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2006 Risk Manager of the Year

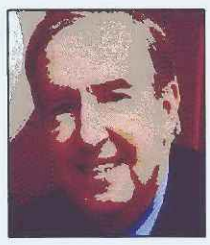
Debra Griffith

Boy Scouts of America

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RISK MANAGEMENT HONOR ROLL

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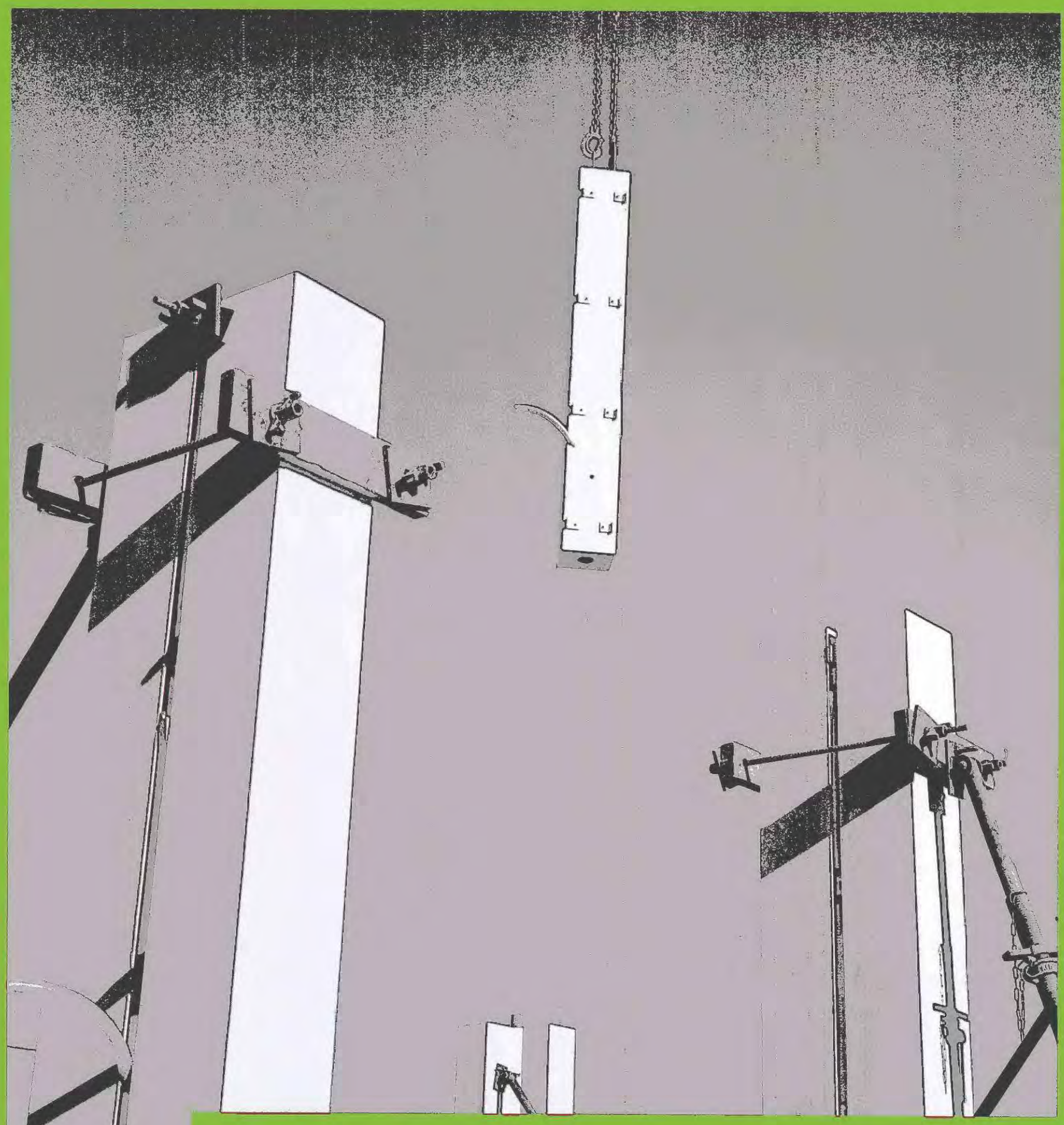
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Late News

AIG plans sale of stake in IPC

American International Group Inc. plans to make its 15.4 million shares in IPC Holdings Ltd. available in a public offering but said in a statement that the timing of the sale is "subject to market conditions, and there is no assurance that it will occur." AIG, which was a founding IPC shareholder and owns about one-quarter of the reinsurer's stock, said it will continue to provide IPC with investment management, administrative and other services. "Our registration request is part of our ongoing management of our business portfolio and strategic redeployment of our capital," Martin Sullivan, president and chief executive officer of AIG, said in the statement.

P/C rates drop in first quarter

The average commercial property/casualty account renewing during the first three months of this year saw a rate decrease of 2.7%, according to an analysis of Council of Insurance Agents & Brokers data performed by Lehman Brothers Equity Research. Large accounts–defined as those generating more than $100,000 in fees and commissions annually–registered the largest rate decline, at an average of 3.5%, while those generating less than $25,000 in fees and commissions annually experienced the lowest rate of decline at 1.6%.

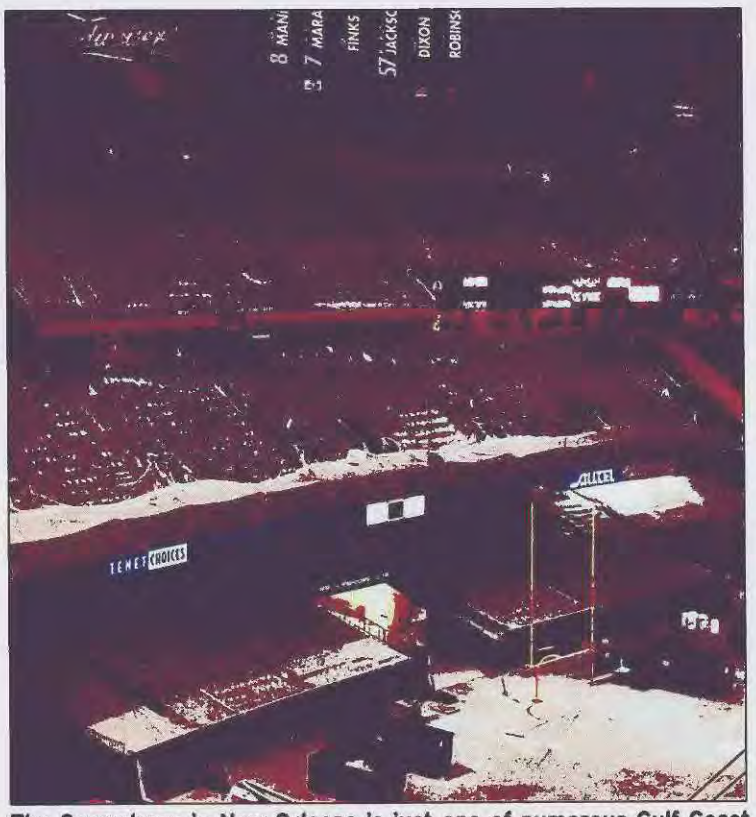
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High court to examine definition of retaliation in employment case.
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The Superdome in New Orleans is just one of numerous Gulf Coast structures in need of repair or rebuilding following Hurricane Katrina.

Gulf Coast finds builders risk cover scarce, expensive

By MICHAEL BRADFORD

NEW ORLEANS—Contractors and property owners rebuilding the Gulf Coast devastated by the 2005 hurricanes are being both helped and hindered by a reshaped builders risk insurance market.

The coverage, which became harder to find after insurers suffered heavy storm losses in 2004, is even more difficult to arrange now and is costly when it can be cobbled together. Large commercial contractors are scrambling for it as they bid on projects to rebuild New Orleans and other parts of the coast. Homeowners also have turned to the market as a way to get some protection in place as traditional homeowners insurers restrict writings on properties damaged by Katrina.

Commercial contractors and their brokers are struggling to get coverage in place during the rebuilding.

"The change started in 2004," after hurricanes raked Florida and the Gulf Coast, said Thomas Kelly, managing director and U.S. builders risk leader for Marsh Inc. in New York. After those hurricanes, there were "changes in market appetite," he said, as insurers began to cut back on the amount of capacity they were willing to allocate to builders risk coverages.

A year later, the destruction on the Gulf Coast from hurricanes Katrina, Rita and Wilma did nothing to make insurers hungry for builders risk exposures, said Mr. Kelly.

Michael Tubbs, New Orleans-based vp with Willis Group Holdings Inc., said capacity for builders risk exposures is hard to come by. Whereas Willis had been able to arrange $20 million to $25 million in limits with "a couple of domestic markets" before Hurricane Katrina and have London market insurers take "$50 million here and there, that's not there anymore," he said.

Pricing for builders risk coverage in the hurricane-prone region has "doubled at least, maybe more," said Mr. Tubbs. He said that "it's not just a Louisiana problem" but one that affects policyholders "from North Carolina to coastal Texas" who have suffered from recent hurricanes.

Mr. Kelly explained that insurers consider their overall property catastrophe capacity when determining how much to allocate to builders risk exposures. They are unwilling to dedicate much of that capacity to writing builders

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States questioning AIG comp settlement

Some monopolistic systems say they don't merit payout

By ROBERTO CENICEROS

As states try determine whether their share of funds stemming from the settlement of American International Group Inc.'s alleged misreporting of workers compensation taxes and assessments is adequate, at least three states question why they are even included in the deal.

The $1.64 billion settlement reached with New York Attorney General Elliot Spitzer and the New York State Insurance Department on Feb. 9, included $42 million to compensate states for AIG's alleged underpayment of workers comp premium taxes and $301 million for the underpayment of residual market assessments from 1985 to 1996 (*BI*, Feb. 13).

The alleged underpayments were uncovered during New York's investigation of bid-rigging and fraud at AIG. The settlement of those charges detailed specific amounts to be paid to states that were related to AIG's alleged misclassification of workers comp premiums as general liability premiums.

According to the settlement, AIG was required, by March 1, to pay settlement amounts in to a fund created to compensate state entities for the alleged underpayment of residual market assessments listed in the document. The amount designated for each state appears to be based on loss data that AIG provided to a consultant hired by New York authorities, according a report prepared by the consultant.

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Employers turning to e-health records

Aim to create informed consumers

By JOANNE WOJCIK



Employers that have been gathering and analyzing claims data from insurers and pharmacy benefit managers for years are beginning to turn the information over to their employees in the hope that this information will empower them to become more informed health care consumers.

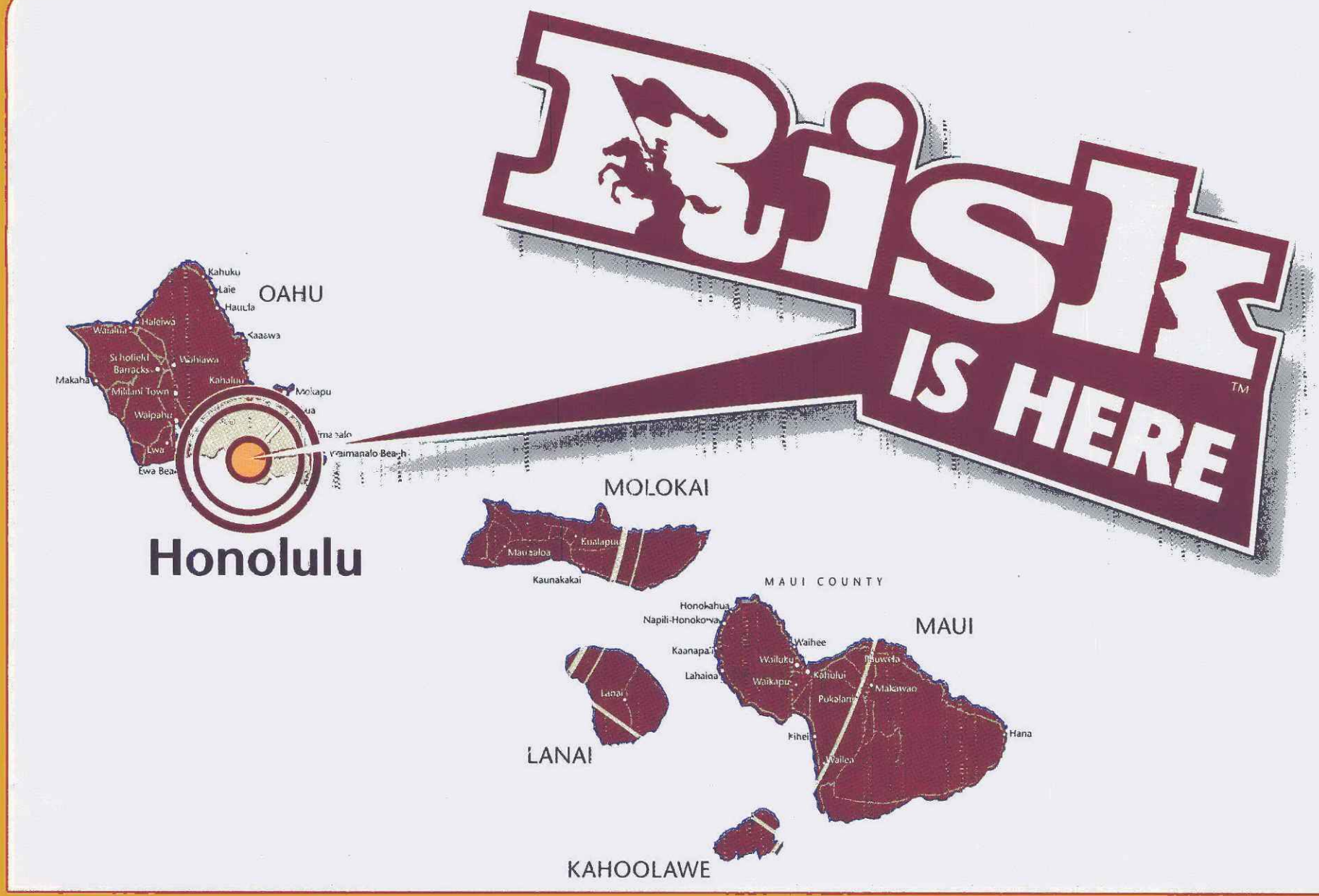
While some employers are issuing individual statements that show how much was spent on each employee's health care during a given year, a few are going a step further and combining cost and clinical information to create comprehensive personal health records.

