“Learn from yesterday,
live for today,
hope for tomorrow.”

Albert Einstein

Hurricane Katrina, 2005

On August 29, 2005 we learned the true definition of risk. Since then, the insurance industry has led the way in the effort to rebuild a major U.S. city – New Orleans. And *Business Insurance* has been there all along with comprehensive coverage of the costliest hurricane in U.S. history.

Business Insurance will bring that same depth and quality of coverage to the 2007 RIMS conference in New Orleans. Before, during and after RIMS, *BI's* readers – your clients and prospects – will rely on us for the news, information, data and analysis they need about this important gathering of risk managers from around the world.

Find out how advertising in *Business Insurance* can help you reach this influential audience. **Please call Bob Raidt today at 212-210-0133 or e-mail braidt@BusinessInsurance.com** to give your brand a more powerful tomorrow.

April 16 **RIMS Conference & New Orleans Preview**
Ad Close: April 4

April 30 **30th Annual Risk Manager of the Year®**
Ad Close: April 18

May 7 **RIMS Conference – News**
Ad Close: April 25

May 14 **RIMS Conference – Trends & Developments**
Ad Close: May 2

Business Insurance PERSPECTIVE

Ask a Risk Manager

Rating agencies pose challenging risks

By Christopher E. Mandel

Q: Why should risk managers care about regulatory or rating agency concerns?

A: Whether your company operates in heavily regulated industries or is private and, therefore, subject to a more manageable reputational risk exposure, risks related to regulatory supervision or rating agency assessment can be significant and a challenge to manage.

Clearly, the more regulators your company may be subject to, the more substantial the challenge. Similarly, public companies, compared to private and nonprofit entities, have unique balance sheets and income statement exposures related primarily to their stockholders' expectations. Regardless of where your company fits in, any of these categories related to risk mitigation typically are critical to management and governance.

One high-profile example of regulatory risk comes from the Sarbanes-Oxley Act of 2002. Since passage, compliance has been central among regulatory risk management priorities for public companies—and for many private companies that have voluntarily committed to full or partial compliance.

The impact has been costly and far reaching and the cost benefit assessment is often viewed as a negative from a direct dollar standpoint. Recent press reports exhibit a growing number of financial restatements in 2006 alone. Clearly, Sarbanes-Oxley compliance has occupied much of management's attention and for good reason.

More often than not, risk managers are divorced from Sarbanes-Oxley compliance initiatives, and this separation is a critical mistake for companies that want the most efficient and integrated approach to managing risks and related controls. Unfortunately, this separation is all too com-

mon in most areas of regulatory risk management and creates overlapping and duplicate efforts towards managing common risks and controls.

Equally significant is the likelihood that a less than complete and integrated risk profile of the company can be assembled and reported to management and boards, which are best able to do their jobs with a view of

Risk managers are divorced from Sarbanes-Oxley compliance initiatives, and this is a critical mistake for companies that want the most efficient and integrated approach to managing risks.

risk that includes regulatory exposure. Particularly for companies subject to many regulators, this exposure grows exponentially.

Similarly, rating agencies bring exposure to companies both public and private that is similar to that of regulators. They may not be able to directly impose operating rules on those subject to their purview, but their ability to impact the reputation, cost of operations or, in extreme cases, the ability of a company to effectively compete can be substantial.

Here, there is even less probability that the typical risk manager is directly involved in the rating agency response process. Recently, however, the need for more direct involvement has been heightened by the more explicit call by agencies, such as Standard & Poor's Corp., to better understand risk management strategies and tactics of those companies they review, as well as separately rate those efforts and integrate this view into their overall rating of the company.

While not all rating agencies are taking this approach to assessing risk management effectiveness, all are interested in the same general question of ensuring risk management effectiveness. Also, while one might have assumed that this interest would be limited primarily to the financial risks of companies, it is clear that rating agencies are more and more inter-

ested in all significant risks that could threaten a company's performance. This is for an obvious reason: all risks lead to financial consequences, some good and many bad.

Since S&P has labeled its assessment of risk management as enterprise risk management and has been vocal and detailed in its expectations, I'll give you a quick overview of the rating agency's construct and what it's most interested in.

The S&P model is based on five pillars of managing risk: risk culture, risk control practices, extreme event management, economic capital and capital management, and strategic risk management. The model's foundation is built on risk culture and consists of the many, often fuzzier aspects of how companies operate and that define risk appetite and tolerances, among other things.

The first of three pillars that support an overarching view of strategic risk are risk practices and controls, which are used to mitigate risk to acceptable levels.

The second pillar is extreme events management, and is best understood in the context of insurance companies that specialize in financing such risk for others. In doing so, insurers put their own balance sheets at risk

and—through reinsurance, underwriting rules or other methods and tools—match risk to the ability to reasonably and predictably assume it for others.

The third pillar is economic capital models and capital management. Here again, in an insurance company context, sufficient capital is the lifeblood of being able to assume risk. Being able to adequately evaluate and assess the amount of capital needed to do so is best done by being able to accurately model the impact of the risk taken. Economic capital models, which take many forms, are one way to build confidence in these estimates.

Finally, risk strategy forms an umbrella over all these elements and ties it all together with a view toward both the short- and long-term ability of the company to deliver its mission and meet its objectives. The S&P evaluation results in one of four ratings—ranging from “weak” to “excellent”—which include the extent to which a company considers risk in making its strategic decisions.

S&P is not the only oversight entity that has been so specific in defining how it views the most important element of managing risk. The National Assn. of Insurance Commissioners is ratcheting up its risk management expectations of the companies within its purview. As a result, risk managers can no longer afford to occupy the sidelines in the evolution of the discipline. In a classical sense, it is becoming more and more like competition generally; evolve how you manage risks or lose competitive advantage. Even if you can't take the lead, partner with those that have direct accountability for these functions and work together to make them as good as they can be.

This is just another part of the future of the risk discipline. Be an important part of this evolution and you'll see your career evolve as well.



Ask A Risk Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on rating agency concerns is written by Christopher E. Mandel, assistant vp, enterprise risk management at USAA Group in San Antonio; 2004 Risk Manager of the Year; and past president of the Risk & Insurance Management Society Inc.

Address your questions to ASK, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Permanent TRIA solution depends on partnership

By Francine Semaya and William Broudy

The end of 2006 marked the first anniversary of President Bush's signing of a two-year extension of the Terrorism Risk Insurance Act that was created in 2002 in response to the Sept. 11, 2001, attacks to provide reinsurance for insurers following a declared terrorist event.

While an eleventh-hour reprieve in

late 2005 kept the program in place, with modifications, through Dec. 31 of this year, the battle over TRIA continues. If it's not extended, what will be the consequences for the insurance industry and the U.S. economy?

What has occurred during the past year amounts to a sparring match over whether the act and its program of shared public/private compensation for insured losses resulting from terrorism is needed, whether it should

be continued, or if it is continued, whether there should be a temporary or a permanent solution.

While there's no shortage of opinions about renewal, it is clear that there is a lot at stake without TRIA. We agree with the assessments of the American Bar Assn.'s Tort Trial & Insurance Practice Section's Task Force on Federal Involvement in Insurance Regulation Modernization: A permanent solution to the terrorism

risk insurance dilemma, involving a partnership between government and the insurance industry, is critical.

As the TIPS Task Force argued in a report, “Need for a Government-Industry Partnership for Terrorism Risk Insurance,” submitted to the ABA House of Delegates for approval, the sheer unpredictability of incidents of terrorism impedes the ability of the

Continued on next page

CONTINUED FROM PREVIOUS PAGE

private insurance market to take on the financial risk without governmental support. And, a government-industry partnership can support the use of the private insurance market to provide some terrorism insurance. Offering this protection is clearly consistent with national interests.

The ABA agreed and on Feb. 12 adopted the TIPS recommendation, urging, "Congress and the administration to protect property owners, consumers, U.S. citizens and the U.S. economy by partnering with the insurance industry to promote the availability of terrorism risk insurance through legislation that continues support for market mechanisms with federal government insurance backstop protection."

Specifically, in keeping with another report released by the task force, there should be a pre-emption by the federal government of state pricing and fire insurance requirements; coverage expansion should include acts of terrorism by domestic groups, not just those caused by foreign persons or foreign interests; financial markets should set retention levels; and coverage should be expanded to nuclear, biological, chemical and radiological risks, where a governmental role is particularly needed.

The bottom line is that the federal government is in the best position to take meaningful action concerning terrorism risk with its access to large amounts of capital and its massive security measures.

The American Insurance Assn. has taken the view that terrorism risks cannot be quantified by the insurance industry, and the lack of access by the industry to secret government information regarding the terrorism threat to the United States makes that job all the more difficult. AIA President Marc Racicot reported that property owners are intensely concerned about the issue of whether terrorism risk insurance will continue to be available.

In a paper responding to questions from the Department of the Treasury, the National Assn. of Insurance Commissioners has echoed this sentiment: Without continuation of TRIA, the nation's businesses will encounter the same adverse coverage situation that

existed following Sept. 11, 2001. "As a result, insurance coverage for acts of terrorism will be diminished for most American businesses when TRIA sunsets, unless another mechanism is developed to replace TRIA," the NAIC said. "There is limited capital available that reinsurers wish to devote to insuring acts of terrorism. Insurance regulators believe that this trend will continue."

A future with TRIA?

With the change of party control on Capitol Hill, there just may be a light at the end of the tunnel. Recently installed Senate Banking Committee Chairman Christopher Dodd, D-Conn., a principal author of the initial TRIA law in 2002, is

backing a permanent extension. Rep. Barney Frank, D-Mass., the new House Financial Services Committee chairman, supports a long-term but not a permanent solution, with coverage for NBCR risks and group life insurance. He announced recently that he anticipates a bill will pass sometime this spring.

On Dec. 17, 2005, during the debate that led to the passage of TRIEA, Rep. Frank, commenting on the group life coverage issue, observed: "Remember the old neutron bomb? It killed people and left the buildings standing. We have neutron terrorism insurance. It protects the buildings, but it ignores the people."

Any terrorist attack on our country is not an attack on the insurance

industry, but one on our values, freedom and, ultimately, our democratic process. While the chances for renewal and expansion of TRIA are now greater, its future is still far from certain.

The financial and emotional security of our citizens, economy and private sector—already vulnerable to potential terrorist threats—however, depends on a strong federal government-industry partnership to make terrorism risk insurance available.



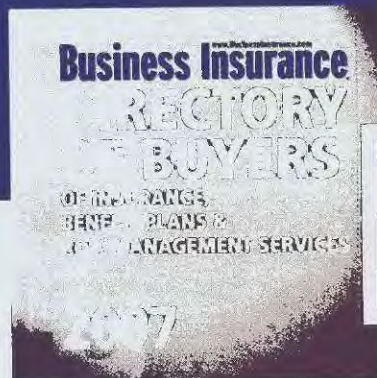
Francine Semaya is chair and William Broudy is a member of law firm Cozen O'Connor P.C.'s insurance corporate and regulatory practice group in New York. Ms. Semaya also chairs the Federal Involvement in Insurance Modernization Task Force of the Tort Trial & Insurance Practice Section of the American Bar Assn.

CLICK ONCE. SHAKE 3000 HANDS.

The 2007 Business Insurance Directory of Buyers is just a click away.

This indispensable resource provides complete contact information for approximately 3,000 top-level corporate executives from Fortune 500 companies who are responsible for commercial insurance purchasing decisions.

Browse the exclusive database. Export fields to your existing spreadsheet. Prepare mailing lists. Connect with your best prospects.



Business Insurance

www.BusinessInsurance.com

Editorial Reprint Fact Sheet

RMS, Reprint Management Services, is the official and exclusive service provider for editorial reprints of articles and charts appearing in *Business Insurance* and *BI's Industry Focus*.

RMS can provide high quality reprints, in any quantity to meeting your needs. Electronic prints, Eprints, can be prepared for posting to Web sites. All RMS products comply with U.S. copyright laws.

For information, to obtain a quote, or to place an order contact:

RMS

Reprint Management Services

phone: 800-290-5460

ext. 160

e-mail: BusinessInsurance@reprintbuyer.com

reprintbuyer.com

IndustryFocus@reprintbuyer.com

www.reprintbuyer.com

Business Insurance

www.BusinessInsurance.com

Order today at www.BusinessInsurance.com/DOB.

Business Insurance PERSPECTIVE

Ask a Benefit Actuary

Accounting reform and its effect on pensions

By William J. Miner

Q: What might the next round of pension accounting reform mean to my company?

A: Just as pension plan sponsors have been getting accustomed to recent reforms—funding reform in the Pension Protection Act and accounting reform in the recently implemented Statement of Financial Accounting Standards No. 158—another, possibly more significant reform is on the horizon: Phase II of the Financial Accounting Standards Board's two-phase accounting reform project on post-retirement benefits (including both pension and retiree medical and life insurance plans).

According to Michael Moran, a vp and investment analyst at Goldman Sachs & Co., "Of the three reforms—funding, FASB Phase I and FASB Phase II—it is Phase II that would likely have the greatest impact for investors."

In the Phase II project, the FASB will undertake a comprehensive review of all income statement and balance sheet post-retirement benefit accounting standards. The initial meeting on Phase II is scheduled to occur early this year. As the FASB will spend the next few years evaluating how to account for these plans in financial statements, plan sponsors should be proactive in understanding the issues the FASB will consider and manage their plans accordingly.

One important issue that the FASB will consider is balance sheet consolidation. While SFAS 158 puts the only the net funded status of pension plans—the difference between liabilities and assets—directly on the bal-

ance sheet, a "consolidated" accounting requirement would put the pension assets on the asset side of the balance sheet and the liabilities on the liability side.

For example, if a pension plan has \$1 billion in assets and \$1 billion in liabilities, thus having an unfunded liability of zero, SFAS 158 would put the zero on the balance sheet. But if the FASB decides to consolidate the pension plan reporting, both the \$1 billion pension asset and the \$1 bil-

So which debt-to-market capitalization risk metric is a better measure of corporate finances? The answer is that it depends on the plan's asset allocation.

lion pension liability would be recorded on the balance sheet. That is, there would be extremely large amounts on opposite sides of the balance sheet, rather than the SFAS 158 requirement to net the assets and liabilities first and put the smaller net amount on the balance sheet.

This could have dramatic effects on plan sponsors' views about the impact their plans have on corporate debt. For example, consider a plan sponsor with \$1 billion in pension assets and liabilities—thus its plan is exactly 100% funded with zero unfunded liability. We also assume that the sponsor's market capitalization is \$5 billion, and the sponsor has \$2 billion in corporate debt.

We will examine the plan spon-

sor's debt-to-market capitalization ratio, a metric commonly used by credit analysts to assess a company's level of debt and financial risk, to see how treatment of the pension plan affects corporate risk metrics. Using the net funded status incorporated into SFAS 158, no adjustment is needed to the debt ratio because the pension plan has a zero unfunded liability. So the debt-to-market capitalization ratio is simply $\$2/\$5 = 40\%$. If we consolidate the pension plan

and view the entire liability as debt, the plan sponsor would have a total of \$3 billion in debtlike obligations: \$2 billion in traditional debt and \$1 billion in pension obligations.

Thus the sponsor's debt-to-market capitalization is $\$3/\$5 = 60\%$. The difference between 40% and 60% is quite substantial, which illustrates how important the issue of balance sheet consolidation will be for plan sponsors with pension plans that are large relative to the size of the plan sponsor.

So which debt-to-market capitalization risk metric is a better measure of corporate finances: the "net" metric of 40% or the "consolidated" metric of 60%? The answer is that it depends on the plan's asset allocation.

If the plan's assets are invested 100% in bonds that match the expected benefit payments of the liabilities, then the plan sponsor can generally expect lower returns rela-

tive to equity investments. But the sponsor is insulated from the majority of financial risks since it has used its assets to hedge their liability risks. Because of this, the net risk metric of 40% is the better risk measure for the sponsor investing in all bonds.

On the other end of the spectrum, if the plan's assets are invested in 100% equities, there is full asset-liability mismatch and the sponsor is exposed to a full range of financial risks (and returns). This asset-liability mismatch can be thought of as financial leverage, so the "consolidated" risk metric of 60% is the better risk measure for the sponsor investing in all equities.

Most plans invest their assets in a mix of debt and equity, so the appropriate economic risk metric would be in between the two extremes.

Of course, when reviewing asset allocation strategies, plan sponsors must review both risk and return metrics. The important thing is to consider both within an enterprise risk management framework—that is, looking at risk and return within the context of how they impact the plan sponsor's entire enterprise, rather than looking at the pension plan in isolation. And the pension investment policy can be thought of as a capital structure decision that affects the debt-to-market capitalization ratio, shareholder returns and other metrics.

Asset allocation has always been an important decision for plan sponsors, and is becoming more important with the Phase II project. Rather than waiting several years until the FASB finalizes the Phase II changes, plan sponsors may want to be proactive and consider implications for plan management in advance.



This month's column on actuarial questions in the benefits field is written by William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago. For more information on the implications of the FASB Phase II project, please contact Watson Wyatt Worldwide at 312-525-2298. Mr. Miner was assisted in the preparation of this column by Eric Friedman, an actuary in Watson Wyatt's Chicago office.

How to submit a Perspective article to *Business Insurance*

Business Insurance accepts articles from experts in commercial insurance, risk management and employee benefits management for publication in its Perspectives section.

The section is intended to be a forum for readers' opinions and a forum for the discussion of technical topics that do not lend themselves to a news story. Therefore, Perspectives articles should take a point of view, offer advice and/or explain a technical subject. They should not present case studies or promotional information.

All articles for the Perspectives page should address the concerns of the corporate buyer of insurance; i.e., the risk management or employee benefits manager. Material written for only the concerns of brokers or underwriters is not appropriate.

To submit an article for the Perspectives section:

- Send us a letter describing the topic you would like to address. You might want to suggest alternative topics. For each topic, briefly describe what you want to say and accomplish

in the article.

- You will receive from us an acceptance or declination of your article idea.

- If accepted, we will respond with comments and request the full article, which generally should be 800-900 words in length.

- All articles are to be accompanied by color photograph of the author and a brief biography.

- We will notify you of any questions we have about your article or any substantial editing we think is

necessary.

All authors must assign the copyright on the article to *Business Insurance*.

Because of the volume of Perspective submissions we receive, we cannot guarantee a date in which an article will appear. For the same reason, we will not run more than one article in a calendar year from the same author.

To submit a Perspective article query or for more information, send a note to biweb@crain.com.

From one publisher, two titles to tackle the world of commercial insurance.

Business Insurance

October 9, 2006

www.businessinsurance.com

CASUALTY COSTS FALL AS INSURERS HANG ON TO EXISTING CLIENTS/P3

EX-HRW EXEC ROBERT LOCKHART LAUNCHES NEW YORK BROKERAGE AIMED AT MIDDLE MARKET/P3

H.C. WASTE PLANT FIRE COVERED BY UNITS OF AIG/P4

In Brief

CSU team reduces hurricane forecast

The hurricane season is over, but the damage is still being done. A team of experts from the U.S. Coast Guard and the National Hurricane Center have released a final report on the damage caused by Hurricane Katrina. The report shows that the damage was far less than initially feared, and that the insurance industry has been able to handle the claims more effectively than expected.

Greenberg wins right to see AIG memos

A federal judge has ruled in favor of a former AIG executive who wants to see internal memos from the company. The judge found that the memos were relevant to a lawsuit filed by the executive.

Spotlight

WOMEN WATCH

The insurance industry is slowly becoming more inclusive for women. A new study shows that women are now more likely to be hired for senior positions in the industry.

TRIA supporters draw hope from latest Treasury report

By MARK A. HODMAN

Supporters of the Terrorism Risk Insurance Act (TRIA) are drawing hope from a report released by the Treasury Department. The report shows that the insurance industry has been able to handle the claims more effectively than expected, which is a positive sign for the industry.

Shootings spur crisis plan reviews

Schools step up security measures after spate of attacks

By JOANNE ROJAS

After a series of school shootings, schools are stepping up their security measures. This includes hiring more security guards, installing more cameras, and conducting more drills.

The insurance industry is also reviewing its crisis plans in light of the shootings. This includes reviewing the way they handle claims and the way they communicate with policyholders.



Robert Lockhart

FSA chief pushes for disclosure

U.K. regulator may require brokers to reveal commissions

By SARAH VETTER

The Financial Services Authority (FSA) in the U.K. is pushing for more disclosure from insurance brokers. The regulator wants to know how much commission brokers are receiving from insurers.

The FSA says that this information is important for policyholders to make informed decisions about their insurance.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

Business Insurance

December 18, 2006

EUROPE

www.BIEurope.com

PARMALAT AUDITOR IN PROFESSIONAL LIABILITY DISPUTE/P3

U.K. EMPLOYERS LIABILITY RATES SET TO FALL AGAIN IN 2007/P10

FROM BIRD FLU TO TERROR, BIE GIVES ITS VIEW OF 2006/P11

LATE NEWS

Latest Bermuda reinsurer launches

The Bermuda Reinsurer has launched a new line of business. This includes providing coverage for a wide range of risks.

French liability prices could soar by up to 20%

Insurers warn class actions could cost €1 billion per annum

By Nick Mitchell

French liability prices could soar by up to 20% in 2007, according to insurers. This is due to a rise in class actions and the cost of defending them. Insurers are warning that this could cost them €1 billion per annum.



French President Chirac attended a ball that cost more than €1 billion in 2005

CERTAIN TIMES

FSA may tighten rules on brokers

The Financial Services Authority (FSA) in the U.K. may tighten its rules on insurance brokers. This includes requiring brokers to provide more information to policyholders.

INSIDE

U.K. regulator turns up heat on brokers

FSA airs concerns over non-compliance with rules on transparency and conflicts of interest

By Sarah Vetter

The Financial Services Authority (FSA) in the U.K. is turning up the heat on insurance brokers. The regulator is concerned about non-compliance with rules on transparency and conflicts of interest.

U.K. regulator turns up heat on brokers

FSA airs concerns over non-compliance with rules on transparency and conflicts of interest

The Financial Services Authority (FSA) in the U.K. is turning up the heat on insurance brokers. The regulator is concerned about non-compliance with rules on transparency and conflicts of interest.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

The FSA is also looking at the way brokers are paid. It wants to make sure that brokers are not being paid too much.

BUSINESS INSURANCE & BUSINESS INSURANCE EUROPE
RISK IS EVERYWHERE. NOW NEWS COVERAGE OF IT IS, TOO!

Business Insurance is North America's leading publication covering the commercial insurance industry. And now, *Business Insurance Europe* brings *BI's* agenda-setting editorial leadership to a whole new world of readers and allows advertisers to reach an even more extensive, influential audience.

One publisher now gives its readership twice the coverage, and gives advertisers double the marketing power. Take advantage of this world class opportunity. *Business Insurance* and *Business Insurance Europe* bring more than 40 journalists together worldwide giving readers unrivalled editorial coverage.