When Round Rock, Texas-based computer manufacturer Dell Inc. announced earlier this month that it was giving its employees the option of automatically importing their compete medical claims history into their electronic personal health records, it became one of the first and largest employers to do so. Hopkinton, Mass.-based EMC Corp., another high-tech company, has been doing it since 2004.

New York-based WebMD, which made the automatic import function available to its customers about 18 months ago, serves as the backbone to both of these employers' Internet health information portals where employees' personal health records are kept. The portals also include a health risk assessment that

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AON

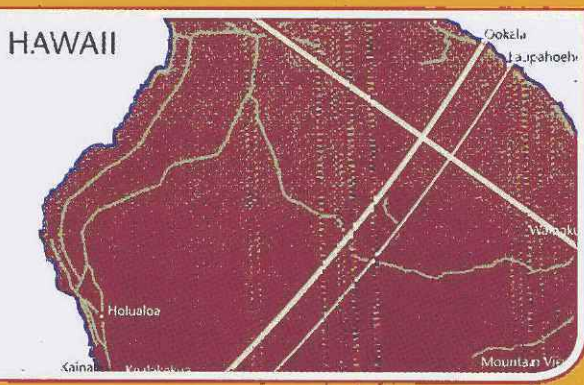


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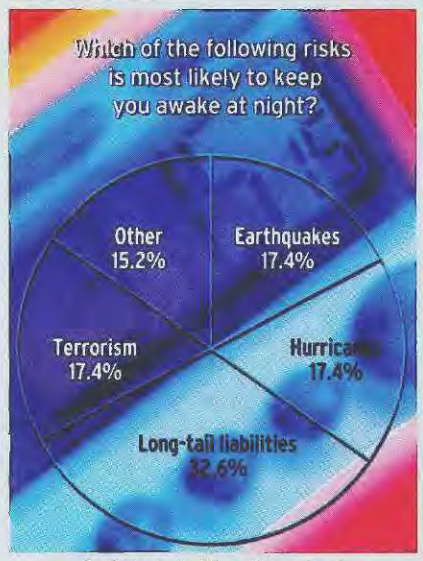
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REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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RIDE ALONG ENCLOSED IN EDITIONS 04 & 05

Court to decide retaliation suit limits

Decision in case could increase claims against employers

By SALLY ROBERTS

WASHINGTON—The Supreme Court last week heard oral arguments in a closely watched retaliation case that could have a significant impact on employers' ability to make personnel decisions.

The case, *Burlington Northern & Santa Fe Railway Co. vs. Sheila White,* involves a former female track laborer who complained of sexual harassment and later was reassigned to a different, more "arduous" job and then temporarily suspended without pay due to insubordination.

She sued BNSF in district court in Memphis, Tenn., claiming her job reassignment and pay suspension were retaliatory acts under Title VII of the Civil Rights Act of 1964.

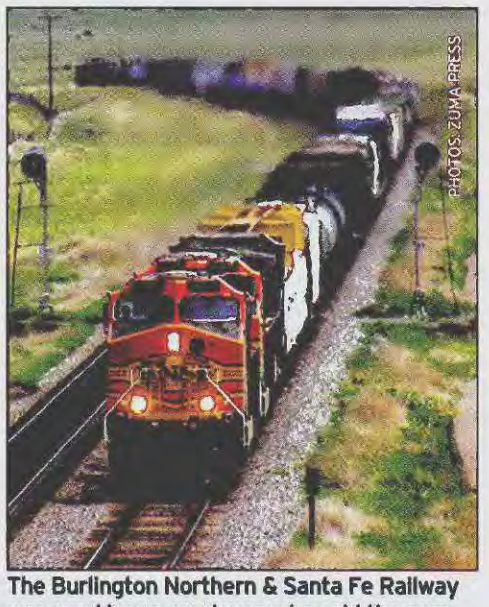
While Title VII protects employees against discrimination on the basis of sex, race, age and other characteristics, it also prohibits retaliation against those who complain about discrimination. But there is no uniform standard of law to determine what actually constitutes retaliation and lower courts are split on the definition.

In a decision that is expected by the end of June, the high court will define when an employer can be sued for retaliation under the federal Civil Rights statutes. And if the court ultimately gives a broad definition of retaliation, employer attorneys say management could find it more difficult to make personnel decisions about current employees who have previously voiced discrimination complaints and could likely increase the number of trivial retaliation claims against employers.

"Depending on how they define it, it could have tremendous ramifications for employers," said Leslie Lajewski, a partner in the New York office of Grotta, Glassman & Hoffman P.C.

In the past, employers often have worked under the assumption that if they had to change someone's job function or duties and it did not result in an adverse employment action like a pay decrease or change in benefits,

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PHOTOS: ZUMA PRESS

The Burlington Northern & Santa Fe Railway was sued by an employee who said the company retaliated against her after she complained about sexual harassment.



The California Supreme Court ruled that vulgar language used by writers of the television show "Friends" did not constitute sexual harassment.

California court rules laws on harassment don't ban coarse speech

By ROBERTO CENICEROS

SAN FRANCISCO—Using "sexually coarse and vulgar language" does not necessarily constitute sexual harassment based on a hostile work environment, California's Supreme Court found in a case involving the "Friends" television show.

The unanimous decision stems from a lawsuit filed by a woman fired in 1999 by Warner Bros. Television Productions after working for four months as a writer's assistant on the popular show.

Court records state she was fired because of problems with her typing and transcription.

The assistant, Amaani Lyle, then sued, claiming that three male writers often graphically recounted their sexual experiences and used sexually graphic language, among other allegations.

Her suit claims that the behavior constituted sexual harassment in violation of California's Fair Employment & Housing Act.

A trial court granted the plaintiff summary judgment on the sexual harassment issue. An appeals court reversed in part but also concluded that the case presented triable issues

See FRIENDS / page 70

Risk managers name top threats

Chance for expanded role seen

By DAVE LENCKUS

Emerging risks as well as the need to comply with the Sarbanes-Oxley Act of 2002 present a prime opportunity for risk managers to expand their roles by providing strategic risk management solutions to upper management, according to sponsors of a survey.

Conversely, risk managers who do not take advantage of the opportunity likely will see others from their organization step into their domain to offer that counsel to senior managers, the sponsors said.

But data from the survey, which is the centerpiece of a session scheduled for this week's Risk & Insurance Management Society Inc. conference, suggests that "risk managers are trying to figure this out to take it to the next level," said Chris Duncan, a managing director with Marsh Inc. in Atlanta.

Marsh and RIMS co-sponsored the survey, "Excellence in Risk Management III—The State of Risk Management," which is the third in a series of annual surveys on the evolution of risk management.

For the latest survey, research firm and insurance and financial services consultant Greenwich Associates of Greenwich, Conn., interviewed 866 RIMS members from midsize and large companies in various industries between December 2005 and January 2006.

According to the survey, risk managers rated terrorism as the risk most likely to influence the evolution of their profession, followed closely by technological/electronic risk.

Regulatory compliance and weather-related risks tied for third as the risks expected to influence risk management most.

Survey respondents rated the next three risks on their list equally: environmental/pollution; business continuity; and catastrophic property coverage.

Other emerging risks that survey respondents identified included those related to international trade, pandemics and supply chain/operational interruptions.

"The message I'm seeing

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Emerging risks

Risk managers name the risks they think are most likely to influence the profession

- Terrorism
- Technological/electronic
- Weather-related risks
- Regulatory compliance
- Environmental/pollution
- Business continuity
- Catastrophic property coverage

SOURCE: Greenwich Associates

Astros sue CIGNA over denial of Bagwell claim

Insurer disputes first baseman was totally disabled

By GLORIA GONZALEZ

HOUSTON—The Houston Astros baseball team has sued CIGNA Corp. for denying a $15.6 million claim related to an injury suffered by first baseman Jeff Bagwell.

In a lawsuit filed last Monday in the 129th Judicial District Court in Houston, the Astros allege that the insurer wrongfully denied coverage from an insurance policy purchased by the team to cover the Astros if Mr. Bagwell were to become totally disabled. The team filed a claim for approximately $15.6 million in January, saying an injury to Mr. Bagwell's right shoulder has left him totally disabled, but CIGNA denied the claim last month.

A key part of the dispute arises from the fact that Mr. Bagwell, who had surgery on the shoulder in June 2005, played at the end of the regular baseball season and in the playoffs in September and October 2005.

"The Astros have not identified anything that changed in Mr. Bagwell's health or condition since they played him last fall," said Ty Buthod, a partner with Houston-based Baker Botts L.L.P. who represents Connecticut General Life Insurance Co., the legal entity of Philadelphia-based CIGNA. "We have denied the claim, and we haven't been provided any reason to reverse our decision in denying the claim."

In the policy, total disability would mean Mr. Bagwell's complete and total physical inability to participate in baseball activities. His injury, while preventing him from throwing, does not prevent him from hitting, Mr. Buthod said. "We believe that the definition of total disability simply is not met," he said. "His inability to throw does not constitute a total disability. There is no partial disability component in the policy whatsoever."

Wayne Fisher, a partner with Houston-based Fisher, Boyd, Brown, Boudreaux & Huguenard L.L.P., who represents the team, could not be reached for comment. Previously, though, the Astros argued that the fact that Mr. Bagwell played in the World Series has no bearing on the legitimacy of its claim, because Mr. Bagwell was diagnosed as being totally disabled on Jan. 12 after being examined by Dr. James Andrews, a prominent sports medicine orthopedic surgeon at the Alabama Sports Medicine & Orthopedic Center in Birmingham, Ala.



PHOTO: BRIAN KERSEY/UPI/LANDOV

A $15.6 million claim against CIGNA hinges on whether Astros first baseman Jeff Bagwell was totally disabled in 2005.

Employers use online auctions to buy benefits

By LOUISE KERTESZ

Software similar to that developed for online auction companies such as eBay Inc. and Priceline.com Inc. is increasingly being used by employers to put their employee benefits programs out to bid.

While few companies use online auction facilities as their sole resource when seeking benefits coverage, the cost savings that can be achieved are leading some companies to make significant use of the facilities during the benefits procurement process, experts say.

The process often works this way: A company decides to put all or several of its benefit plans out to bid. Working with benefits and procurement staff, consultants create request-for-proposal templates, and an online auction company contacts insurance companies and other vendors, telling them when the auction will take place and relaying to them the bidding rules.

Vendors can see each other's bids online. They see what their ranking is and have the opportunity to change their bid, said Tom Billet, senior consultant at Watson Wyatt Worldwide in Stamford, Conn. When the auction closes, the winning insurer submits its proposal to the company.

In another scenario, the process selects two finalists, and then the benefits and procurement staff visit the vendor before making a decision, said Mike Taylor, a principal at Towers Perrin in Boston.

And employers do not always use all of the options in the online auction process. Pitney Bowes Inc., for example, takes a more limited approach (see story, page 64).

"It's never done completely electronically," Mr. Taylor said. "It's not a perfect science. The dilemma with electronic tools is that by their nature, they are not flexible. There's only a certain amount of room to respond to a question, or questions force you into a Yes/No, and some issues are not geared for that."

While several software companies operate online auctions, Watson Wyatt has partnered with HighRoads Inc., a Woburn, Mass.-based software company, which developed its software specifically for the benefits market, Mr. Billet said.

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Administration issues ultimatum on consumer access to health data

By JERRY GEISEL

WASHINGTON—The Bush administration has a blunt message for the health care provider community: find a way to make cost and quality information available and understandable to consumers or the government will step in.

"I beg you to make this information available," said Alan Hubbard, director of the National Economic Council and an assistant for economic policy to President Bush.

Speaking last week at the third annual World Health Care Congress in Washington, Mr. Hubbard said the administration would much prefer that the health care community—providers and insurers—would agree on methodologies so that consumers could have access to provider cost and quality information before using health care services. "It would be much better if the health care community does this in a responsible, user-friendly way," he said.

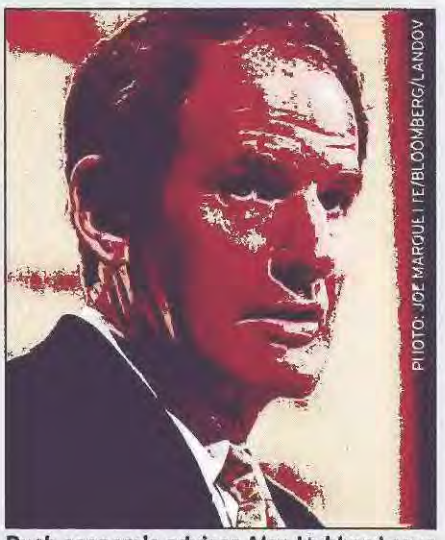


PHOTO: JOE MARQUETTE/BLOOMBERG/LANDOV

Bush economic adviser Alan Hubbard says health care providers must provide data to consumers on cost and quality.