TO ADVERTISE IN THESE GLOBAL NEWS LEADERS:
Contact In North America: Martin J. Ross, Publisher, *Business Insurance*
T: 212-210-0228 or e-mail mross@BusinessInsurance.com
Contact In Europe: Nick White, Associate Publisher/Advertising Director, *Business Insurance Europe*,
T: +44 (0)207 4571411 or e-mail nwhite@BIEurope.com

TO SUBSCRIBE TO THESE VALUABLE NEWS VEHICLES:
www.BusinessInsurance.com/Subscribe | www.BIEurope.com/Subscribe

Demand for terrorism coverage expands and diversifies

By MARK A. HOFMANN

LONDON—The stand-alone terrorism insurance market is alive and well, according to a report released last week by Aon Crisis Management in London.

Capacity for stand-alone terror coverage—which is generally the market of last resort for risk managers seeking terrorism insurance—has grown over recent years, according to Aon.

Depending on location, “it is quite straightforward in the current

market to put together a layered program up to \$750 million (and in select cases up to \$1.2 billion) at an affordable price,” Aon found.

But “certain cities remain terrorism capacity hot spots,” the report cautions. “In some parts of New York (midtown and downtown Manhattan) and Brussels it is difficult to obtain cover at acceptable premiums for new risks.”

Other difficult areas include Frankfurt, Germany; London’s Canary Wharf area; and Hong Kong, among others.

The report noted that demand for coverage has become much more globally diverse, with strong demand coming from such areas as Latin America, Eastern Europe, India and East Asia, as well as from more traditional sources such as North America and Western Europe. “In 2007 stand-alone insurers are much less dependent upon U.S. risks,” Aon found.

Aon Crisis Management’s “Stand-Alone Terrorism Insurance Market Update: March 2007” can be accessed at www.aon.co.uk.

CAPACITY HOT SPOTS:

Cities having difficulty obtaining terrorism coverage at acceptable premiums for new risks include:

Brussels, Belgium (1000 postal code)
Chicago (central business district)
Dublin, Ireland (02 postal code)
Frankfurt, Germany
Hong Kong
London (Canary Wharf area)
New York (midtown, downtown)
Singapore
Toronto

Source: Aon Ltd.



PROFESSIONAL MARKETPLACE

To place your ad, contact **Tina Vasilakis** at (312) 649-5340 / fax: (312) 649-7937 / E-mail: tvasilakis@BusinessInsurance.com
Business Insurance, Classified Department, 360 N. Michigan Ave., Chicago, IL 60601-3806. Call for details on blind box and internet advertising

IN MEMORIAM



William Randolph Miller

Throughout his 76 years of life, William Randolph Miller was a wonderful husband, father, grandfather, and brother, and a truly valuable asset to the reinsurance industry. He will be missed by all who knew him.

William earned a Bachelors in Business Administration in 1952 from Butler University, where he was an active Lambda Chi Alpha Brother. A Korean War Veteran, William served as a Sergeant for the US Army. Married on October 5, 1957, William went on to vigorously pursue a career in the reinsurance industry, where he served as President and CEO of Winterthur Swiss Insurance Company, North American Division, Director of Winterthur Swiss Insurance Co., Winterthur Switzerland, and Director of the Chartwell Reinsurance Corporation. While an avid outdoorsman, William's dedication to his profession led to many achievements, including CPCU, CLU, and President of the Reinsurance Association of America.

Memorial Services are scheduled for Saturday, May 12th, 2007 at 11:00 at Bishop Janes Methodist Church in Basking Ridge New Jersey, where William was an active and long-time member.

In lieu of flowers, donations may be made to Bishop Janes United Methodist Church, 22 South Finley Avenue, Basking Ridge, New Jersey 07920.

IN MEMORIAM

HELP WANTED

COO/NORTHEAST

Outstanding opportunity to join a financially strong/A+ rated regional P/C carrier to assume the day-to-day management of its operation. Must be people/producer/results oriented with top credentials.

Attractive compensation and incentive Package.

Reply in confidence to:
Businessinsurance, Box 3255
360 N. Michigan Ave., Chicago, IL 60601
Or bibox3255@BusinessInsurance.com

EDUCATION

Florida State University



offers an online master's degree in Risk Management and Insurance. This affordable and flexible program can be completed via Internet access from any location. For more information on the May 2007 sequence, visit www.cob.fsu.edu/grad

LEGAL NOTICE

IN THE MATTER OF ARION INSURANCE COMPANY LIMITED

AND IN THE MATTER OF SECTION 99 OF THE
COMPANIES ACT 1981 OF BERMUDA
NOTICE OF EFFECTIVE DATE &
FINAL CLAIMS SUBMISSION TIME

NOTICE IS HEREBY GIVEN that by an Order dated 30 March 2007 made in the above matter the Supreme Court of Bermuda sanctioned a scheme of arrangement (the "Scheme") between Arion Insurance Company Limited (the "Company") and the Scheme Creditors (as defined in the Scheme) of the Company pursuant to Section 99 of the Companies Act 1981 of Bermuda. A copy of the Order sanctioning the Scheme was delivered to the Registrar of Companies in Bermuda on 30 March 2007 and the Scheme became effective in Bermuda on that date.

A Final Claims Submission Time of 5:00 pm Bermuda time on June 29, 2007 has been established. Scheme Creditors are required to submit a completed Claim Form to the Company by facsimile transmission, registered post, hand delivery or courier at the address or facsimile number as follows:

Arion Insurance Company, Ltd., Suite 535, 48 Par-la-Ville Road, Hamilton HM 11, Bermuda, Attention: Jocille Blakeney (telephone: +1 441 295 2950, facsimile: +1 441 292 1467)

The completed Claim form must be received by the Company at or before the Final Claims Submission Time. Any person who believes that it may be a Scheme Creditor of the Company and has not received a copy of the Scheme and/or Claim Form should contact Stacey Carms of PricewaterhouseCoopers LLP on: +1 267 330 5604, facsimile transmission: +1 813 375 6603 or e-mail: stacey.carms@us.pwc.com.

Any Scheme Creditor who does not return a completed Claim Form to the Company at or before the Final Claims Submission Time will have no right to file a Claim Form or to receive any payment under the Scheme and any liabilities of the Company to that Scheme Creditor will be deemed to have been satisfied in full under the Scheme.

Notice of the Effective Date and Final Claims Submission Time has been sent by the Company to all known Scheme Creditors at their last known address. Any person who believes himself or herself to be a Scheme Creditor who has not received notice of the Effective Date and Final Claims Submission Time and a Claim Form should contact the Company at the address specified above.

Any questions relating to the Scheme or this notice, or the action Scheme Creditors are required to take, should be directed to Saleem Malik of PricewaterhouseCoopers LLP on +1 267 330 2127 or at saleem.malik@us.pwc.com.

LEGAL NOTICE

IN THE MATTER OF THE COMPANIES ACT, 1981 AND IN THE MATTER OF CHATHAM ATLANTIC RE LTD - IN LIQUIDATION

IN MEMBERS' VOLUNTARY LIQUIDATION

NOTICE IS HEREBY GIVEN that the creditors of the above named Company, which is being voluntarily wound up, are required on or before 31 May 2007, to send their full names, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their attorneys (if any) to the undersigned, at PwC Advisory Limited, P.O. Box HM 1171, Hamilton, HM EX Bermuda, being the Joint Liquidators of the said Company, and if so required by notice in writing from the said Joint Liquidators are personally, or by their attorneys, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

PETER C B MITCHELL and NIGEL J S CHATTERJEE Joint Liquidators
13 April 2007

LEGAL NOTICE

IN THE MATTER OF THE COMPANIES ACT, 1981 AND IN THE MATTER OF INTER-WORLD INSURANCE COMPANY LIMITED

IN MEMBERS' VOLUNTARY LIQUIDATION

NOTICE IS HEREBY GIVEN that the creditors of the above named Company, which is being voluntarily wound up, are required on or before 31 May 2007, to send their full names, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their attorneys (if any) to the undersigned, at PwC Advisory Limited, P.O. Box HM 1171, Hamilton, HM EX Bermuda, being the Joint Liquidators of the said Company, and if so required by notice in writing from the said Joint Liquidators are personally, or by their attorneys, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

PETER C B MITCHELL and NIGEL J S CHATTERJEE Joint Liquidators
10 April 2007

BUSINESS RESOURCES

CONSULTING SERVICES

CPCU®

AIC, ARM, IIA,
CLU/ChFC, and
CIC candidates

You'll pass. You'll learn more faster.
And, you'll love The Burnham System
or your money back. Guaranteed!

Call 1-888-BURNHAM Now!

www.BurnhamSystem.com
19 Everett St., Southbridge, MA 01550



Some things just work better in color.

Like your BUSINESS RESOURCES ad in *Business Insurance*.
Contact Tina Vasilakis at 312-649-5340.

To place your
advertising message
Contact Tina at 312-649-5340.

YOUR TARGET AUDIENCE IS HERE ...



Where is your ad?

Call (312) 649-5340 to reserve your space.

Business Insurance

International NEWS

Converium suit alleges SCOR bid violated law

Buyout offer excluded U.S. shareholders; SCOR to fight on

By SARAH VEYSEY

ZUG, Switzerland—The takeover battle between SCOR S.A. and Converium Holding Ltd. took another twist last week when Converium announced it had filed a lawsuit against SCOR and a major shareholder in the United States.

Zug, Switzerland-based Converium said it had filed a complaint in the U.S. District Court for the Southern District of New York against Paris-based SCOR and Wilen, Switzerland-based Patinex A.G., alleging violations of U.S. securities law.

According to Converium, SCOR and Patinex violated sections of the Securities Exchange Act of 1934.

The reinsurer claims that SCOR "unlawfully and unfairly excluded Converium's U.S. shareholders, a group which we believe represents approximately 22% of Converium's

outstanding shares, from participating in SCOR's unsolicited tender offer."

A spokesman for Converium said the company also contends that SCOR and Patinex failed to make proper disclosures in connection to their purchase and ownership of Converium shares.

SCOR, which has a 32.9% stake in Converium, said it had "complied with all applicable legal and regulatory provisions in connection with its tender offer on Converium



'We will continue to oppose SCOR's unfriendly approach should it remain unchanged.'

Inga Beale,
Converium Holding Ltd.

and intends to defend itself vigorously against the unfounded allegations of Converium's top management."

Converium said it sought an expedited discovery and briefing schedule to allow a hearing on a

See **CONVERIUM** next page

Delay on E.U. environment law increases uncertainty in U.K.

Government to miss deadline for adopting liability directive

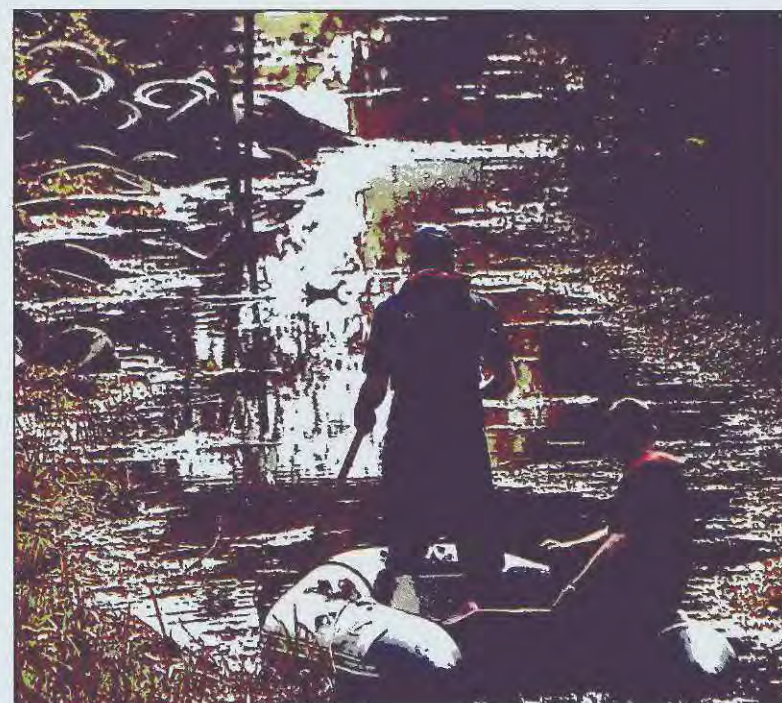
By STUART COLLINS

LONDON—Companies in the United Kingdom will be left unsure of their liabilities at the end of this month as the government has confirmed that it is likely to miss the April 30 deadline to transpose European environmental legislation into domestic law by as much as a year, experts said.

All European member states have until April 30 to have legislation in place under the European Union's Environmental Liability Directive. The directive provides a common framework to prevent and remediate environmental damage. It covers water resources, such as rivers, lakes and coastal waters, as well as land contamination that threatens human health. Significantly, the directive also covers damage to habitats and species protected by E.U. law.

The U.K. Department for Environment, Food and Rural Affairs, the government department responsible for transposing the directive in the United Kingdom, issued its first consultation paper last year and was due to publish a second, more detailed consultation document this spring.

A DEFRA spokeswoman said the second consultation is now not likely to be published before late summer. "Consultation on the draft regulations will be launched in late summer or early autumn of this



GETTY IMAGES

The European Union's Environmental Liability Directive provides a framework to prevent and remediate environmental damage, and covers water resources such as rivers, lakes and coastal waters.

year," she said. "Action under the directive cannot be taken until the transposing legislation is in force, which is expected to be in late spring 2008."

The United Kingdom already has existing legislation covering most aspects of the directive, although there are some areas where the directive goes further than current U.K. law, according to lawyers.

The delay will, therefore, create uncertainty for companies or operators involved in a pollution incident that occurs after the April

deadline but before the directive is transposed into U.K. law, according to experts. It will also limit the ability of public liability insurers to amend their policies to allow for the Environmental Liability Directive, insurers said.

The delay will create problems for risk managers, said Bob Martin, London-based director of environmental consulting and solutions at Aon Ltd., a unit of Chicago-based Aon Corp. "The ELD has a number

See **REGULATIONS** next page

Guernsey regulators seek greater powers of enforcement

By MICHAEL BRADFORD

ST. PETER PORT, Guernsey—The Guernsey Financial Services Commission wants to extend its enforcement powers over insurers, managers and intermediaries to be able to levy financial penalties and tighten requirements for who can operate those companies.

The commission is seeking public comment until May 18 on the proposals that also would apply to banks and other financial institu-

tions in Guernsey.

A consultation paper outlining the proposed statutory changes says the revisions would bring Guernsey closer to the regulatory models of the Financial Services Authority in the United Kingdom and regulatory bodies in Jersey and Isle of Man.

In severe cases, the Guernsey commission wants to be able to levy fines up to £200,000 (\$400,781) against companies that breach licensing regulations. Smaller administrative fines could also be

levied for less serious infractions.

The commission also proposes, among other changes in the 52-page document, requirements for those who wish to be a "director, controller, partner, manager or authorized insurance representative" of a regulated company.

Under the proposed rules, such applicants would be more closely scrutinized to make sure they have not run afoul of the jurisdiction's terrorism and crime statutes, disclosure law, regulations regarding

transfers of funds or any European Community or United Nations legislation applicable in Guernsey.

The commission also wants to require that individuals directing a company not be close relatives and that boards of directors be made up of a number of company executives and nonexecutives determined by the commission.

While the commission seeks greater enforcement authority, it also proposes improved rights of appeal for those who are disciplined

under its regulations.

And, the commission writes in the proposal that what it "does not wish to change, however, is the close and constructive working relationship" it has with the financial sector. "The commission does not envisage that the proposals in this consultation paper would adversely affect that relationship, which it is committed to maintaining," the proposal states.

The consultation paper is at www.gfsc.gg.

Be part of a Captive audience.

The only newspaper dedicated to corporate risk managers, insurers, reinsurers and brokers in Europe.

For a FREE subscription
visit www.BIEurope.com/subscribe

In Europe we have it covered

Business Insurance
EUROPE

Commentary

Fresh apparitions float through the Big Easy

You might not know it sitting in a crowded French Quarter restaurant or walking by a raucous bar on Bourbon Street, but New Orleans is haunted.

Plenty of tour guides will tell you so. They tend to focus, though, on the city's antique spirits, like the slave girl murdered by a grande dame of New Orleans society in the early 1800s, or the children killed in a century-old hotel fire.

There are more contemporary ghosts around, ones that haven't made it onto the itineraries of the local ghost tour operators yet, but might someday.

Most vexing for local residents, for example, is the spirit of George W. Bush. It's said that if you go to Jackson Square late at night, when a full moon casts an eerie blue light on St. Louis Cathedral in the background, you may see the faint image of Mr. Bush, facing Decatur Street and moving his lips. The few locals who have seen this apparition report hearing it speak the words, "duty to confront this poverty with bold action," and "federal funds will cover the great majority of the costs." The image then vanishes.

New Orleans Mayor Ray Nagin last month unveiled a widely praised recovery plan developed by Dr. Edward J. Blakely, an urban planning expert who was named the city's recovery management czar in December. The plan calls for \$1.1 billion in public spending, much of it aimed at 17 redevelopment zones around the city.

Locals are hoping that once rebuilding actually gets under way, the disturbing specter of Mr. Bush will disappear from Jackson Square altogether. For one thing, they say, it's scaring the horses.

The Jackson Square phenomenon, unfortunately, has been accompanied by other, related visitations, some of them more horrifying, locals report.

One of these, dubbed the Headless Arabian Horse Assn. Commissioner, is the specter of Michael Brown, former director of the Federal Emergency Management Agency. Two musicians returning home late one night in the Quarter encountered the ghostly figure of Mr. Brown, holding his head under one arm and asking plaintively, "Is there anything I can help you with?" and "How do you like my suit?"

One of the musicians collapsed. The other said the Brown specter looked shocked and offered to call in medevac helicopters. Then it said it had to leave for a GOP fundraiser, and walked through the wall of a nearby bank branch.

Sightings of Mr. Brown continue, but another phenomenon seems destined to be short-lived.



DOUGLAS McLEOD

Senior Editor Douglas McLeod can be reached at: dmcLeod@businessinsurance.com

Several witnesses earlier this year reported being approached by a pale, motherly looking woman in a business suit; they recognized it as the figure of Gov. Kathleen Babineaux Blanco only after it kept repeating, "I will not stand for re-election."

The last person to see the figure—a man on the way home from a local saloon—shouted, "We won't stand for it, either," and the apparition hasn't been seen since.

Scores of people have reported chilling encounters with...insurance phantoms.

Throughout the city, meanwhile, scores of people have reported chilling encounters with various spirits that could be described as insurance phantoms.

Homeowners in neighborhoods from St. Bernard Parish to Lakeview, for instance, say they've seen spectral cars floating by their houses, driven by what appear to be Allstate Insurance Co. adjusters. As they pass, the figures have been heard to cackle, "This one's abandoned." Within days, homeowners find their coverage has been nonrenewed.

Many commercial policyholders have been plagued by the poltergeist phenomena. Several report finding property policy records levitating toward open windows; many have noted spontaneous changes to the policies themselves. Changes include disappearance of the word "flood" from policies' lists of covered perils, the addition of zeros to excess attachment points and alteration of A-rated insurers' names to "Reliance Insurance Co."

New Orleans' recovery finally seems to be gaining some momentum, though, and these strange events may soon be a thing of the past. For the city's 230,000 living souls, it couldn't happen a moment too soon.

Benefits: Patient focus emphasized

CONTINUED FROM PAGE 4

Management's benefits programs occurred in 2005. Teams were trained to think across benefit lines, to interact and coordinate their outreach functions, and manage their programs in a patient-centric approach, he said.

Previously, nurse case managers of different benefit programs may all have contacted the same patient to check on the progress of their rehabilitation. Now, one nurse gets necessary information from the employee and ensures the worker receives the appropriate treatment.

Costs trimmed significantly

The benefits integration program has had a positive impact, Mr. Kasper said. While average health care spending per employee was rising at a 21.4% rate in 2003 and 2004, that increase was limited to 2.4% in subsequent years.

"You're never going to stop that trend," he said. "You'll never get that down to zero, but you can control how that money is spent."

In a similar transformation, Pub-

lic Service Enterprise Group, a Newark, N.J.-based energy company, linked the design and management of its benefit programs to minimize costs and productivity losses.

Data is a critical component in its health care strategy, said Kathleen Kosteci, manager, integrated health and productivity strategy, for PSEG. By evaluating medical cost drivers, the company identified the conditions on which to base its program: musculoskeletal, cardiovascular and mental health conditions.

A good data-driven strategy evaluates all factors that could impact the adoption of healthy behavior among employees, including whether senior leaders support a healthy and engaged workforce, whether the workplace supports the message of good health, and whether employees operate in an entitlement culture or understand they are responsible for good health practices, she said.

Sending a consistent message to employees about good health practices is something with which the company still struggles, Ms. Kosteci said.

While PSEG bars smoking in any company-owned or leased facilities and vehicles, its campus is not completely smoke-free. "That's not sending the right message," Ms. Kosteci said, "so that needs to change for us."

In addition, she told attendees at the New York meeting that she would like to institute a mandatory policy that employees spending company money on food must buy healthy meals. This is particularly important, given that nearly 70% of PSEG's workforce is overweight to obese, she said.

While efforts to control costs are aimed at injured employees or those at high risk of developing costly illnesses or conditions, employers should not neglect the large segment of their employee base that is healthy.

At Waste Management, a company survey found that 91% of employees were in the low-risk category, so it has implemented targeted wellness programs and incentives to keep employees on the healthy path. "We pay for preventive care and we want them to go get that," Mr. Kasper said.

Converium: SCOR rejects allegations

CONTINUED FROM PREVIOUS PAGE

motion for a preliminary injunction before May 22—the last date on which Converium shareholders may tender shares in connection with SCOR's offer.

The announcement came after Converium's board urged shareholders to reject SCOR's offer, which values the company at about \$2.56 billion.

And after announcing increased income for the first quarter of 2007—\$150.9 million from \$49.9 million in the first quarter of 2006—Converium reiterated its belief that the company would be stronger as an independent entity than as part of SCOR.

In a statement, Inga Beale, chief executive officer of Converium, said the company believed SCOR's offer undervalued it and its medium-

term prospects.

"We are convinced that Converium's standalone prospects are more promising than with SCOR," she said. "In the interest of our shareholders we will continue to oppose SCOR's unfriendly approach should it remain unchanged," she added.

For its part, SCOR said it regretted the stance taken by Converium's board, and said it would continue to pursue its bid.

Regulations: U.K. will miss deadline

CONTINUED FROM PREVIOUS PAGE

of aspects that are left for individual member states to decide upon and write into their national laws to make the ELD manageable. So until these laws are written, companies and their risk managers will not fully know what steps they should take to best protect themselves," Mr. Martin said.

Matthew Young, policy adviser on liability and occupational health at the Assn. of British Insurers, said the trade body representing U.K. insurers is "fairly relaxed" about the situation. "It is important to get it (done) right, rather than quickly," said Mr. Young.

But the ABI would like more clarity over what will happen after April 30 and "whether the current regime will continue," he said.