But if providers cannot agree on how to make the information available, "we will force you" to do so, Mr. Hubbard said.

Mr. Hubbard said making provider cost and quality information available is essential to ensure that the shift away from rich indemnity plans and toward more consumer-driven plans brings health care cost increases down to more reasonable levels.

With the growing employer adoption of consumer-driven plans, which feature tax-favored health savings accounts linked to high-deductible health insurance plans, plan participants have financial incentives—exposure to big health care bills—to use services carefully.

In such a system, consumers could drive

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Lawmaker has no faith in HSA-linked plans

Stark says lower-income employees can't afford deductibles

By JERRY GEISEL

WASHINGTON—While health savings accounts linked to high-deductible health insurance plans are growing rapidly, a congressional Democrat with a long involvement in health care issues is not convinced they are the answer to controlling costs.

"I don't have much faith in them other than a cost shift" to employees from employers, said Rep. Pete Stark, D-Calif.

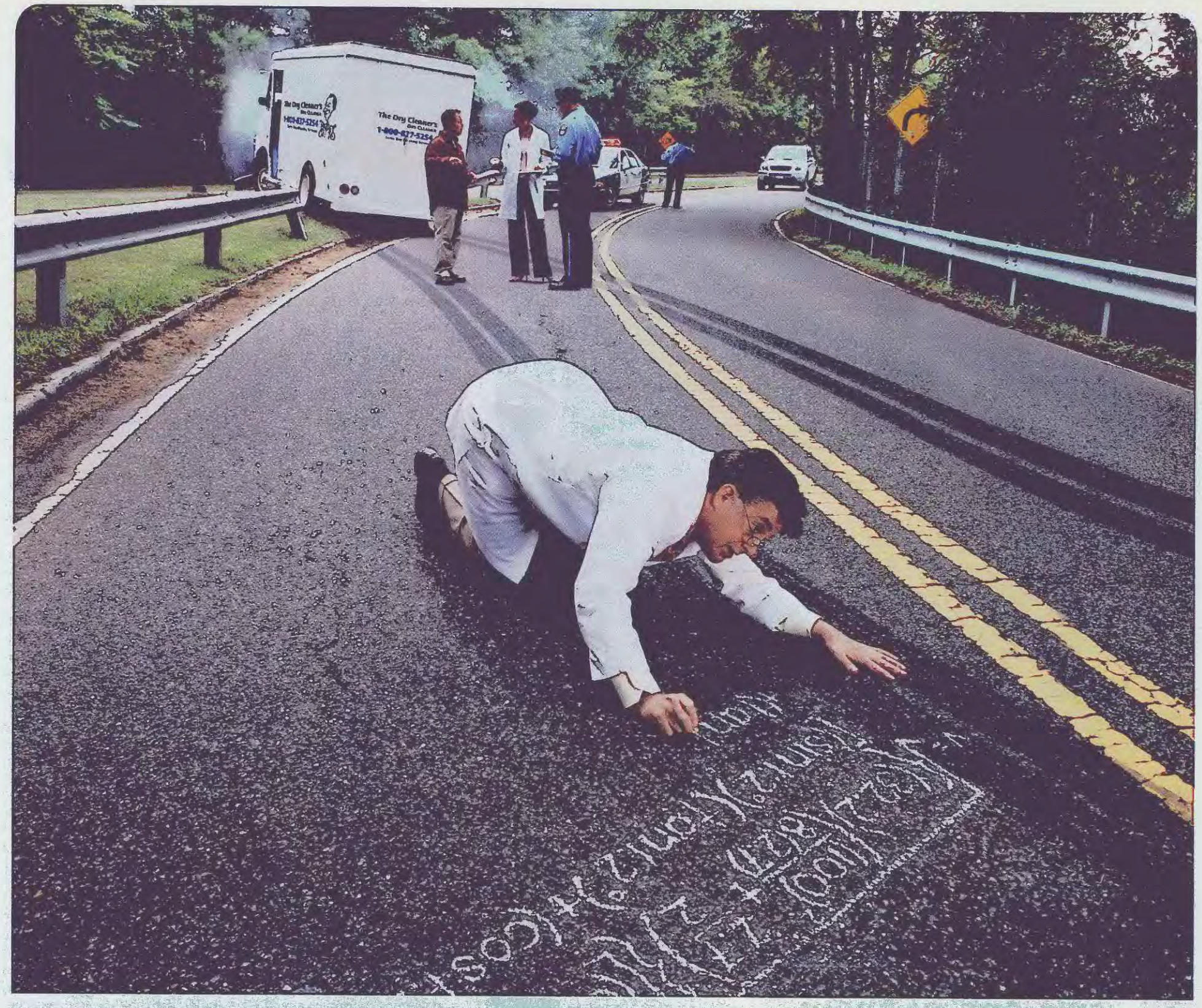
Speaking last week before the third annual World Health Care Congress in Washington, Rep. Stark, the ranking minority member of the House Ways and Means Health Subcommittee, said the design of some HSA arrangements puts them out of the reach of lower-income individuals. "If you have a $25,000 income," how do you pay for expenses that fall under the deductible? he asked.

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PHOTO: CHRIS GREENBERG/BLOOMBERG NEWS/LANDOV

Rep. Pete Stark says HSAs are not much more than a tax shelter for the well-to-do.



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PAUL WINSTON

Associate Publisher and Editorial Director

No one will believe Hawaii was work

Several years ago, I catalogued the mental and physical rigors of preparing for the Risk & Insurance Management Society's annual conference. In the spring of 2000, when the RIMS conference was to be held in San Francisco, I described it as:

"...easily the largest of any of the conferences attended and covered by Business Insurance. *It's also easily the longest of any of the conferences we attend. It requires the most advance preparation. It commands our most expansive editorial presence. It requires my largest luggage. I pack the most business cards, clean socks, neckties and so on."*

Six years and as many RIMS conferences later, I've managed to overcome some of the logistical challenges posed by preparing for this marathon-like conference. But I do believe that getting ready for this year's meeting will test prospective attendees.

Trial No. 1: Destination

This year's conference destination is Honolulu. It's the first time the society has visited this location—one that most people think of as a playground, rather than a business destination. So the first challenge is overcoming that bias and winning approval to attend.

Never mind that this conference is as educational and valuable as ever; or that travel-related expenses for Honolulu would be comparable to holding it in many mainland destinations, such as San Francisco or Boston. That kind of logic doesn't work here. Telling your boss, coworkers, family or friends that you are going to Honolulu on business is like telling them that you are "working" when on a golf course. It might be true, but few would give you benefit of the doubt.

Not even harrowing accounts of Hawaii's recent bouts with biblical rainfalls, closed beaches or toxic sewage in the canal adjacent to the conference center would convince skeptics you are heading anywhere but paradise.

As a consequence, I don't tell most people I'm going to Hawaii. Sad but true.

Trial No. 2: Dress code

For those of you who decided long ago that attire for the RIMS conference should be casual, this is a no-brainer and you will feel right at home. But for the rest of us—people who can't let go of the tradition of wearing suits, jackets, ties and uncomfortable shoes throughout the week—Hawaii's laid-back lifestyle poses the second challenge: What to wear?

I find myself thinking back to episodes of "Hawaii Five-O" and "Magnum P.I." for sartorial guidance (note: words like sartorial are banned in Hawaii). I can't wait to see how many Higgins look-alikes are strolling the aisles of the exhibition hall in khaki safari outfits.

Business Insurance sent all staff who survived Trial No. 1 a Hawaiian shirt, in muted colors, suggesting it be worn on Monday in keeping with local business custom to dress down. You'd think some folks were being asked to get a tattoo of Queen Liliuokalani on their foreheads by the reaction it engendered.

Meanwhile, I'm probably not the only one attending RIMS who is having arguments with himself over whether to bring a suit and tie...or not...maybe...just in case.

Trial No. 3: Weather

Normally, holding a conference in a place like Honolulu would not present any anxiety when it comes to the weather, compared with, say, holding the RIMS conference in Chicago or Toronto. Sunny, warm and humid would be the norm, and people could plan accordingly.

This year, as noted previously, the Aloha State has been soaked by more than 40 days and nights of rain, which produced severe flooding, prompted tourists to huddle under plastic tarps, closed beaches due to sewage overflow and resulted in a broken dam on Kauai.

Recently, the Hawaii Convention & Visitors Bureau began an aggressive PR campaign alerting people that the sun is shining again. That's good news, but we know the weather is just as fickle in Hawaii as it is on the mainland. During the week of RIMS, local forecasters in Honolulu are calling for a chance of "light windward and mauka showers," whatever that means.

Adequately preparing and planning for the vagaries of the weather, then, is your third challenge.

For those who manage to survive these trials, have a great RIMS conference—learn about new concepts, products and services, meet new people, hang loose and have fun. But when you get home, remember: Nobody will believe you were working in Hawaii.

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



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Editorial

Elite risk managers offer valuable lessons

THERE MAY BE as many different approaches to managing risk as there are organizations that employ risk managers, but it's clear that successful programs have common traits.

In this issue, we profile three outstanding risk management professionals as part of *Business Insurance*'s 2006 Risk Manager of the Year competition. Each has made a major impact on their organizations, and their peers can learn much from them.

Among other qualities, this year's Risk Manager of the Year and members of the Risk Management Honor Roll demonstrate that leadership, communication and tenacity not only can achieve solutions but also create opportunities. The best risk managers don't just find ways to prevent bad things from happening—they find a way to keep good things going.

Take the Risk Manager of the Year, Debra Griffith, as a prime example. In her career at the Boy Scouts of America, she created programs that touch the daily lives of the organization's employees as well as the millions of young people that participate in Boy Scouts activities. Building on the Boy Scouts' tradition of safety, her initiatives foster greater awareness of risk and preparedness for both youths and adults. Thanks to the efforts of Ms. Griffith and her team members, local Boy Scouts councils can continue to offer challenging and fun activities and invest the savings produced from loss control efforts into serving important community needs.

The members of the Risk Management Honor Roll, Dennis Bennice and Ryan Brown, each have played a significant role as the first risk managers for the companies they serve. And time in the job doesn't necessarily correlate to the contribution, either. Mr. Bennice, recently retired, had served as Dana Corp.'s risk manager for 40 years, while Mr. Brown has been in risk management at Raben Tire Co. for only about five.

Mr. Bennice, who continues to assist Dana's risk mitigation efforts, helped instill a culture of loss control at the automotive supplier's operations around the world. In some cases, that required diplomacy and innovative thinking to apply Dana's philosophy of managing, not transferring, risk with some uniformity.

Similarly, Mr. Brown also has demonstrated that risk management isn't just about cutting costs—it's an opportunity to change behavior for the greater good. He brought order to the practices in place and better understanding of loss control at Raben Tire. Changing workplace culture to reduce injuries and improve productivity is no easy task, yet Mr. Brown's efforts have helped his employer do that.

Business Insurance is proud to salute the achievements of the 2006 Risk Manager of the Year and Risk Management Honor Roll.

No room for name-calling

EVERY KID LEARNS THAT "sticks and stones break my bones, but names will never hurt me." That's true, but only to a point—sometimes the names called can boomerang back to the name caller.

And that's what ought to happen to Mississippi Attorney General Jim Hood, who compared insurers dealing with Hurricane Katrina claims as being in "lockstep like Nazis locking arms." Now, we know that Mr. Hood is no fan of the insurance industry. He's sued them in an effort to provide coverage for water damage where no such coverage existed. And, whether you agree with that or not—and we certainly frown upon attempts to rewrite insurance policies after the fact—you can argue that's part of the attorney general's job as the people's advocate.

But calling those with whom you disagree Nazis isn't. It's usually not part of anybody's job unless that person happens to be a war crimes prosecutor. Consumer advocates certainly didn't take it kindly when an insurance group executive likened them to Adolf Hitler a while back. The executive in question resigned from his job shortly thereafter.

We don't expect Mr. Hood to follow suit. But while no aspect of public policy should remain off limits as a subject of discussion, there are limits to how public policy should be discussed. Replacing reasoned arguments with name-calling is one of those limits, and we certainly hope that Mr. Hood thinks twice before he violates that limit again.

Schillerstrom



Letters

Let's eliminate contingent commissions

To the editor: In response to your editorial, "Unsettling Settlements?" in the April 17 issue, what I said at RIMS in April 2005 is as true today as it was then. Contingent commissions should be abolished across the industry—not for some lines, not for some brokers, not for some carriers—for everyone. If it represents a potential conflict for some, then it represents that same potential for everyone. Getting rid of the practice will not only create a level playing field but also, more importantly, will focus the entire industry on delivering value—getting policies issued efficiently and claims paid quickly. It will direct our collective resources where they should be—toward the best interests of the client.

Joe Plumeri
Chairman and Chief Executive Officer
Willis Group Holdings Ltd.
New York

Editor's note: Mr. Plumeri delivered the keynote address at the 2005 Risk & Insurance Management Society Inc. Annual Conference & Exhibition in Philadelphia.

More extensive umbrella policy offered now

To the editor: Joseph Buono's memory of the old-time umbrella liability policy may be a little too fond, in his April 17 letter to the editor.

I don't think that losses specifically excluded by the primary were ever covered by the umbrella. If primary excluded products liability because the risk was too great or the insured could not afford the premium, it's a sure bet that the umbrella underwriter didn't just pick it up excess of what was normally a $10,000 self-insured retention. Umbrellas had coverage A, which was following form over primary, subject to all the same terms, conditions and exclusions of the primary insurance—in essence, straight excess. Coverage B picked up exposure that was not included in the primary, such as personal in-

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PHOTO: MICHAEL MARCOTTE

Reducing risk but preserving adventure

Innovative program builds on Scouting's tradition of preparedness

By DAVE LENCKUS

Be prepared.

That's the motto of the 4.5 million youths and adult leaders in the Boy Scouts of America.

Be even better prepared.

That has been the motto for the organization's eight-member risk management department for the past 14 years under Debra Griffith.

During that time, Ms. Griffith cajoled and enticed an organization founded on the principle of readiness to attack risks in a way that does not eliminate the fun challenges that Boy Scout programs offer youths.

Instead, Ms. Griffith, with the input she sought from her Risk Management Advisory Panel and National Insurance Committee, alerted local Scout leaders to those risks and has promoted programs and encouraged leaders to devise their own to manage Scout activities safely. The advisory panel consists of eight Scouts executives from around the country, and the insurance committee consists of various risk management, insurance and brokerage executives.

"The thing I feel really good about Debra Griffith is her leadership," said Tom Powell, the current chairman of the Risk Management Advisory Panel and the Scout executive for the Utah National Park Council in Orem, Utah.

"She has helped expand risk management awareness enormously," he said, pointing out, for example, that she has successfully encouraged most of the more than 300 independent local Boy Scouts councils nationwide to establish not only active but also competitive risk management committees.

Indeed, at times, the committees have been incubators of programs that Ms. Griffith has promoted to other councils nationwide.

"I have the highest regard for her," Mr. Powell said. "She's done a marvelous job for us."

An independent panel of risk management experts—including risk managers, insurance and brokerage executives and educators—likewise believes that Ms. Griffith built an exemplary risk management program. The panel has named Ms. Griffith the 2006 Risk Manager of the Year. She is the 29th person to receive this annual honor.

Ms. Griffith was named director of insurance and risk management

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for the Boy Scouts in October 1991, about six years after joining the department as the assistant director. She left the risk management department earlier this year, when she was promoted to director of the organization's property division.

As impressive as her program is, even more remarkable is its success in a largely volunteer organization, observed award judge and 2005 Risk Manager Honor Roll member Bradley R. Wood.

"It strikes me that when you're a risk manager of a large nonprofit organization made up of thousands of volunteers, managing that and getting control is a real challenge. It's hard enough when it's your organization and your employees," said Mr. Wood, senior vp of risk management for Marriott International Inc. in Bethesda, Md.

Referring to the loss control programs Ms. Griffith created for the local councils and the safety awards for Scouts, he said: "They seem to couple real well with what the Boy Scouts are all about: preparedness."

The key to pushing those risk management efforts along to the local councils was to first encourage them to create their own risk management committees.

With more than $100 million of financial incentives in the form of insurance premium credits and loss-experience-based premium dividends over the past 13 years, a majority of councils have formed committees.

Regional competitions that give small, low-budget councils as much opportunity to be recognized for their efforts as large councils encourage the committees to find new and better ways to manage risk every year.

While she created loss control programs, Ms. Griffith had no trepidation about acting on the advice of her Risk Management Advisory Panel, noted Dennis Kohl, a former advisory panel chairman and the Scout executive for the Patriots' Path Council in Florham Park, N.J. Indeed, the genesis of some of Ms. Griffith's programs were in the most proactive local councils.

Many communities, as well as the Boy Scouts organization, have benefited from this focus on risk management. Numerous councils have committed those dividend funds to, for example, the Scoutreach program, which covers the Scout-related costs for underprivileged youth. A council in the Bronx has used its funds to develop a program that reaches out to youths from families torn apart by domestic violence.

Many communities, as well as the Boy Scouts, have benefited from Debra Griffith's focus on risk management.

Meanwhile, Ms. Griffith was not satisfied with driving risk management only as far as the local council. She also has developed safety programs under which Scouts can earn coveted uniform patches.

For example, for the 2005 National Jamboree, 18,000 Scouts earned the Emergency Preparedness Award that Ms. Griffith developed, which was endorsed by the U.S. Department of Homeland Security. Scouts who earned the award completed a program designed to help them be mentally and emotionally prepared to act promptly and take care of themselves in an emergency.

And, in one of her final efforts as a risk manager, Ms. Griffith set in motion the creation of a safety officer position for Scout troops—a position that would be filled by a Scout, not an adult. As currently envisioned, Scouts who earn the position would work with adult leaders to ensure that various safety guidelines have been considered before an activity commences.

Along the way, Ms. Griffith had to deal with some thorny risk management problems that created problems for the organization on the national level.

In recent years, the directors and officers liability insurance market has indicated local Scout councils in the near-term could face huge cost or coverage problems, despite the organization's lack of losses.

In response, Ms. Griffith developed a self-insurance option that not only ensured the protection of councils' boards but also strengthened the organization's negotiating power with commercial insurers.

And, shortly after joining the organization, Ms. Griffith restructured the organization's litigation strategy by implementing a coordinated defense program. She gives the coordinated defense much credit for the organization's nearly 10-year run of jury trial successes.



PHOTO: MICHAEL MARCOTTE

Randall L. Kopsa, director of the Boy Scouts of America's treasury division, left, had supervisory responsibilities over Debra Griffith when she was the organization's director of insurance and risk management. Earlier this year, Ms. Griffith was promoted to director of the Boy Scouts' property division.

"For the size of the organization she's involved with, her job is extremely broad," said contest judge John O'Connell, C.V. Starr Professor of International Risk Management at Thunderbird, The American Graduate School of International Management, in Glendale, Ariz.

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PHOTO: MICHAEL MARCOTTE

The National Scouting Museum, in Irving, Texas, features the largest number of Norman Rockwell paintings displayed under one roof. The collection includes the first scouting painting he did in 1908 as an illustrator for Boy's Life magazine.

BSA history has many a 'good turn' among milestones

By DAVE LENCKUS

In 2010, the Boy Scouts of America will celebrate its 100th anniversary of promoting and developing strong character, citizenship, religious reverence and personal fitness among the nation's youth. The nonprofit organization provides camping, aquatics, fitness and special-interest programs to approximately 3.5 million Scouts through the efforts of more than 1 million adult volunteers and more than 300 independent and local councils nationwide.

The councils oversee more than 126,000 individual units of Cub Scout packs, for boys ages 8 to 10; Boy Scout troops, for boys 11 to 17; Varsity Scout teams, for boys 14 to 17; and Venturing crews, for boys and girls 14 to 20. In addition, the organization offers the Tiger Cubs home-centered program for first-grade or seven-year-old boys.

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Following are some of the most memorable Boy Scouts milestones:

1907: Boy Scout movement founder Robert S.S. Baden-Powell, a British war hero, holds a camp for 22 boys on Brownsea Island, off the coast of England, to test his ideas on nature skills for youth. Mr. Powell had written a book, published in 1899, on army scouting, which became extremely popular with individuals working with youth. He was then encouraged to write a nonmilitary version of the book for youth.

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History: Boy Scouts of America has many a 'good turn' among its milestones

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big Boy Scouts rally in September, drawing 10,000 boys, as well as self-organized Girl Scouts.

1909: A Scout in London helps an American visitor, Chicago publisher William D. Boyce, find his way out of dense fog. The boy refuses to accept a tip, explaining that he is a member of an organization that encourages its members to "do a good turn daily." Greatly impressed, Mr. Boyce meets with Mr. Baden-Powell to learn more about the organization.

1910: Mr. Boyce incorporates the Boy Scouts of America in February. Co-founder Daniel Carter Beard merges his Sons of Daniel Boone organization with the Boy Scouts of America, and author Ernest Thompson Seton, a naturalist who also had established a youth organization, is named chief Scout.

1911: Attorney James E. West, who was orphaned as a youth and was physically handicapped, is named chief Scout executive. Mr. West is credited as the architect of the Boy Scouts of America.

1912: Scouts, now enrolled in every U.S. state, mobilize for the first of many national civic Good Turns. The Boy Scouts of America purchases Boys' Life, which becomes the organization's official magazine.

1915: Military policy is adopted, and the Order of the Arrow is founded to recognize outstanding Scouts.

1916: The U.S. Congress authorizes a military-style Scout uniform, and a constitution and bylaws are adopted.

1917-18: To support the war effort, Scouts sell $147.9 million of Liberty Loan bonds and $53 million of war savings stamps.

1920: 301 U.S. Scouts and adult leaders attend the first World Jamboree in England.

1930: The Cub Scout program is formally launched after a one-year experimental trial.

1932: The National Council adopts a 10-year growth plan, which focuses on enrolling one of every four 12-year-old boys in the Boy Scouts of America and retaining their membership for four years. Ten years later, the membership of the Boy Scouts of America surpasses 1.5 million, up from 847,000.

1935: During the year, the Boy Scouts of America celebrates its Silver Jubilee and membership surpasses 1 million for the first time.

1937: Two years after being postponed due to an infantile paralysis epidemic, the first U.S. National Jamboree is held in Washington.

1938: Waite Philips donates to the Boy Scouts of America 35,857 acres of land on the eastern slope of the Rocky Mountains, near Cimarron, N.M. The campsite is later named the Philmont Scout Ranch.

1941-45: The Boy Scouts of America responds to 69 requests from the federal government to support the war effort.

1947: Basic Boy Scout requirements are authorized, with equal emphasis placed on sprit, participation and skills.

1954: The National Council moves to New Brunswick, N.J., and the circulation of Boys' Life surpasses 1 million.

1964: The 500,000th Eagle Scout badge is awarded, and the 40 millionth member is registered.

1972: The Boy Scouts of America membership reaches its all-time high of more than 6.5 million youth and adult members.

1978: Family camping is re-emphasized, and volunteer training is established as a major program function.

1979: The Boy Scouts of America moves its headquarters to Irving, Texas.

1982: Tiger Cub Scouting is launched.

1984: Varsity Scouting is launched.

1987: The Boy Scouts of America launches campaigns to prevent child sexual abuse and drug abuse.

1988: Scouts collect more than 60 million containers of food in the first Scouting for Food drive. The nation's largest anti-drug-abuse educational campaign, "Drugs: A Deadly Game," which was launched in 1987, receives the Presidential Citation for Private Sector Initiatives.

1991: The Boy Scouts of America takes its values-based curriculum Learning for Life into the classroom to reach children who are not involved in character-building youth programs.

1993: The Boy Scouts of America helps the Scout movement in the former Soviet Union produce its first Russian Scout Handbook.

1998: The Venturing program for male and female adolescents and adults age 14 to 20 is introduced to provide them an opportunity to pursue special interests in sports, the arts and other hobbies.

2000: Scouts complete more than 214 million hours of total public service as part of the Boy Scouts of America's four-year project "America's Promise—The Alliance for Youth." The total exceeded the program's goal by 14 million hours.

2004: In conjunction with the Salvation Army, American Red Cross, Habitat for Humanity and thousands of other community organizations, the Boy Scouts of America issues a national call to service to the Good Turn for America program, which addresses the problems of hunger, lack of adequate shelter and poor health.



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Risk management committees take safety to local level

By DAVE LENCKUS

With its focus on guiding youths through some challenging activities, the Boy Scouts of America has a mission and risks unlike for-profit organizations.

To that end, the organization drills Scouts to be prepared in every situation, whether they are camping in dense woods, canoeing down rushing rivers or jumping into the cockpits of small planes for their first flying lessons.

Still, as if she had been in corporate America, former Boy Scouts risk manager Debra Griffith has driven risk management deep into the organization through several programs, incentives and ongoing communication efforts designed to continually promote those programs.

Topping the list of her successes is the wide adoption of active—and even competitive—risk management committees by the organization's more than 300 independent local Boy Scout councils.

Other programs that Ms. Griffith has developed not only have encouraged further risk management efforts at the local council level but also among the troops themselves (see stories, pages 16 and 17).

Few Boy Scouts leaders or troops have heard the phrase risk management, said Ms. Griffith, who was the organization's director of insurance and risk management for more than 14 years before she was promoted to director of the BSA property division in February.

But their unfamiliarity with the term is unimportant, she said. The risk management thought process is what counts, she said.

That is not to suggest the organization had problems with safety, Ms. Griffith said. "I do believe safety always was inherent in scouting," she said.

But her risk management efforts—some with the aid or at the suggestion of her National Insurance Committee or Risk Management Advisory Panel—were designed to take safety "a step further," she explained.

Ms. Griffith wanted to "create a subconscious state of mind" that would allow Boy Scout leaders and troops to instinctively evaluate whether there could be a better or safer way to perform an activity.

She also wanted that mindset to be positive—not one that prompts a leader or Scout to consider "what can go wrong" in any situation, Ms. Griffith said. "That's too negative."

Committee matters

At the local council level, the risk management mindset has been ingrained though the risk management committees that Ms. Griffith has promoted since the mid-1990s.

Incentives for councils

Councils can earn an extra general liability premium credit by creating **risk management committees** that, among other things, meet four times a year and complete at least two projects or accomplish two goals.

A risk management committee consists of experts in risk management, safety engineering, insurance, law enforcement and any discipline related to loss prevention.

The local council also assigns one of its paid employees to serve as an adviser to its risk management committee.

To ensure a committee does not act in a vacuum Ms. Griffith advised them to interact with the council operating committees, such as those dealing with training and health and safety. Members of operating committees may serve on risk management committees as well.

A risk management committee is accountable to its local council's Scout executive or a council officer.

To aid local councils in setting up committees, Ms. Griffith produced a tutorial guide that provided examples on how a committee could attack an issue. Risk management published the guide, "Highlights of Risk Management," in 1996.