In response to requests for clarification by *Business Insurance Europe*, the DEFRA spokeswoman said: "In the meantime, existing environmental protection legislation remains in place to deal with incidents of environmental damage, and continues to offer high levels of protection."

But some experts believe companies will also be subject to the addi-

tional liabilities under the directive. "Until the national laws are passed, the ELD itself will become the law in the member states as from April 30, 2007. How this can then be enforced when some of the fundamentals have not been decided on

'How this can be enforced when some of the fundamentals have not been decided on is anyone's guess.'

Bob Martin, Aon Ltd.

is anyone's guess," Aon's Mr. Martin said.

Valerie Fogleman, consultant at London-based law firm Lovells, said environmental damage that occurs after April 30 will be covered by the directive under Article 17. That article states that the legislation will not apply to environmental damage before April 30, so it must apply after that date, Ms. Fogleman said.

Areas where the directive goes significantly beyond existing U.K.

legislation include a requirement to inform the regulator that pollution has occurred and tougher rules regarding biodiversity damage—the remediation of habitats and species.

New to the United Kingdom, the directive will require biodiversity and water damage be remediated to a baseline condition. If this is not possible, "complementary" and "compensatory" remediation—in which an operator may be required to fund an alternative temporary or permanent site to replace the damaged habitat or resource—will be required.

DEFRA also faces a House of Commons Select Committee over its handling of the Environmental Liability Directive, another factor that may hamper the second consultation, some experts said.

On March 22, the House of Commons Environment, Food and Rural Affairs Committee announced it would hold a hearing to consider whether the U.K.'s first consultation document is tough enough. It also said it will investigate why DEFRA has taken "so long to consult formally on the ELD."

A committee spokesman said the hearing is expected by the end of May or early June.

Asheville: Project moves beyond diabetes

CONTINUED FROM PAGE 1

of care for diabetic plan members fall by an average of \$2,000 per patient per year, and they had savings approaching \$3,000 per patient in 2006 and are expecting similar savings this year, according to Barry Bunting, clinical manager in the pharmacy department at the hospital. The hospital is the area's largest employer, providing health care coverage to some 10,000 employees and their dependents, 350 of whom are participants in the Asheville Project.

Other employers across the country that have followed Asheville's lead also are reporting reductions in the cost of care for diabetes patients (see related story).

Moreover, the reduction in the cost of treating plan members with diabetes has had an overall dampening effect on the rate of increase in Mission Health's total health care costs

over the past three years, according to Mr. Bunting.

Those costs, which total about \$30 million annually, grew by only one-tenth of 1% between 2003 and 2004. In 2005, costs fell by 1%, and in 2006, the hospital's health care costs fell another 3%, Mr. Bunting said.

While such reductions are definitely an aberration at a time when the average cost of health benefits is growing at double-digit rates for many employers, they are definitely an anomaly for a hospital, whose health care utilization is typically higher than the average employer's, Mr. Bunting pointed out.

The reason Asheville started with diabetes was because it is the most costly chronic disease for employers, said Dan Garrett, one of the founders of the Asheville Project and now senior director of medication adherence programs at the APhA Foundation, a nonprofit organization affiliat-

ed with the American Pharmacists Assn. The Washington-based APhA joined the Asheville Project in 2002.

The American Diabetes Assn. estimates that diabetes, a chronic disease that afflicts more than 20 million Americans—7% of the U.S. population—costs employers more than \$132 billion annually in both direct and indirect costs of emergency room visits, expensive and extended hospitalizations, disability insurance costs, absenteeism and lost worker productivity. People with diabetes typically have medical expenditures 2.4 times higher than those who do not have the disease.

Diabetes also is a condition that can be easily monitored, according to Alan Christianson, benefit and health services administrator at Mohawk Industries Inc., which implemented the Asheville Project model at its Dublin, Ga., plant five years ago. He spoke during an April 18 webinar sponsored by the Scottsdale, Ariz.-based Pharmacy Benefit Management Institute Inc. titled "Beyond the Asheville Project."

"Diabetes has tangible scores that can be used to determine progress," he said, referring to the results of the Hemoglobin A1C test, which measures blood glucose levels. The ADA recommends that A1C results be 7.0 or less.

Because of its consistent success in reducing diabetes-related health care costs for employers in the various venues in which it has been used, the Asheville diabetes model is now being applied to managing other chronic conditions including cardiovascular disease, asthma and depression. Currently more than 1,500 patients from 10 Asheville area employers are enrolled for diabetes, asthma, hypertension, lipid therapy management and depression, accord-

EMULATING ASHEVILLE

Patient care programs across the country include the Asheville Project, HealthMapRx and the Diabetes Ten City Challenge, which consist of 20 sites and 80 employers.



Source: APhA Foundation

ing to Mr. Garrett.

In addition to expanding the Asheville Project to other conditions, the APhA has taken it "on the road" as a program called HealthMapRx, which is being used by 80 employers and include the Diabetes Ten City Challenge participants.

"If it works in Asheville...there's no reason it won't work in any community," said Nancy Kennedy, executive director of the Northwest Georgia Healthcare Partnership, a coalition whose employer members implemented the Asheville Project model last year as part of the Diabetes Ten City Challenge after hearing about Mohawk's success. Ms. Kennedy also spoke at the webinar last week.

"Mohawk was planning its three-year celebration when we heard about the Ten City Challenge," Ms. Kennedy said. "Within 48 hours, we had four employers willing to participate."

Even though the Asheville Project model produces demonstrable results, it's not always an easy sell to employers since it does cost them

money up front, said Gary Allen, executive director of the Hawaii Business Health Council in Honolulu, which has seven members participating in the Diabetes Ten City Challenge.

"But when you present a solution that has worked in other markets, they're more willing to try it," Mr. Allen said.

The Asheville Project model also is ideal for employers with large union populations since it does not involve increased cost-shifting, something anathema to organized labor, according to Bill Hembree, director of the Health Research Institute in Concord, Calif., who is talking with some labor groups in the Midwest about possibly implementing the model.

"This model can transfer to other locations, to other disease states, and the scaling of the model in the Ten City Challenge is an indication it has no limits," said John Miall, a consultant and former risk manager for the city of Asheville who was a member of the team that developed the original Asheville Project model.

Employer sees clear results

GREENSBORO, N.C.—In just three years, VF Corp. garnered savings averaging \$5,115 per participant in a diabetes disease management program modeled after North Carolina's successful Asheville Project.

The 100-year-old apparel manufacturer in Greensboro, N.C., decided to try the program after Dan Garrett, senior director of medication adherence programs at the APhA Foundation, gave a presentation at the company that included information on the Asheville Project's track record, said Karla Tester, manager, health insurance, at VF.

Although the program required an upfront investment, the implementation cost was about equal to what the company already was spending each year to provide health care to its diabetic population—about \$120,000, she said.

"With the initial cost being a break-even, we were fine to proceed. Our philosophy has always

been that even with just a break-even return, you have improved the health of these employees," Ms. Tester said.

The program not only cut VF's health care costs but also saved participants' money, Ms. Tester said.

"In looking at a typical diabetic patient, the average monthly savings equates to approximately \$100 to \$125 a month," she said.

Currently, more than 150 participants are in the program, which is offered to VF employees in Alabama and North Carolina. The company is considering expansion to other states.

"Based on our results, and with the positive feedback we have received, the program will continue," Ms. Tester said. "There may be consideration of expansion to other key sites in the future. We are not sure at this time about the addition of other (types of) disease."

—By Joanne Wojcik

Project aims to better participants' lifestyles

Under the Asheville Project model, employers elect to waive copayments and deductibles for the cost of prescription drugs and related monitoring devices such as glucose meters for plan members who agree to receive periodic counseling from pharmacists trained to advise diabetes patients.

In addition to absorbing the costs of the drugs and devices, the employer pays an hourly fee to the pharmacists, which averages between \$2 and \$3 per minute. Initial counseling visits average 60 minutes, while subsequent appointments usually take about 30 minutes. Although patients are required to meet with their assigned pharmacist-counselors only once every three months, visits typically average 7.2 per patient per year.

The cost of prescription drugs for employers will double after the first year, but savings are produced almost immediately by reducing or eliminating the occurrence of expensive complications that stem from uncontrolled diabetes such as increased hospitalizations, kidney dialysis

and lower limb amputations. Annual net savings average between \$1,600 and \$3,200 per participant.

"Initially they (participants) enroll to save money. They stay because somebody is actually coaching them," said Barry Bunting, clinical manager in the pharmacy department at Mission Health & Hospitals in Asheville, N.C. "Accountability is a huge part of it."

However, if participants fail to show up for their counseling appointments or decide to drop out of the program, their copayments return to normal levels.

But in addition to the accountability, "there's also a support mechanism so they can be successful," said Bill Ellis, president of the APhA Foundation in Washington.

The support is the counseling component, he explained.

"It's very labor-intensive," Mr. Ellis said.

The regular visits with pharmacists provide an opportunity for participants to ask questions, "the little things they forget to ask

their doctors," Mr. Bunting said.

And because participants are seeing the same counselors each time, they develop a bond with the counselor, which fosters trust, he said.

"Most chronically ill people have tried different approaches before, but they were boot camp-type changes, eight weeks long, so they failed," said Gary Allen, executive director of the Hawaii Business Health Council in Honolulu, which has seven employer members using the model via the Diabetes Ten City Challenge.

"What we're trying now is a real simplistic way of getting the program across to them," he said. For example, instead of advising participants to "diet and exercise," the pharmacists "encourage movement and watching portions and to love themselves and realize why they're doing this. They have to move at their own pace. The individuals that make it their decision may make it a lifestyle. That's the vision and goal of the Asheville Project," Mr. Allen said.

—By Joanne Wojcik

CVS: Client data exposed

CONTINUED FROM PAGE 4

ing to the statement.

Mr. Abbott, who could not be reached for comment, issued a statement April 17 pledging the state's initiative to crack down on businesses that jeopardize the personal information of their clients.

The CVS incident is the fourth identity theft incident discovered by Mr. Abbott's office in the last two months.

On April 2, Mr. Abbott filed a suit against Fort-Worth, Texas-based RadioShack Corp. after a Corpus Christi, Texas-area store improperly dumped several boxes of receipts that contained customer-identifying information. On March 13, the office filed a lawsuit against On Track Modeling, a Charlotte, N.C.-

based talent agency that abandoned more than 60 boxes containing hundreds of confidential client records after the agency abruptly closed its Grand Prairie, Texas, office. A day later, Jones Beauty College in Dallas was named in a lawsuit for improperly discarding student financial aid forms with Social Security numbers and other personal information.

A spokesman in Mr. Abbott's office said lawsuits have followed thorough investigations and that more investigations are ongoing. He would not provide information on the possibility of more lawsuits.

"This is obviously an issue of great concern to the attorney general and we are monitoring several situations," the spokesman said. "This impacts so many Texas consumers."

CAMPUSES ON GUARD

Program designed to prevent tragedy

University of Arizona system created after deadly incident in 2002

By DAVE LENCKUS

A gunman bursts into a university classroom on a Monday morning killing spree, which ends only when he takes his own life. Later that week, a news organization receives material mailed by the killer—a student with known behavioral problems—that blames others for his actions.

Eerily similar to last week's tragedy at Virginia Polytechnic and State University, that was the horror that struck the University of Arizona campus in Tucson in October 2002. From that carnage emerged a risk management program designed to identify and deal with potential threats to the campus community but still comply with mental health confidentiality laws.

While there is no way to definitively determine whether the UA program has prevented another

law at Stetson University Law School in DeLand, Fla.

In the UA incident, an often disruptive nursing student with failing grades shot and killed an instructor in her office before storming a classroom and gunning down two more professors in front of a group of students. The heavily armed gunman then ordered the students out of the room before killing himself.