By 2003, nearly all of the more than 300 councils had created active risk management committees. While that number has slipped in the past few years, nearly 90% still have active committees that compete for recognition. In 1999, though, no more than half of the councils had established risk management committees. "That's not what we wanted," Ms. Griffith said.

To encourage more councils to form committees, risk management launched a two-pronged effort that appealed to the local councils' pocketbooks and competitive spirit.

At the suggestion of Carolyn Tinner, then Ms. Griffith's assistant director, risk management in 2000 offered each council the chance to earn a 10% general liability insurance premium credit by establishing and maintaining an active risk management committee. The credit is in addition to the general liability insurance premium dividend a local council could earn by keeping its losses in check (see story, page 18).

To earn the premium credit, a council's risk management committee must, among other requirements, meet four times a year and complete at least two projects or accomplish two goals.

Awards for councils

If those projects or goals are especially noteworthy, a committee can earn its council a $2,000 cash prize in the risk management committee competition that Ms. Griffith created and subsequently expanded.

The competition—the second prong of Ms. Griffith's effort—recognizes three councils from each of the Boy Scouts' four regions nationwide. One council from each of three size categories is selected in each region to ensure that even small councils with limited budgets are recognized for their efforts.

In 2002, the first year of the competition, only one council from each region was recognized and received a $3,000 prize.

Beginning in 2005, risk management began recognizing one of the winning councils as the "Best of Winners." That award earns the winning council $5,000.

Winning councils receive their awards during the Boy Scouts' national annual meeting in May.

Among the winning councils since the inception of the award, one solicited funding to purchase three automated defibrillators for its camp. Cardiac problems rank among the top exposures the Boy Scouts organization faces.

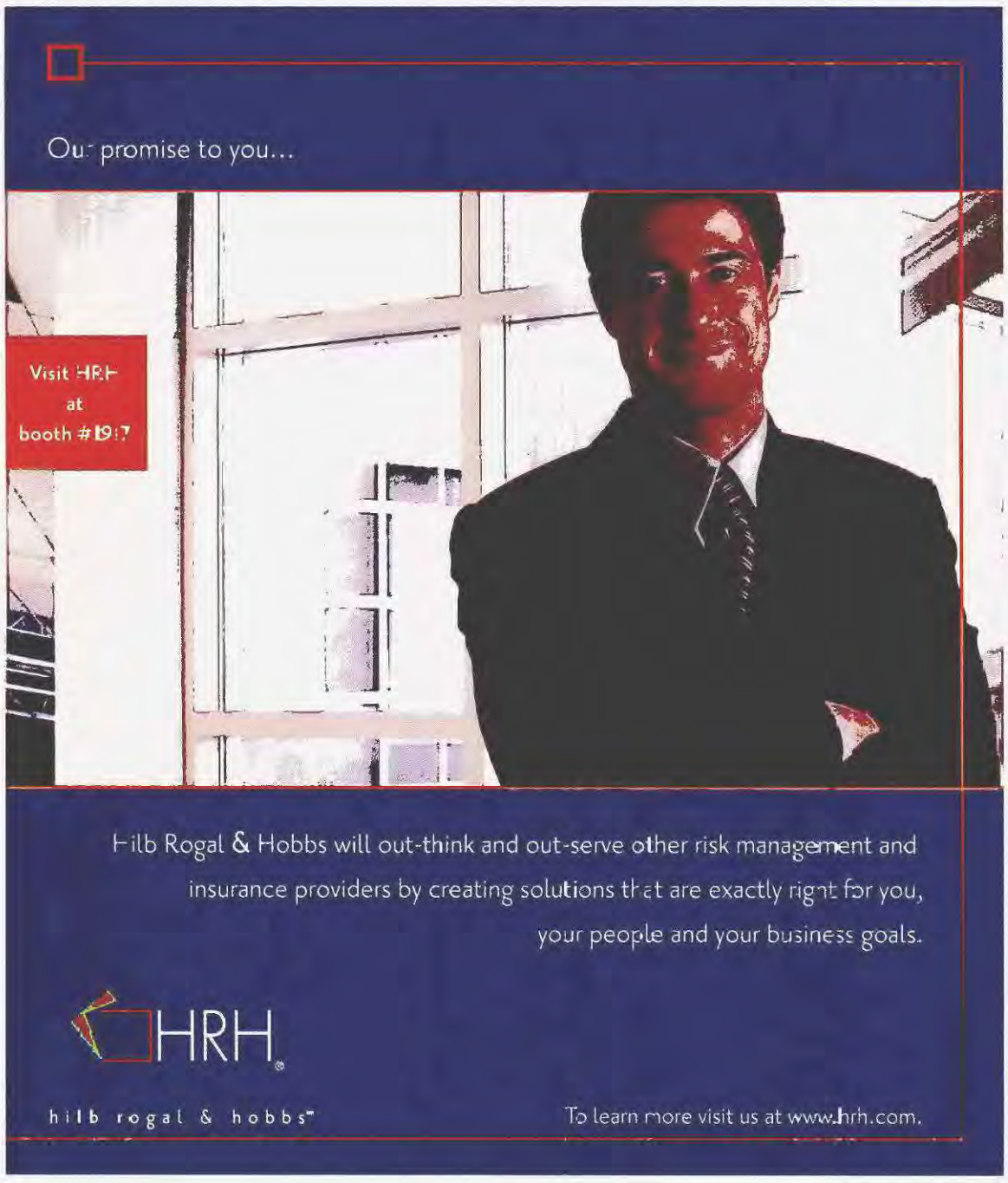
Among its projects, another award-winning council enhanced its training and safety awareness programs by developing a Web site that allows unit leaders, Scouts and their parents with access to various information, guidelines, training materials and forms.

While risk management committees may develop their own projects, they also may take advantage of some guidance that the risk management department provides.

In 2003, Ms. Griffith published a follow-up handbook to the 1996 guide on forming a risk management committee. "Highlights of Risk Management II," the much more voluminous successor to the first handbook—which Ms. Griffith characterized as a "mature" sequel to the first effort—outlined the best practices and programs developed by award-winning councils.

A resources section directs readers to various organizations from which the local councils can draw information. A compact disc accompanies the handbook.

In addition, in its annual newsletter to local councils, the risk management department highlights award-winning councils and their projects.



RISK ZONE targets common, major risks

Programs aimed at local councils

By DAVE LENCKUS

Driving risk management down to the more than 300 local Boy Scout councils nationwide went further than inducing the councils to create active risk management committees.

As director of insurance and risk management for the Boy Scouts of America, Debra Griffith kept risk management in the spotlight for the councils through a series of programs that targeted the major sources of claims and the most severe losses for the Boy Scouts organization.

Managing risk for an organization out of its headquarters "is wonderful," Ms. Griffith said, "but it's got to flow down."

Ms. Griffith's RISK ZONE campaign, with its logo of an exclamation mark as the "I" in RISK and a sleepy eye as the "O" in ZONE, began targeting the risk of fatigued adult volunteers driving Scouts in 1998.

The problem typically occurred after an overnight troop outing, such as a camp out, when an adult volunteer who did not get a restful night's sleep would drive Scouts home from the event. The RISK ZONE campaign, waged through special literature and the risk management newsletter Ms. Griffith's office published, alerted local councils and volunteers to the problem.

With approximately 3.5 million Scouts and 1 million adult volunteers nationwide, the organization's

See RISK ZONE/ page 16



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RISK ZONE: Safety programs target council risks

Continued from page 14

exposure is significant.

Ms. Griffith advised Scout leaders and volunteers how to address the issue: appoint a designated driver for the trip home, and ensure that the driver has no responsibilities the night before the return trip other than getting a sound night's sleep.

In 1997, the year before Ms. Griffith began the campaign, 32 reported automobile claims cost the Boy Scouts $8.1 million. In 2000, the last year for which final claims information is available, 15 reported claims led to $539,000 in losses.

Since then, the number of still-open claims and the loss totals has bounced around, but claim severity in four of the past five years has been less than $4.5 million and was less than $120,000 in two years. In 2004, the worst year for auto losses since the RISK ZONE's inception, claim severity was $6.2 million, though claim frequency was shaved to eight incidents.

The broader RISK ZONE BSA Risk Ready campaign grew out of the RISK ZONE campaign at the suggestion of the Risk Management Advisory Panel. That group consists of two Scout executives from each of the organization's four regions nationwide.

Risk Ready encourages local councils to focus on the types of losses that either occur most often or cost the Boy Scouts the most in lives and dollars. Those risks include aquatics, slips and falls, vehicles, cardiac problems, fires and employment-related issues.

Risk management modified the logo for this campaign, which rolled out in May 2004 during the national meeting of Scout executives. The "I" and "O" in RISK ZONE were changed to an inverted magnifying glass over an alert eye.

At the national meeting and at subsequent conferences for local council executives, risk management promoted the campaign through a "Wheel of Risk" game. Scout executives would spin the wheel and answer the question on which the wheel dial landed. Most of the questions were drawn from the "Guide to Safe Scouting."

Correct answers garnered contestants promotional stress balls that were shaped to represent the risks that concern risk management most. For example, a boat represented aquatic risks and a banana represented slips and falls.

Risk management now is working on a compact disc version of the game and plans to introduce an electronic risk management game similar to "Jeopardy" sometime this year.

In attacking the Boy Scouts' employee harassment risk, Ms. Griffith approached and worked with other groups within the organization.

As she saw those claims begin to rise during the late 1990s, Ms. Griffith approached the human resources department for its assistance in educating the organization about the kinds of behavior that can lead to those types of claims.

In 1999, human resources produced and disseminated throughout the organization a video on the risk, and claims began dropping, Ms. Griffith said.

But in recent years, harassment claim totals "crept up" again, she said.

Ms. Griffith again turned to human resources, which, with input from the Risk Management Advisory Council, selected an online interactive training program.

The mandatory program, provided by Workplace Answers of San Francisco, is being rolled out to national and local Scout executives this year. A feature of the service allows human resources to track who has undergone the training.

Camp staff, who typically are of college age, will have to participate in the program next year. In the meantime, Ms. Griffith developed a camp staff code of conduct, which human resources and the Boy Scouts' programs group will administer this year.

"Dempsey, Myers quantified our BI exposure by considering every influence on revenue – economy, company history and the senior manager on the 11th floor."

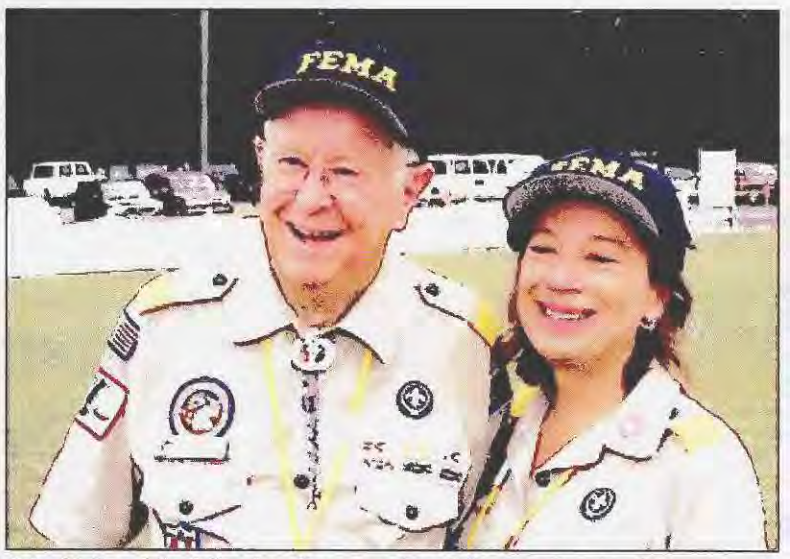
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John M. Coughlin, left, a longtime member of the Boy Scouts of America risk management department's National Insurance Committee, poses with Debra Griffith at last year's National Jamboree.

Scout patch promotes emergency planning

By DAVE LENCKUS

For tens of thousands of Boy Scouts, the quadrennial National Jamboree is a special event full of summer fun and camaraderie. For the Boy Scouts of America's risk management department, the 2005 event also provided a special opportunity to promote emergency planning among legions of youths.

While a Scout might never have heard the term "risk management," that's no reason he can't practice it, said Debra Griffith, the former director of insurance and risk management for the Boy Scouts.

Ms. Griffith, who was promoted to director of the Boy Scouts' property division earlier this year, developed and promoted a program designed to encourage Scouts to prepare for any contingency while traveling for the event and while at it.

The number of Scouts nationwide who completed the program and earned a special emergency preparedness patch for the 2005 jamboree far exceeded her expectations.

Ms. Griffith had hoped that 5,000 Scouts—or about 15% of the 35,000 scheduled to attend the event—would earn the patch, noted Randall L. Kopsa, who, as director of the Boy Scouts of America's treasury division, was Ms. Griffith's supervisor until her promotion.

Instead, Ms. Griffith had to place several additional orders for patches, as more than 18,000 Scouts who attended the jamboree earned the patch. In terms of units, 465—or 52%—of the 993 units that attended the event earned the patch. "It was an absolutely huge success," Mr. Kopsa said.

The National Jamboree, which the Boy Scouts first held in 1937, attracts tens of thousands of Scouts from across the country for 10 days of fun. As it has for many of the past events, the Boy Scouts held the 2005 jamboree at the Fort A.P. Hill Army base, near Bowling Green, Va. The event ran from late July until early August.

Ms. Griffith's preparation for the special patch, though, began in 2003. John M. Coughlin, a 60-year Scout veteran who is the longest-sitting member of the risk management department's National Insurance Committee and an executive on a local council in New York, suggested that Ms. Griffith develop the special item.

The patch was designed to encourage Scouts to be mentally and emotionally prepared to act promptly and take care of themselves in an emergency.

Scouts had a great deal of motivation to earn the patch, Ms. Griffith explained. Any patch is a highly coveted item, and, at that time, only one opportunity was going to be offered to earn the emergency preparedness patch. In addition, the award-winning units would be recognized at a special event among throngs of other Scouts at the National Jamboree.

Unlike almost all other patches, the emergency preparedness patch had to be earned by Scouts working as a unit, rather than individually.

To earn the patch, each unit member had to complete first aid training, participate in emergency preparedness training conducted by a community emergency agency such as the police or fire department, develop a jamboree emergency plan that included various scenarios and then participate in sessions to familiarize the unit with the plan. Some members of the unit also had to have cardiopulmonary resuscitation training.

Ms. Griffith's department set out numerous specific elements that units had to incorporate into their emergency plans. For example, the plans had to include a buddy plan, gathering places along the unit's route to the jamboree and a list of hospitals along the route. Other requirements included plans for responding to various emergency scenarios, such as a unit member who gets lost or has an accident. And critical duties during an emergency, such as handling communications and being responsible for the unit's emergency kit or contact information, had to be assigned to unit members.

Ms. Griffith also secured an endorsement of the patch from the

See PATCH / next page



At the National Boy Scout Jamboree in July 2005, rescue workers transport a scout suffering from a heat-related illness to obtain treatment at the Fort A.P. Hill Army base near Bowling Green, Va.

Unexpected acts test preparedness

Tragic losses can befall even an organization with an award-winning risk management program, as was the case with the Boy Scouts of America last year.

More than half of the 35,000 youths who attended the Boy Scouts' National Jamboree last summer earned a special Emergency Preparedness unit patch that the organization's risk manager designed for the event. To earn the patch, a unit's Scout members and adult leaders had to meet a list of criteria to demonstrate they were prepared to respond to various emergencies while traveling for the event or while at it.

But despite that and other extensive risk management preparations, four adult leaders were killed and hundreds of Scouts became ill during the event. The adults were electrocuted while pitching a tent near power lines. The Scouts suffered heat-related illnesses while assembling hours ahead of President Bush's scheduled appearance, which eventually had to be rescheduled due to bad weather.

Debra Griffith, who was director of insurance and risk management at the time, said the organization continues to analyze the incidents. "There's a very intense after-event debriefing process done in conjunction with the military," which uses the event as a training exercise. The Boy Scouts have held their last several jamborees at the Fort A.P. Hill Army base near Bowling Green, Va.

Ms. Griffith and Randall L. Kopsa, Ms. Griffith's immediate supervisor at the time, said every jamboree helps the organization prepare better for the next one.

"You try to be prepared for every situation," said Mr. Kopsa, director of the Boy Scouts' treasury division. For example, he noted that Ms. Griffith had procured 20,000 bottles of water before the onset of the heat wave that sickened Scouts.

He also pointed out that the jamboree was the first in the organization's history that had a risk management service in place.

"But, unfortunately, sometimes things do happen in the program," Mr. Kopsa said.

—By Dave Lenckus

Patch: Incentives raise motivation

Continued from previous page

U.S. Department of Homeland Security, which has since developed a similar program called Ready Kids, which the Boy Scouts of America and other organizations have endorsed. She ran a letter of endorsement from Homeland Department Secretary Michael Chertoff in the risk management department's newsletter to local councils a couple months before the jamboree.

"The endorsement gives it credibility, respectability and importance," Ms. Griffith said. "It gives it that kind of stamp of approval."

In the same newsletter, Ms. Griffith's department encouraged units that had not planned to earn the patch to do so. She provided them guidance on how to quickly familiarize themselves with the patch requirements.

Another incentive for Scouts was that they were required only to earn the patch; normally, a Scout earns a patch and then must purchase it. But Ms. Griffith arranged for Great American Insurance Co. of Cincinnati, Ohio, to cover the cost of the emergency preparedness patches. Great American writes the first $5 million layer of excess general liability insurance above the Boy Scouts' $4 million self-insured retention.

While the patch was a special promotion, the Boy Scouts might offer it again for the organization's next jamboree, which is scheduled to commemorate the organization's 100th anniversary in 2010, Ms. Griffith said.

Scouts coached to control risk

Awards promote risk management methods

By DAVE LENCKUS

The idea is not to remove risk from Boy Scout activities but to control it.

"You can't take all of the risk out of scouting or it wouldn't be any fun for the kids," observed Randall L. Kopsa, who, as director of the Boy Scouts of America's treasury division, has supervisory responsibilities over the organization's risk manager.

As director of insurance and risk management, Debra Griffith drove risk management down to the about 3.5 million youths who participate in Boy Scout activities by making it fun and challenging for them.

In addition, before her promotion to director of the Boy Scouts' property division this year, Ms. Griffith set in motion a plan to create a unit safety officer position, which she hopes will be a post that Scouts will covet.

After developing programs to push risk management to the organization's more than 300 independent local councils, "now, we're working on getting it to the unit level," she said.

The risk management department last year unveiled its Ready & Prepared Award, which promotes incorporating risk management practices into units' decision making. The idea was a collaborative effort between Ms. Griffith and her Risk Management Advisory Panel, which consists of two Scout executives from each of the four Scout regions nationwide.

The idea behind the award is that as individuals take more responsibility for their health and safety, they will contribute more to making their units' activities successful.

Scouts who successfully complete the program earn a patch, but unlike most Scout patches, which are earned individually, the RAP award must be earned as a unit. That way, entire units can focus on risk management techniques that will help reduce fatalities and serious injuries.

Boy Scout troops and the older Varsity Scout teams and Venturing crews are eligible for the award.

At the suggestion of the Risk Management Advisory Panel, the program offers Scouts two award levels: silver, which is the highest award, and gold.

To earn either award, a unit must complete 10 mandatory requirements. To earn a silver award, a unit must complete six additional elective requirements. To earn a gold award, a unit must complete three additional elective requirements (see story).

A unit can earn both awards by completing the gold award requirements one year and then completing the remaining requirements for the silver award the following year.

To promote the award, Ms. Griffith's department produced a DVD that was played for adult volunteers and professional Scouts during their May 2005 national meeting.

Measuring the response to the program would be premature, according to Ms. Griffith. Units had only a couple months last year to earn the award, which are presented in September, when units reapply for their charters. The first round of awards will be handed out this September after units have had a full year to earn them.

> "You can't take all of the risk out of scouting or it wouldn't be any fun for the kids."
>
> **Randall L. Kopsa**
> **Boy Scouts of America**

To further promote safety and risk management among troops, the risk management department is developing her idea of a unit safety officer.

The position would be held by a Scout, who would have to earn a special patch to be eligible. "We want it to be a coveted position," she said.

The safety officer would ensure his unit meets various risk management protocols before each planned activity, said Mark Dama, who succeeded Ms. Griffith as risk manager.

To date, the risk management department and an ad hoc committee representing the Cub Scouts, Boy Scouts and Venturing Scouts have developed a list of topics that the safety officer would have to review before each activity to ensure his unit is prepared for the risks associated with those topics: aquatics, weather, falls, fires, camping, hygiene, trips, motor vehicles, youth protection and trekking.

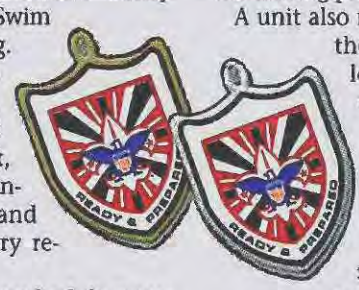
To aid the safety officers, the risk management department and the committee are considering devising an information tool that the safety officer could consult, Mr. Dama said. The latest idea is for a hand-held information wheel that, when rotated to a specific topic, would refer to the appropriate Scout safety documents and provide informational tidbits.

The unit safety officer would be supervised by an adult, but the officer for Venturing teams, whose members range in age from 14 to 21, would have more leeway to develop these leadership skills than younger Scouts would have, Mr. Dama said.

Ready & Prepared award encourages safety

The 10 mandatory requirements that a Boy Scout unit must meet to earn either the silver or gold Ready & Prepared award are:

- At least three registered adult members of the unit have completed the Boy Scouts' Safety Afloat and Safe Swim Defense training.
- At least two unit members, including at least one adult, have formal training in first aid and cardiopulmonary resuscitation.
- Every registered adult member has undergone the Boy Scouts' Youth Protection training within the past three years. Youth Protection is designed to protect youth from sexual molestation and encourage immediate reporting of inappropriate behavior.
- The unit has viewed within the past 12 months the age-appropriate Youth Protection video.
- All registered adult members and adult drivers have read and signed the Driver's Pledge within the past six months.
- The adult head of the unit and all adult assistants and advisers, as well as the unit's committee chairman, have read the current "Guide to Safe Scouting."
- Unit members have conducted a safety check of their meeting place using the checklist in the "Guide to Safe Scouting."
- The unit's first aid kit has been updated within the past six months and is complete.
- The unit has filed all appropriate travel permits with its local council.
- At least half of younger Scouts have earned the Traffic Safety merit badge, or all youth with a driver's license or permit have taken the organization's safe driving program.



A unit also must complete either six of the following elective requirements for the silver award, the highest award, or three of the electives for the gold, or second-highest, award.

- At least half of younger Scouts have earned the first aid merit badge, and at least half of the older Venturing crew members have completed formal training in cardiopulmonary resuscitation.
- At least three-fourths of unit members have completed the requirements for one of two Scout fitness awards.
- The unit has filed its Unit Money Earning Application with its local council for all fundraising activities within the past 12 months.
- The unit has earned the Emergency Preparedness award.
- The unit has conducted in its community a safety promotion program addressing topics such as winter sports, bicycle safety and wilderness camping.
- Each unit member has read the chapter on managing risk in the BSA Fieldbook and has participated in a group discussion on the issue.
- The unit has created a risk management or health and safety officer, who can be a youth or an adult.

Premium dividends pay off for local Scout councils

Program has returned $100 million since '92

By DAVE LENCKUS

By keeping their losses in check, local Boy Scout councils each year earn a sizable partial refund of their general liability coverage costs through a premium dividend program.

Over the past 14 years, the program has returned more than $100 million to Boy Scout activities.

And local councils may have more good news coming, after risk management completes a re-evaluation of how it funds its self-insured retention for general liability losses.

Debra Griffith, the former director of insurance and risk management for the Boy Scouts of America, implemented the dividend program shortly after being named the organization's risk manager. After more than 14 years, Ms. Griffith left that position earlier this year, when she was promoted to director of the Boy Scouts' property division.

The manuscript general liability coverage program provides more than $14 million of coverage to 304 local and independent Boy Scout councils as well as the national organization.

The Boy Scouts and the local councils, however, retain the first $4 million of loss through a self-insured retention. Boston-based Liberty Mutual Group Inc. fronts the SIR, and various insurers participate on the risk above the SIR. All provide aggregate limits, except on vehicular-related losses. The coverage for that risk is on a per-occurrence basis.

Though the local councils are independent of the national organization, they are required to participate in the general liability coverage program, which has been in place since the late 1970s.

After Ms. Griffith was appointed risk manager in October 1991, she became concerned about the growing surplus in the SIR portion of the general liability coverage program.

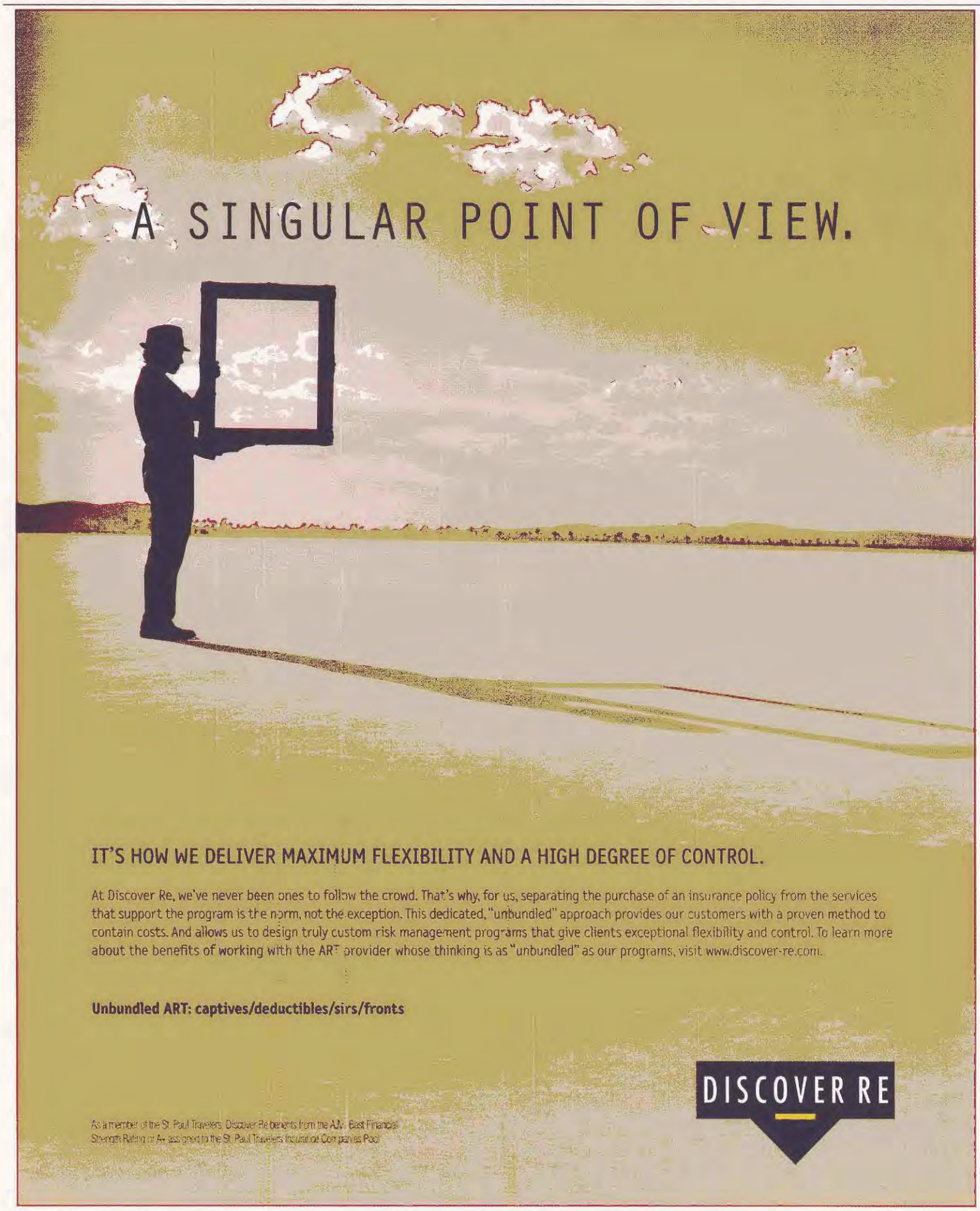
The growth in surplus seemed unnecessary, because Boy Scouts risk management sets extremely conservative reserves for losses, she explained. The organization reserves at a 90% confidence level and does not discount reserves.