The next day, a local newspaper received a letter from the killer—mailed the night before the shootings—in which he claimed that the instructors and others had wronged him.

Like the Virginia Tech killer, the UA gunman demonstrated behavioral problems at least 18 months before his violent eruption. For example, he told an instructor in April 2001 he had thoughts of suicide and "might put something under the college." Although the threat was reported to the campus police, they took no action because a university administrator and a faculty member talked with the student and felt no further intervention was warranted (*BI*, Nov. 4, 2002).

That kind of miscalculation is what the UA program is designed to prevent.

"We think we learned an awful lot" from that tragedy, Mr. Holland said. The "single biggest thing" was the need for a system that pulls

together all the different pieces of information that instructors, campus police and other areas of the school have about a potential threat.

In isolation, each piece of information may not cause the same level of concern that school officials might have if they could see all of it in one place, he said.

To that end, Mr. Holland established central repositories for all reports on threatening behavior exhibited by students and university employees. Such reports on students now are filed with the dean of students; reports on employees are filed with human resources.

Students also are encouraged to report disturbing behavior.

When a report indicates what Mr. Holland concludes could be threatening behavior, he scrambles a behavioral assessment team into action. It consists of representatives from the university's risk management, human resources, student counseling and employee assistance departments as well as the dean of students and campus police.

In the team's meeting, "the goal is to connect the dots" on various

pieces of information on the potentially troubled individual, Mr. Holland said.

If the team concludes that the person poses a threat, the university's response would be case-specific, Mr. Holland said. He and his team would determine which university official should warn the individual that his or her behavior is inappropriate. The official is selected based on whom the student most likely would respect as an authority figure, Mr. Holland said.

In more drastic cases, the university could move to have the person held for mental health treatment, arrested or barred from campus.

During the process, the university has to consider the federal and state laws that govern when a mental health counselor may disclose information obtained from a patient during counseling. Those laws generally prohibit disclosure of students' health information—even to students' parents.

But there is an exception, though negotiating through it can be tricky, said Laura M. Knoblauch, a member of the American College Health Assn. Ms. Knoblauch, also the privacy officer and student health service risk manager for Illinois State University in Normal, Ill., has testified before Congress on issues involving the Health Insurance Portability and Accountability Act—the federal statute that governs health privacy rules.

HIPAA defers student privacy rights to the Family Education Rights and Privacy Act, and FERPA contains a privacy exemption when students pose an imminent threat to themselves or others, Ms. Knoblauch said.

But when a student's mental health records are involved, state law would trump FERPA and may be more stringent, Ms. Knoblauch said.

Often, though, "FERPA is a practical irrelevancy," because so much of an individual's disturbing behavior likely would not qualify for privacy protection, Mr. Lake said.

Even if a university inadvertently violates FERPA, "it's a paper tiger," Mr. Lake said. There is no private right to sue over a FERPA violation, and the risk of a federal fine is extremely small—especially if the violation occurred as part of a university's effort to protect students and faculty, he said.

Meanwhile, federal and state laws would allow a university's internal staff to review a student's mental health records on a "need-to-know" and "case-by-case" basis, Ms. Knoblauch said. That decision should be made in consultation with the university's legal department, she said.

Mr. Holland noted that no mental health information on students is transmitted by e-mail, and such sensitive information is included only in written, confidential reports that document the action UA has taken against an individual.

Shootings: Incident shows need to assess threats

CONTINUED FROM PAGE 1

at the center of crisis management, experts agreed. There may be little time to do anything else on a sprawling campus than warn students and faculty to protect themselves, they said.

At Virginia Tech, gunman Cho Seung-Hui, a 23-year-old English major with a history of behavioral problems, killed 32 students and faculty on April 16 before taking his own life.

But after the first two murders, the gunman did not strike again for more than two hours. During part of that time, he left the campus to mail to NBC News a multimedia package in which he attempted to justify his actions.

During much of that interim, school officials assessed the progress of the investigation by police, who had made an off-campus traffic stop to question a male friend of one of the first two victims, a young woman.

More than two hours after the initial shootings, school officials first informed students and faculty—via e-mail—of the crime and asked them to report any suspicious activity. Most of the second group of victims were in class when the group e-mail was sent—about 20 minutes before the gunman struck again.

Prior complaints

The gunman had not gone unnoticed by university officials before last week. According to the school, two female students complained in late 2005 to campus police that he was stalking them. Neither woman pressed charges. In a later incident, police persuaded him to seek counseling, which led to a court finding that he was a danger to himself. The court ordered him to receive additional outpatient mental health treatment.

Earlier that fall, an English professor notified school officials about violence depicted in the student's work, but campus police took no action because the writings were not threatening and were part of a class assignment, according to the university.

In part because of federal and state privacy regulations governing students' mental health records, officials at many universities feel constrained about trying to identify possible student threats, security experts said.

There is "no consistent approach" among the nation's 4,000 higher education institutions to identify threats, said Jean Demchak, a managing director the education practice leader at Marsh Inc. in Hartford, Conn.

But identifying potentially dangerous people, who typically have "extreme control personalities," is "the most important thing" universities can do to prevent violent outbursts on their campuses, Mr. Salmans said.

"There certainly is a lot more work that colleges and universities can do in this area," said Allen J. Bova, president of the Bloomington, Ind.-based University Risk Management & Insurance Assn. and director of risk management at Cornell University in Ithaca, N.Y.

But compiling the necessary

While effective communication is critical, it is 'the No. 1 weakness in all of the exercises we perform.'

Jean Demchak, Marsh Inc.

information on a possible threat can be difficult, in part because of privacy laws, Mr. Bova said. In addition, the information is not always accurate, the identified individual is not always a threat, and not all potentially dangerous individuals behave in a manner that draws serious attention before they become violent, he said.

Privacy laws, though, are not a stumbling block to threat identification programs, said Anne Mulholland, director of the higher education practice for Aon Corp. unit Aon Risk Services Inc. of Chicago.

"The threat assessment concept is not predicated on counselors breaking a confidence," Ms. Mulholland said. Instead, the concept is based on documenting and acting on an individual's "outward behavior."

Threat assessment

Peter Lake, an insurance law professor at Stetson University in DeLand, Fla., said threat assessment programs are "the best chance" universities have to prevent student and employee violence.

But confusion over privacy laws is hindering development of those programs, Mr. Lake said. Many university officials believe the laws are more restrictive than they are, he said.

Ms. Demchak pointed to a risk management program at the University of Arizona in Tucson as a threat identification model that has made the campus safer while not running afoul of privacy laws (see story, page 20).

In addition, because of a federal privacy law provision, a university counselor may disclose a student's mental health status if the student signs a pretreatment waiver that allows such disclosures when a counselor believes the student is suicidal or a threat to the lives of others, Ms. Demchak said.

In that situation, if the student or his or her parents do not agree that going home is the best option, then

Continued on next page



A Virginia Tech faculty member lays a flower at a memorial to victims of the shooting spree last week.

campus massacre, it has identified "a few" individuals who fit the mold of mass murderers who have scarred the two universities, said Steve Holland, director of risk management and safety for the UA.

"This kind of protocol is the best chance we have" of preventing future campus mass killings, said Peter Lake, a professor of insurance

ADVERTISER

INDEX

Issue of April 23

ADVERTISER	PAGE #
Ace Insurance Group	9
AIG	24
Allied World Assurance Co.	6
Aon Corporation	2
Burnham Systems	16
Business Insurance	11, 13, 15, 22
Health Alliance Plan	13R
Lexington Insurance	7
Liberty Mutual	5
Swett & Crawford Group	10

CAMPUSES ON GUARD

CONTINUED FROM PREVIOUS PAGE

the school should attempt to persuade the student to seek inpatient hospital treatment, she said.

"It becomes an intervention," and the student is given choices, she said.

But Laura M. Knoblauch, a member of the Baltimore-based American College Health Assn., cautioned against asking students to sign broadly worded waivers that would give counselors wide discretion in disclosing student information. Such waivers still would violate privacy laws, because the student would not know which private information would be released, said Ms. Knoblauch, who also is the privacy officer and student health service risk manager for Illinois State University in Normal, Ill.

Campus communications

When a crisis does occur, campuswide communications—more so than any other security measure—have to be effective to prevent or mitigate harm to students and faculty, experts said.

The problem with other security measures is the difficulty of quickly implementing them across sprawling campuses, experts said.

For example, Steve Holland, director of risk management and safety at the University of Arizona, said a campuswide lockdown at his institution—which is much smaller than the Virginia Tech campus—would take hours to implement. He noted that one building on his campus has about 50 doors that would have to be locked before that building would be secure.

But while effective communication is critical, it is "the No. 1 weakness in all of the exercises we perform" on crisis management plans at higher education institutions, Ms. Demchak said.

For example, many exercises that universities run do not even test how they would communicate with students and faculty, she said.

When the communications programs are tested, problems often emerge, Ms. Demchak said.

Aon's Ms. Mulholland said most schools now are examining the idea

of installing a combination of emergency notification systems that would alert students and faculty by phone, e-mail and even sirens that would signal them to seek more information.

'There's probably not a perfect way' to alert a campus during a crisis.

Hank Chase
SMART Business Advisory
& Consulting L.L.C.

But the noise-muffling headphones for portable music players that so many students use mitigate the effectiveness of even combination emergency alert systems, Mr. Holland said.

Hank Chase, executive director of federal programs at SMART Business Advisory & Consulting L.L.C. of Devon, Pa., agreed. As a result, campuses might also have to install strobe light emergency warning systems. The effectiveness of strobe lights, though, is reduced during daylight, he said.

"There's probably not a perfect way" to alert a campus during a crisis, he said.

Even so, software developed by the U.S. military that has just been made available commercially could dramatically improve emergency communications, Mr. Chase said. The software can send an emergency alert message simultaneously to cell phones, laptop computers, and pagers as well as to landline phones, he said.

Another communication system that should be available shortly is a public address system unlike any used in elementary or high schools or on subways, he said.

The so-called "giant voice" system essentially combines an air raid siren with a public address system, Mr. Chase said. The result is a clear-voice loudspeaker system that can boom out emergency messages that can be heard from several hundred yards to more than a mile, he said.

intentional torts, typically those exclusions apply to acts committed by the policyholder or its employees, noted plaintiffs' attorney Thomas Albro, a partner at Tremblay & Smith L.L.P. in Charlottesville, Va.

But some courts, including those in New York and Delaware, have broadly interpreted an assault and battery exclusion to apply to any losses arising out of such acts, even if the acts were not committed by a policyholder or an employee, said employer attorney Ann Kramer, a partner with Anderson Kill & Olick P.C.

—By Dave Lenckus

Shootings raise liability questions

By DAVE LENCKUS

BLACKSBURG, Va.—Virginia Polytechnic Institute and State University officials do not have ironclad immunity for how they responded to the shootings that claimed the lives of 32 students and faculty last week, but proving them liable would be difficult, plaintiffs attorneys agree.

Even gunman Cho Seung-Hui's troubled past likely did not create a legal duty of care that plaintiffs would have to show that the school owed the victims, the attorneys said.

"Anyone who brings any kind of wrongful death lawsuit against Virginia Tech would have an uphill battle," said plaintiffs attorney Thomas Albro, a partner at Tremblay & Smith L.L.P. in Charlottesville, Va.

Critics of school officials say their two-hour delay in notifying the campus about the first two murders and their decision to not lock down or evacuate the campus left the second group of victims needlessly exposed to danger.