As a result, the national organization seemed to be holding onto funds that could be plowed back into Scout activities, she said.

To return some funds to the local councils, Ms. Griffith developed the premium dividend program in 1992. The following year, local councils, as well as the national council, received their first dividends. The dividend each council received was based on its loss experience over the previous three years. The aggregate amount of funding returned to the councils was the amount left over after the risk management department had funded loss reserves while keeping surplus at 50% of reserves.

The councils have received divi-

See LIABILITY/ page 20



Liability coverage extends to volunteers

By DAVE LENCKUS

In addition to the national council for the Boy Scouts of America and the more than 300 local and independent Boy Scout councils, the general liability program covers employees, registered and unregistered volunteers, donors and property owners who allow the Boy Scouts to use their facilities for scouting activities.

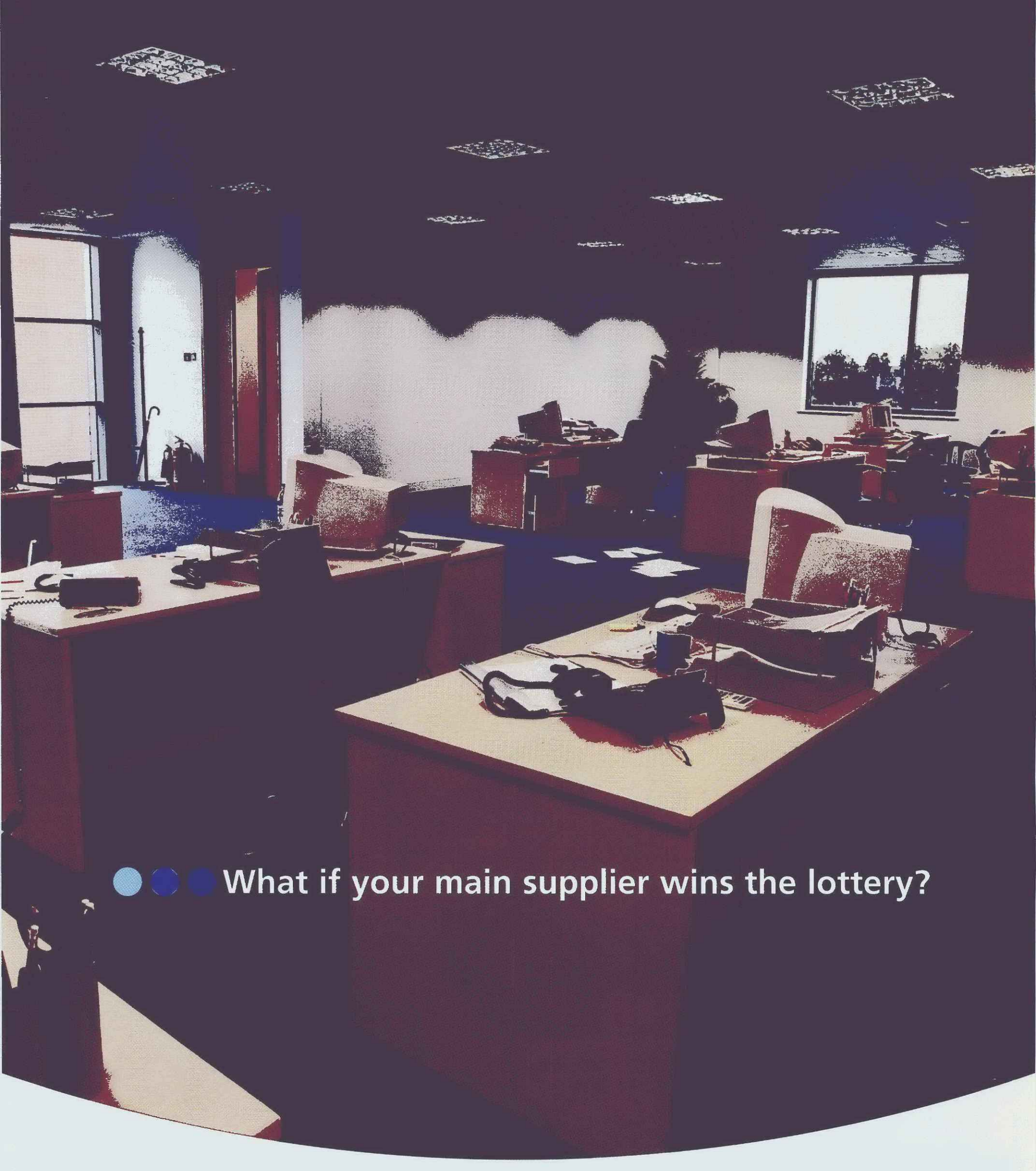
Employees and registered volunteers are covered as additional insureds under the program.

For unregistered volunteers, the Boy Scouts' coverage is secondary, so their homeowners coverage most likely would respond first, said Debra Griffith, former director of insurance and risk management for the organization.

The program also covers volunteer pilots who use their own aircraft to take Scouts on introductory training flights in the Learning for Life program.

The organization at one time had purchased a separate policy for nonowned aircraft, but Ms. Griffith said that a clean loss history made her comfortable with covering the risk under the general liability program. Excess insurers on the BSA's general liability insurance program approved the move.

The national council does not own any aircraft, and risk management discourages local councils from purchasing any.



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Debra Griffith, director of the property division for the Boy Scouts of America, with the staff of the insurance and risk management division, from left: Linda Wismer, secretary to the assistant director, liability claims; Phillip Moore, assistant director; Vanessa Savoy, insurance specialist; Randall L. Kopsa, director, treasury division, supervisor of the division; Ms. Griffith; and Mark Dama, director of insurance and risk management. Not shown: Jamie Shaw, assistant director, liability claims; and Pat Baldinell, secretary.

Liability: Premium dividends pay off for local Scout councils

Continued from page 18

dends every year since.

Since 1993, the program has returned nearly $103.5 million in dividends—$35.2 million to the local councils and $68.3 million to the national council, according to Ms. Griffith.

Recently, the councils received a dividend equal to 25% of their 2005 premiums. Previously, dividends have totaled as much as 65% of premiums, Ms. Griffith said.

The councils plow those dividends back into scouting activities (see story, page 22).

To help local councils minimize losses, Ms. Griffith developed a series of loss control programs designed to drive risk management down to not only scouting leaders but also to all Scouts (see story, page 14).

John M. Coughlin, who is the longest-sitting member of risk management's national insurance committee and is an executive on a local council in New York, praised the dividend program for returning funds to the scouting program.

Mr. Coughlin, who founded retail brokerage The Coughlin Group in Larchmont, N.Y., also noted that, even without the dividend, local councils' insurance costs are significantly cheaper than they would be if the councils purchased commercial coverage themselves. Typically, insurance costs are the only stable costs for local councils, Mr. Coughlin said.

Indeed, local councils have not faced a premium increase in 15 years, according to Ms. Griffith.

But, in returning as much money as possible to national and local Scout councils, Ms. Griffith also was concerned that the Boy Scouts could be left with insufficient funds to cover losses. A couple of years after she launched the dividend program, Ms. Griffith re-evaluated the dividend program and the surplus that risk management maintained for the SIR.

She asked the organization's actuaries, Liberty Mutual and several small insurers not involved in the program for recommended surplus levels. The largest amount the experts recommended was the formula that risk management had been using, so Ms. Griffith did not modify the dividend program.

But Ms. Griffith in recent years again began questioning surplus levels. This time, however, she said she believes the surplus may be too high. So this year and last, Ms. Griffith paid out dividends even though that surplus now has decreased to 40% to 50% of loss reserves.

Ms. Griffith acknowledged that local councils' loss severity "has trended up a little bit" the last few years. But, she maintains it still has been good enough to warrant the dividends.

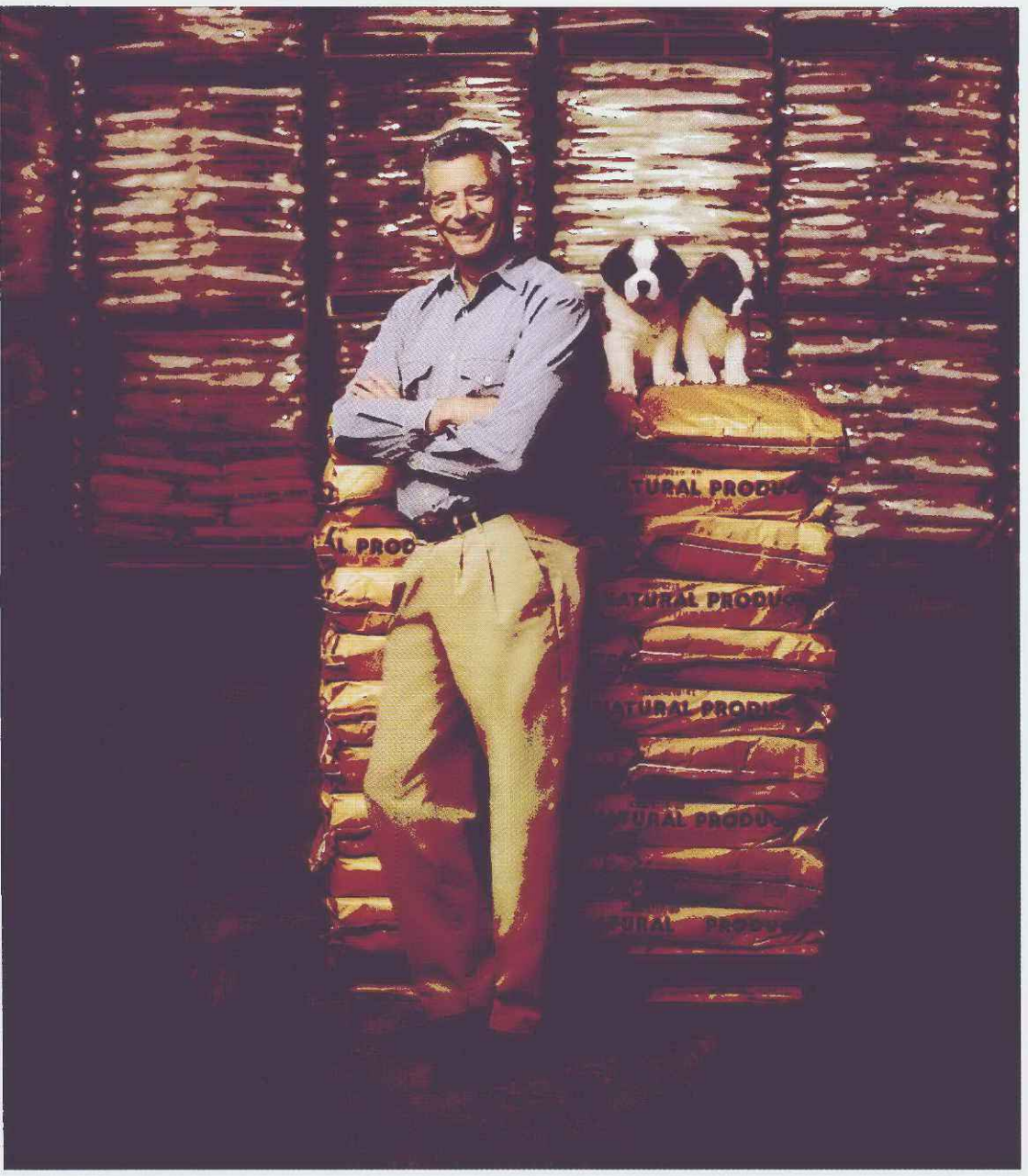
Mark Dama, who succeeded Ms. Griffith as director of insurance and risk management, is investigating that trend this year, she said. In addition, risk management this year will re-evaluate its loss-reserving and surplus formulas, she said.

Ms. Griffith noted that other risk managers have told her they reserve at a 50% to 75% confidence level and discount their reserves. In addition, many do not maintain a surplus, she said.