Within 15 minutes of the first two murders, police had pulled over a man on a nearby highway for questioning in the case. More than two hours later, as the man—whom police described as "a person of interest"—was still being questioned off campus, university officials first notified all faculty and staff by e-mail of the homicides and asked to be notified of any suspicious activity.

About 20 minutes later, as the person of interest was still being questioned, police received reports of more gunfire at the school. At the second shooting scene, 30 students and faculty were killed before the gunman—who committed the first

two murders—killed himself.

Virginia Gov. Timothy M. Kaine has established an independent panel to review the school officials' response to the crisis. Reviews of the state's response to any disaster are routine, a spokesman for the governor noted.



AP PHOTOS

Virginia Gov. Timothy M. Kaine at Montgomery Regional Hospital, where victims of the Virginia Tech shootings were taken.

Many, though not all, state employees have immunity for their actions, but a court would have to confirm immunity through a four-prong test that examines—among other things—the employee's discretionary authority, Mr. Albro noted.

School officials have "a lot of discretion," so plaintiffs would have to show they were grossly negligent, Mr. Albro said. That would mean the defendants would have had to exercise "very little, if any, care," he said.

Plaintiffs' attorney Robert T. Hall said proving gross negligence means showing the defendants "knew harm is likely to occur" because of their actions.

"That's a very difficult burden to prove," said Mr. Hall of Hall, Sickels, Frei, Kattenburg & Mims P.C. in Reston, Va. Mr. Hall is president of the Minneapolis-based International Academy of Trial Lawyers and former president of the Virginia Trial Lawyers Assn.

Both Messrs. Albro and Hall noted that even if the state's investigation concludes that school officials should have notified the campus sooner about the first two murders and taken other security measures until police had secured the campus, the officials' actions have to be weighed against the information they had at the time.

If, in hindsight, they responded in a way that later creates questions, "that doesn't create liability" necessarily, Mr. Hall said.

And despite the gunman's troubled past—including a judge's 2005 ruling that he was mentally ill and a danger to himself—"it would be very difficult to establish that anyone had a duty" to be aware of the student's behavior and propensity for violence, Mr. Hall said.

"To be angry at the world, being angry at the rich, being angry at the powerful doesn't cut it" for establishing a duty of care, he said.

Peter Lake, a professor of insurance law at Stetson University Law School in DeLand, Fla., agreed. He also noted that case law on the duty of care owed by higher education institutions is not well developed.

Mr. Lake also noted that the mental health counselors who evaluated the gunman following the judge's 2005 order that he receive outpatient care had no legal obligation to notify Virginia Tech even if he posed an imminent threat. Virginia and Texas are the only two states that do not require such notifications, he said.

Campus threats: Procedures re-examined

CONTINUED FROM PAGE 1

pose a real challenge for university administrators, said Rebecca L. Adair, risk manager for Iowa State University in Ames, Iowa. "We're so big, we're so diverse, there are so many buildings—how do you get your arms around that?"

Iowa State has approximately 26,000 students and 13,000 faculty and staff.

"One of things we are looking at very closely and committing to doing in the next 60 days is testing all of our communication and emergency notification systems," said Anita C. Ingram, director of risk management and insurance at Southern Methodist University in Dallas.

SMU—which has previously conducted so-called "active shooter" exercises with the help of multiple law enforcement agencies—currently has in place the emergency telephone system Alertcast, which allows recorded messages to be transmitted at once to large groups.

In the wake of last week's shootings in Virginia, however, SMU is considering using additional communication modes, including technology that would enable university administration to send news and emergency alerts to students' cell phones.

Colleges such as Pennsylvania State University and Florida Agricultural and Mechanical University have recently embraced text-message-alert technology on their campuses, through the Web-based, mass notification system e2Campus.

Ms. Ingram said that she may also explore the possibility of tapping into the social networking Web site Facebook to disseminate critical information to SMU students.

"I don't think you can rely on one single notification process. You have to come at it from two or three angles," said Iowa State's Ms. Adair. "You can reach a good segment of the population, but there are still people who will be left out of the loop." For example, she said, "not

everybody carries a cell phone, and not everybody (checks their messages) all the time."

Wheaton College, in Wheaton, Ill.—which has 3,000 students and 800 staff and faculty—in the wake of the Virginia Tech massacre is "considering the very expensive step of installing a public address system" across all campus buildings, said Vincent E. Morris, Wheaton's director of risk management. "But for the one time you need it, it seems cheap."

"We live in a reality of limited budgets. One of the biggest challenges that I and my peers have in a situation like (Virginia Tech) is to pay attention to what's happening, but not to let it soak up an inordinate amount of resources," said Mark Briggs, campus risk manager at the University of Illinois at Urbana-Champaign.

"The dorm fires, intoxicated students...it's the issues that are happening every day that we really have to keep our focus on," Mr. Briggs said.

Virginia Tech backed by pool

Virginia Polytechnic Institute and State University has \$2 million in general liability insurance from a state self-insurance pool to respond to any wrongful death claims it might face, said Fred Weaver, director of risk management for the university.

The coverage is provided through the Virginia Treasury Department's Division of Risk Management.

Mr. Weaver acknowledged that the coverage contains some exclusions, but he would not discuss them.

While most insurance policies contain exclusions that bar coverage for claims arising from

News In Brief

CONTINUED FROM PAGE 1

gunmaker and restaurant liability, and create financial consequences for parties that introduce litigation deemed to be frivolous. Gov. Henry, whose office could not be reached, has not publicly stated whether he plans to sign the bill, which cleared the House last week and was passed by the Senate earlier this year.

S&P downgrades IPC units to A-

Standard & Poor's Corp. downgraded its financial strength ratings of two reinsurance units of IPC Holdings Ltd., due largely to the high concentration of catastrophic risk on the units' books, S&P said. The downgrade to A- from A of Pembroke, Bermuda-based IPCRe Ltd. and Dublin, Ireland-based IPC Re Europe Ltd. reflects S&P's view that IPCRe's cat-related exposure to earnings and capital volatility is more in line with an A- business profile, credit analyst Laline Carvalho said in a statement.

ACE sets up M&A practice

ACE Ltd. unit ACE USA has formed a

practice dedicated to providing underwriting and risk management services to the mergers and acquisitions industry. ACE USA Mergers & Acquisitions Industry Practice will offer insurance coverage and risk management services to buyers and sellers of organizations as they navigate the M&A transaction process, ACE said in a statement. Seth Gillston, senior vp of ACE Financial Solutions, has been named to lead the new practice.

New York, Connecticut confirm regulators

The New York Senate has confirmed Eric R. Dinallo as superintendent of the New York State Insurance Department. Mr. Dinallo, who previously was general counsel for Willis Group Holdings Ltd., has been acting superintendent since January. Meanwhile, the Connecticut House of Representatives has confirmed Thomas R. Sullivan as the state's new insurance commissioner. No Senate vote is needed. Mr. Sullivan most recently was senior vp of Specialty Risk Services L.L.C., a third-party administrator unit of Hartford Financial Services Group Inc.

Meadowbrook acquires comp program manager

Meadowbrook Insurance Group Inc. has agreed to purchase U.S. Specialty Underwriters Inc. in a deal valued at \$23 million. Under the terms of the agreement, Meadowbrook will acquire Cleveland-

based USSU, a specialty program manager that produces fee-based income by underwriting excess workers compensation coverage for a select group of insurers. The purchase price is a combination of \$13 million in cash and \$10 million in Meadowbrook stock, Meadowbrook said in a statement.

Brown & Brown buys N.Y. broker

Insurance broker Brown & Brown Inc. has acquired broker Sobel Affiliates Inc. of Garden City, N.Y. Sobel generates about \$12.1 million of revenue annually, according to Daytona Beach, Fla.-based Brown & Brown. Among Sobel's specialties are apparel, food industry, medical malpractice, pharmaceutical and real estate risks. Sobel will be a freestanding unit of Brown & Brown and will continue to operate out of its office in Garden City, N.Y. Sobel President Alan Labadorf will continue to head the operation. Terms were not disclosed.

Delos forms E&S operation

Delos Insurance Co., a New York-based program business insurer, has formed an excess and surplus lines subsidiary. Naxos Insurance Co., based in New York but currently incorporated and licensed only in Delaware, has an initial capitalization of \$20 million. The operation is seeking licenses in a number of states with the ultimate goal of being licensed in 50 states over the next

two years. Naxos Insurance has not targeted any specific risks but will expand on what is already offered through Delos, a spokeswoman said.

Praetorian unit to write nonadmitted property in Fla.

Praetorian Financial Group's Praetorian Specialty Insurance Co. unit has received approval from the Florida Office of Insurance Regulation to write surplus lines business in the state. Praetorian plans to provide surplus lines capacity for various commercial property risks in Florida, a company spokeswoman said. The capacity will be provided through managing general agents and will serve small and midsize market accounts.

Hewitt names president HR outsourcing operation

Hewitt Associates Inc. has named a new president of its human resources outsourcing business, filling a 10-month-old vacancy in its biggest revenue-producing unit. Jay Rising will join Lincolnshire, Ill.-based Hewitt next month as HR outsourcing president. Most recently, he was president of Bozeman, Mont.-based software company RightNow Technologies Inc. Mr. Rising succeeds Julie Gordon, who has been acting president of HR outsourcing since last June following the resignation of Bryan Doyle. Mr. Doyle resigned following a slowdown in Hewitt's HR outsourcing business, which generates about 70% of Hewitt's revenues.

ABD: Speculation mounts that bank may sell brokerage

CONTINUED FROM PAGE 3

ABD, analysts say such a scenario is likely.

"It makes sense to sell (ABD) outright," said Joe Morford, an analyst with RBC Capital Markets Corp. in San Francisco, who discussed the review with Greater Bay management recently and issued a report earlier this month that evaluates the bank's options for ABD.

ABD revenues are projected to grow at a low single-digit pace this year due in part to the soft market, Mr. Morford said. "Our hypothesis is, with some of the multiples being paid in recent transactions, the fact that the business is not growing too much...here may be an opportunity to sell the business for a premium," he said. The bank can then use the capital in other ways including higher dividends, share buybacks or other growth initiatives.

"My sense is at this point, given the valuations of recent deals, it's certainly something I think (Greater Bay) would be considering," said Brent Christ, an analyst with Fox-Pitt, Kelton in New York. ABD "has performed fairly well for them over the last couple of years...but at the same time, this is a bank that people also tend to talk about" as an acquisition target. "Certainly a divestiture of ABD would help pave the way or make it easier to sell the bank as a whole."

Given recent valuation trends, Greater Bay could fetch as much as \$500 million for ABD, said Brett Rubatin, an analyst with FTN Midwest Securities Corp. in Nashville, Tenn., who issued a report last month describing a sale or spinoff of ABD as not necessarily "imminent" but a "solid possibility."

While Greater Bay paid roughly double ABD's revenue in its 2001

"My sense is at this point, given the valuations of recent deals, it's certainly something I think (Greater Bay) would be considering."

Brent Christ, Fox-Pitt, Kelton

purchase, GS Capital Partners L.P.'s recent \$1.4 billion buyout of USI was about 2.5 times its revenue and Apax Partners' recent \$1.8 billion acquisition of Hub equates to about 3.4 times its revenue, he said.

"The strategic review by consultants sounds a little unusual for a bank of this size, but it's not something unusual for this management," Mr. Rubatin added. "It may end up being nothing, but it certainly would appear logical that ABD—given it's a premium institution—would fetch a solid price."

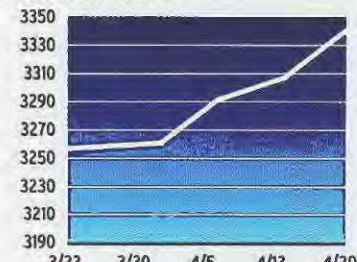
John Wepler, president of agency consulting firm Marsh Berry & Co. in Willoughby, Ohio, represented Greater Bay in its 2001 acquisition of ABD. "If Greater Bay and ABD decide to do something, ABD would be of unique interest to the private equity community because of their West Coast dominance, their strength of leadership, and the fact that they've had a strong history of organic growth and demonstrated their ability to close and integrate acquisitions," Mr. Wepler said. "They kind of have the whole package."

Stock Index

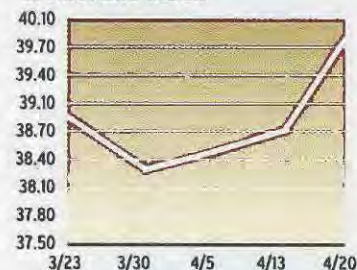
[4/16 - 4/20]

Up-to-the-minute data for all 82 companies that comprise the BI Stock Index can be found at www.BusinessInsurance.com.

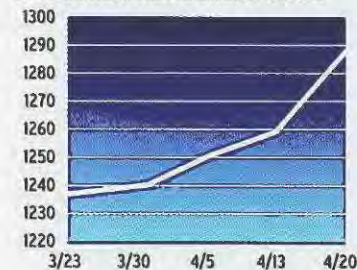
BI STOCK INDEX



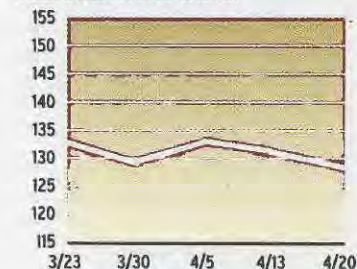
BI BROKERS INDEX



BI INSURER/REINSURERS INDEX



BI MANAGED CARE ORGANIZATIONS INDEX



Percentage change of BI Stock Index vs. key indicators

BI STOCK INDEX	3343.17	▲ 2.06%
DOW JONES	12961.98	▲ 2.77%
S&P 500	1484.35	▲ 2.17%

LARGEST GAINS

Marsh & McLennan Cos.	7.15%
Meadowbrook Insurance	6.70%
Brown & Brown	5.37%
CNA Surety Corp.	5.22%
CNA Financial Corp.	4.84%

LARGEST LOSSES

Travelers	-4.00%
EMC Insurance Group	-3.07%
Fairfax Financial	-2.04%
SCOR S.A.	-1.67%
Argonaut Group	-1.00%

Source: Financial Content Inc.
<http://financialcontent.com>

Sponsor a BI Online Executive Forum™

You'll be in front of an influential and engaged audience of top-level decision-makers.

You'll have the ability to co-brand with the industry leader in providing information and insight for executives in the commercial insurance marketplace. You'll be associated with a highly informative online event bringing together noted panelists and BI's editors to discuss the most pressing issues.

For branding and lead generation opportunities, e-mail:

Advertising@BusinessInsurance.com

www.BusinessInsurance.com/Webinars

Devilish talk in logo case sparks \$19M damage award

A Utah jury's verdict that four Amway Corp. distributors spread false rumors about competitor Procter & Gamble Co. by repeating the discredited charge that P&G's former logo was actually a satanic symbol has set up a devilish dispute.

The logo, which was dropped in the mid-1980s, shows a bearded man in the moon with a field of 13 stars.

Rumors circulated for years that the Cincinnati-based company was somehow linked to Satanism, and P&G hasn't hesitated to take those it believes defamed it to court.

In addition to providing P&G with vindication in its recent verdict, the federal court jury in Salt Lake City awarded the company \$19.25 million.

This didn't sit well with a few of the jurors, who claimed that their peers arrived at the figure by multiplying the number of lawyers P&G had in the courtroom against what they thought lawyers made on an hourly basis.

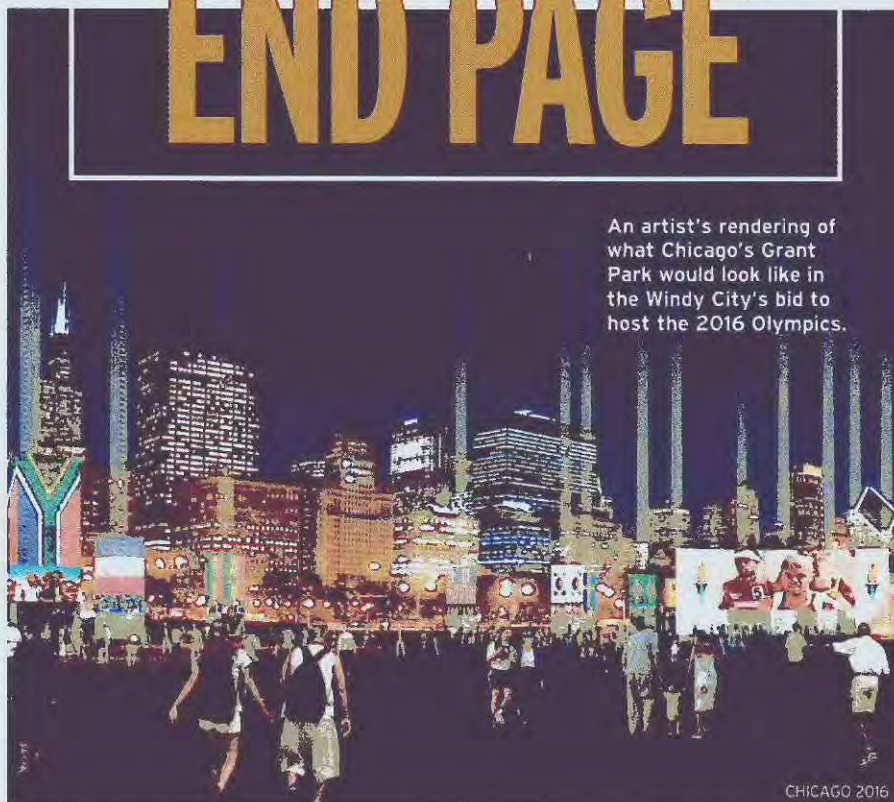
The dissident jurors cried foul. Now, defense attorneys for the Amway dealers want the award overturned, holding that such mathematical legerdemain is unacceptable.

Not surprisingly, P&G has asked the federal judge who is presiding over the case to leave the award intact.

The judge has not indicated what he's going to do so far, but it seems safe to say that this is truly a case in which the devil's in the details.



Business Insurance END PAGE



An artist's rendering of what Chicago's Grant Park would look like in the Windy City's bid to host the 2016 Olympics.

Aon's Ryan advances Chicago Olympic hopes

Chicago is one step closer to hosting the 2016 Olympic Games, with Aon Corp. Executive Chairman Patrick G. Ryan—who is also chairman and chief executive officer of the Chicago 2016 Committee—leading the effort.

Earlier this month, the U.S. Olympic Committee selected Chicago over Los Angeles as the U.S. nominee to host the Summer Olympics.

Mayor Richard M. Daley said he was nervous as the USOC prepared to open the sealed envelope containing the committee's choice. On hearing Chicago was the winner, the mayor said he jumped out of his chair "like a little kid watching the Olympics."

The final decision on which city will host the 2016 games will be made in October 2009. Madrid, Spain; Prague, the Czech Republic; Rio de Janeiro, Brazil; and Tokyo are among the cities expected to vie for the top spot.

In an e-mailed statement last week, Mr. Ryan noted: "We have secured a let-



Aon Corp.'s Patrick Ryan and Chicago Mayor Richard Daley celebrate Chicago's win over Los Angeles as the U.S. nominee for the 2016 Olympics.

ter from an A+ rated insurance carrier stating their confidence in their ability to provide \$500 million of insurance to augment the public guarantees that Chicago 2016 has received."

The identity of the insurer was not disclosed.

Contributing: Roberto Cenicerros, Mark A. Hofmann, Rupal Parekh, Joanne Wojcik



Chow Yun-Fat reportedly has pulled out of director John Woo's latest movie.

Coverage dispute puts action star on sidelines

"The coolest actor in the world" evidently doesn't think insurance is so cool.

Action film superstar Chow Yun-Fat last week reportedly pulled out of filming director John Woo's "Red Cliff" in part because of conditions insurers put on making the movie.

Mr. Chow is best known as a handsome action hero who has portrayed a hitman, an honorable gangster and a gun-happy cop. He became a film sensation in Hong Kong before migrating to Hollywood.

It was John Woo's 1986 film "A Better Tomorrow" that established the careers of Messrs. Woo and Chow and launched a new Hong Kong film genre called "historic bloodshed" or "gun fu."

"A Better Tomorrow" is said to have done for its genre what "A Fist Full of Dollars" did for so-called spaghetti westerns.

Reports circulated last week that the 51-year-old Mr. Chow wanted out of "Red Cliff" because the script got delivered to him on short notice and didn't leave him enough time to prepare.

But moviemakers reportedly said they couldn't work with Mr. Chow because of unreasonable demands, including problems he had with a Hollywood insurer's opposition to certain clauses in his contract.

A mid-1990s Los Angeles Times article is widely credited with proclaiming Mr. Chow "the coolest actor in the world" even before he had made a Hollywood movie.



Former Cub Ron Santo (left) talks to current manager Lou Piniella during spring training in Mesa, Ariz., earlier this year.

Third-base great Ron Santo goes to bat for health reform

Legendary Chicago Cubs third baseman Ron Santo is helping Illinois Gov. Rod Blagojevich hit home the need for health care reform.

The longtime spokesman for the Juvenile Diabetes Research Foundation, who played for the Cubs from 1960-1973 and with the Chicago White Sox in his final season of 1974, met with Gov. Blagojevich outside Wrigley Field earlier this month to promote the governor's "Illinois Covered" proposal.

Mr. Santo, 67, who was diagnosed with Type 1 diabetes when he was 18,

acknowledged the need for good health insurance to ensure that all Illinois residents have access to affordable health care.

"I have been fortunate to have good insurance and support over the years," said Mr. Santo, who concealed his condition during most of his playing career for fear he would be forced into retirement. Mr. Santo revealed his diabetes in August 1971 during a Wrigley Field "Ron Santo Day" celebration.

Mr. Santo, the first third baseman in Major League Baseball to hit more

than 300 home runs and win five Gold Gloves, has had both legs amputated below the knee as a result of his disease.

Gov. Blagojevich's plan, introduced last month in the Illinois Senate, calls for revamping the state's corporate income tax structure to provide funds to establish a purchasing pool to provide affordable health insurance to state residents.

The plan also includes a pay-or-play component, which would require most businesses to provide health care coverage to their workers.

**AIG IS PROUD TO TEAM WITH
SEEDCO FINANCIAL
TO EMPOWER SMALL BUSINESSES
AND THE ARTS IN NEW ORLEANS.**



Please join us in our efforts to help boost New Orleans' vibrant arts economy.

The AIG companies® are working with Seedco Financial Services to support the New Orleans arts economy and grow culture-related small businesses through financial education, intensive technical assistance and access to loan capital.

Visit us at RIMS booth 1520 to fill out an AIG PassportSM questionnaire. **For each completed questionnaire, the AIG companies will make a contribution to the Seedco Financial ArtBusiness: New Orleans program.*** Each participant will receive a gift and a chance to win the "Passport to New Orleans Culture" grand prize which includes two VIP passes to Jazz Fest. The full AIG contribution will be donated in honor of the winner and will be announced in an advertisement following RIMS.

To learn more about AIG Passport, contact your insurance broker or e-mail us at AIGPassport@aig.com.

*Total contribution up to \$50,000.



THE STRENGTH TO BE THERE.®

www.aig.com