That less conservative approach to prefunding losses would be even more economical for local councils, according to Ms. Griffith.

While she said she does not envision that the Boy Scouts would sever the safety net that the surplus provides, she noted that Mr. Dama would make those decisions later this year.





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Re-engineering strengthens D&O coverage for councils

Underwriters' change in appetite left Boy Scouts with few options

By DAVE LENCKUS

The directors and officers liability insurance market fallout triggered by the Enron Corp. scandal and others that followed in quick succession hit even the Boy Scouts of America, despite a history of meager losses.

D&O insurers, which redoubled their underwriting scrutiny after swallowing huge losses because of the scandals, became alarmed at what they feared was a hugely underpriced exposure at the local Boy Scout council level, explained Debra Griffith, the Boy Scouts' risk manager at that time.

In addition, some D&O insurers began questioning whether they would be in compliance with state regulations by covering local councils under one policy, according to Boy Scouts representatives.

Ultimately, Ms. Griffith not only re-engineered the coverage to resolve underwriters' concerns, but she also positioned the organization to self-insure the D&O risk if another coverage crisis develops.

The number of local Boy Scouts councils, which are independent from each other and the national council, occasionally changes, as new councils are formed and small councils merge. But around 300 to 310 councils typically operate at any given time. Currently, there are 304 local councils.

Each council has had $1 million of D&O limits per occurrence since before 1991, when Ms. Griffith was promoted to director of insurance and risk management at the national organization. The national organization purchases one master policy that covers all of the local councils. The councils' coverage is separate from the national organization's coverage.

Overall, the local councils face "very few" D&O claims annually—usually between eight and 10 and no more than 20, noted Ms. Griffith, who was promoted to director of the national organization's property division Feb. 1.

The councils' claims are different in nature from those that public companies must defend against, Ms. Griffith said. For example, many suits center on how donations are spent or on a council's sale of a camp site, she said.

Losses typically range between $20,000 and $50,000, she said. The largest loss that a local council has suffered was around $1 million, but that was all in legal expenses, Ms. Griffith said.

Shortly after the Enron and other scandals began to break in late 2001, D&O underwriters began questioning their true exposure in covering hundreds of independent risks.

Many insurers previously had not understood that the local councils were independent from the national organization, explained Ms. Griffith and brokerage executive Donald Bowles, president of Dallas-based McQueary Henry Bowles Troy L.L.P. McQueary places many of the Boys Scouts' coverages, including D&O liability.

The insurers began contemplating that a bad loss year would put them at risk of paying out more than $300 million of losses—$1 million for each council—when the Boy Scouts organization had paid for only $1 million of coverage, Ms. Griffith said.

Some insurers suggested that the Boy Scouts purchase a separate D&O liability insurance policy for each council. Ms. Griffith said some insurers rationalized that would be the fairest approach, because each council wanted its own $1 million limit.

But Ms. Griffith quickly rejected that idea, because purchasing more than $300 million of limits would be far too costly for the organization. In addition, claims experience showed that that amount of coverage would be excessive, she said.

Still, each council needed $1 million of coverage to attract and retain its council board volunteers, she noted. Without that level of protection, local councils would lose their board volunteers, which would threaten the councils' existence and, therefore, the entire Boy Scout organization, Ms. Griffith said.

That is why Ms. Griffith also rejected another coverage alternative that some insurers suggested: $1 million of limits per occurrence with annual aggregate losses capped at $25 million.

"This was a problem for me, because not every council was getting the same coverage," she said. Ms. Griffith was concerned that, despite the councils' loss experience, an aberrational loss by one council could eat up all of the D&O limits and leave the remaining councils

See D&O / page 24

Communities benefit from premium dividends

By DAVE LENCKUS

Reaching out to financially underprivileged youths.

Embracing youths whose families have been torn apart by domestic violence.

Sponsoring school essay contests on values.

That's just some of the impact that the Boy Scouts of America's risk management department has had in communities nationwide.

With the millions of dollars of insurance premium dividends returned to local Boy Scout councils through programs established by former Boy Scouts risk manager Debra Griffith, many councils have developed various community outreach programs.

Councils also use the funds to, among other things, improve camp facilities, provide additional safety training to volunteers and reduce other insurance costs for Scout units. But a significant portion of those discretionary funds are fed into community service projects.

Since 1993, the 300-plus councils have had a total of $37.5 million of additional funds to spend because of two programs that Ms. Griffith established as director of insurance and risk management.

The general liability dividend program has returned $35.2 million to the councils since 1993 as a reward for the councils keeping their losses in check—in large part due to loss prevention programs Ms. Griffith created.

Since 2000, $2.3 million more has been returned to councils with active risk management committees through a 10% general liability premium credit program.

At a recent luncheon where Ms. Griffith was introduced as the 2006 Risk Manager of the Year, Randall L. Kopsa, director of the Boy Scouts' treasury division and Ms. Griffith's supervisor until earlier this year, said: "We do have the opportunity to impact the lives of millions of kids, and Debra, you've been a very large part of that."

Ms. Griffith was promoted to director of the Boy Scouts' property division in February. But the impact of her programs continues to be felt in communities nationwide.

Many local councils have used their returned funds to operate the Scoutreach program, which is designed to provide disadvantaged youths in urban centers and rural communities the opportunity to join the Boy Scouts. Through Scoutreach, the Boy Scouts organization recruits adult leaders and develops relationships with chartered organizations in urban and rural communities to ensure that culturally diverse youths have the opportunity to join the Boy Scouts.

In Toms River, N.J., for example, the premium dividend for years has supplemented the local council's Camp Scholarship Funding program for needy boys. That, in turn, invigorates the council's risk management committee, said Ethan Draddy, Scout executive for the council.

"Because our risk management committee sees the dividend return as a direct benefit to help less fortunate youngsters enjoy the fun and adventure of camp, the committee members get more excited about fulfilling the volunteer commitment to risk management," Mr. Draddy said.

In Tyler, Texas, the local council's Hispanic Outreach program—which is funded by the council's premium dividend—reaches 850 youths in the area, according to Mike Ballew, the council's Scout executive.

In Seattle, a local council uses its dividends to hire inner-city Scoutreach program leaders, said Bradley D. Farmer, the council executive and chief executive officer.



Debra Griffith and Roy L. Williams, chief Scout executive.

"They work with at-risk Cub Scout Packs in the African-American community," Mr. Farmer explained. "Without these saved funds, over 50 boys would not necessarily be in scouting."

In Canton, Ohio, the local council uses its dividend and premium credit in its Scoutreach program to furnish uniforms and books to youths who otherwise could not afford them, said Jack Johnson, the council's Scout executive.

The local council for the Bronx in New York uses its annual premium dividends for what Scout Executive Charlie Rosser describes as a unique community service program that reaches out to more than 50 youths from families torn about by domestic violence. The program serves battered women and their sons who belong to a Cub Scout Pack and a Boy Scout Troop chartered by the Throgs Neck Community Center.

"Giving these mothers an opportunity to be in a safe and nurturing environment with their child, interacting with others with like problems while providing the character development, citizenship and personal fitness programs of the Boy Scouts of America to their sons is critical to their well-being," Mr. Rosser said.

Other councils invest into their communities in other ways.

For example, the council for Doylestown, Pa., used its premium credit last year to help fund a "values" theme essay contest for all school children within the council's boundaries, noted Dave Hasel, council Scout executive.

Councils also use their funds for more traditional risk management-related projects.

For example, in Tampa, Fla., the council is using dividend funds to clean up camps damaged by hurricanes. Trees that storms have felled or left hanging perilously must be removed. And lake waters in the camps are being tested more often because of contamination created by storm runoff, said Warren Wenner, the council's Scout executive.

Other councils are using the funds to improve their campsites.

The Connecticut Yankee Council in Milford, Conn., is using its funds to install video surveillance in the parking lot at one of its camps where 11 cars were vandalized earlier this year, said Louis Salute, Scout executive

In St. Paul, Minn., the council funded a third-party life safety study of its properties last year and has prioritized the findings into three categories, ranging from those needing immediate attention to those requiring future funding, noted John Andrews, the council's Scout executive.

The council also has used the funds to place defibrillators at both council service centers and to train staff on how to use them, he said. The funds also were used to provide staff with First Aid and CPR training.

The funds also allowed the Cascade Pacific Council in Portland, Ore., to provide additional training to camp staff, according to Richard A. Szymanski, director of support services for the council.

A three-hour safety training course for the staffers covers health and safety areas of camp standards and youth protection, he said. It includes supporting videos from the Occupational Safety and Health Administration, covering topics such as ladders, lifting, bloodborne pathogens, kitchen safety, fire, driving and material safety controls.

"This training has been used the past two years, and we have been seeing a significant increase in awareness of safety issues by staff members and a good decrease in accidents and injuries," Mr. Szymanski said. "Each summer, the training is presented to the over 400 young people who serve in the Cascade Pacific Council's three Boy Scout Summer camps, three Cub Scout Resident Camps, and four Metro Day camps."

D&O: Re-engineering of program ensures access to adequate coverage for councils

Continued from page 22

without coverage.

Only a handful of insurers agreed to offer the Boy Scouts a master policy that provided $1 million of coverage for each council. But while that meant no disruption in the program, Ms. Griffith was dissatisfied that competition for the risk had shrunk considerably.

In 2004, the organization's coverage problems worsened.

After examining the risk more closely, several insurers would not bid on it unless the Boy Scouts established a purchasing group under the terms of the Risk Retention Act.

Those insurers were concerned that they might violate various state insurance regulations by covering all of the independent councils outside of a purchasing group arrangement, Mr. Bowles said.

At the same time, insurers were trying to exclude coverage for some types of losses, Ms. Griffith said.

Last year, without a purchasing group set up in time for the March 1 renewal of the coverage, just two insurers bid for the program. While the organization was able to avoid a $25 million stop-loss aggregate, it did have to accept an exclusion in its coverage, which was written by American International Group Inc. subsidiary Illinois National Insurance Co.

Afterward, Ms. Griffith set out to ensure that the Boy Scouts had greater access to the D&O insurance market in future renewals and that it no longer would have to settle for restricted coverage.

A key component of Ms. Griffith's plan was forming a purchasing group vehicle so more insurers would bid for the local councils' D&O liability risk. The purchasing group was established last summer, with McQueary's aid.

But while additional competition would reduce the odds that the Boy Scout would have to accept restricted coverage, Ms. Griffith wanted a guarantee.

That only would come through a self-insured program, she said.

At the same time, the ability to self-insure the risk "gives you more negotiating power" with the commercial insurance market, "because you have something to fall back on," Ms. Griffith said.

To signal to insurers that the Boy Scouts organization was serious about self-insuring, Ms. Griffith established a self-insurance deductible fund for the local councils by tapping $2.5 million of the $4.2 million general liability premium dividend that the national council received in 2005. The dividend was a partial refund of the national council's 2004 general liability coverage premium (see story, page 18).

The deductible fund currently covers a large portion of the local councils' $150,000 deductible per claim. But if the organization later decides to self-insure the local councils' D&O risks, the fund would be sufficient to take that route, Ms. Griffith said.

Going into this year's March 1 D&O liability insurance renewal for the local councils, the Boy Scouts had more maneuverability than in past years. The organization had the ability to buy coverage through a purchasing group, the option of rejecting unsatisfactory coverage bids in favor of self-insuring the risk and the flexibility its self-funding program gave it to boost deductibles to $1 million from $150,000 per claim, if necessary.

On renewal, after entertaining bids from four insurers, the Boy Scouts moved the councils' D&O coverage to Roswell, Ga.-based ACE Westchester Specialty Group, a subsidiary of Hamilton, Bermuda-based ACE Ltd.

Westchester did not require the councils to purchase their coverage through the purchasing group, it dropped the exclusion the councils had last year, and it maintained the $150,000 deductible, according to Ms. Griffith and Mark Dama, the Boy Scouts' new director of insurance and risk management.

Ms. Griffith and Mr. Dama said the Boy Scouts would keep the purchasing group vehicle active and the self-insurance fund intact through next year's renewals to ensure that the councils have adequate coverage.

If Boy Scouts turn to self-insurance, though, the organization would have to create a fronted arrangement, Ms. Griffith said.

"You've got to have that paper, or we're back to the volunteer issue," said Ms. Griffith, referring to the reluctance of professionals to serve on local council boards without having guaranteed protection for their assets.



Debra Griffith, director of the Boy Scouts of America's properties division, with Mark Dama, the Boy Scouts' new director of insurance and risk management.

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Coordinated defense reduces legal exposure

Attorney camps help Scouts erase image as 'easy target'

By DAVE LENCKUS

With a coordinated defense strategy bolstered by attorney conference camps, the Boy Scouts of America no longer is "an easy mark" for plaintiffs' attorneys, says former risk manager Debra Griffith.

Indeed, elements of the Boy Scouts' attorney camps likely would lead to improved claim defenses for other organizations, including those that already hold coordinated defense seminars, according to two attorneys for the Boy Scouts.

Ms. Griffith began to reshape the Boy Scouts' defense strategy shortly after she was hired as the organization's assistant director of insurance and risk management in 1985. She was promoted to director of insurance and risk management in 1991.

Between 1986 and 2005, the Boy Scouts' national organization and the more than 300 independent local Boy Scout councils faced between 30 and 40 lawsuits annually.

But a plaintiff last succeeded at trial against the organization or a local council in 1996, according to Ms. Griffith. From 1997 through 2005, the Boy Scouts won 17 of the 19 cases they took to a jury trial and won a directed verdict in another case. The remaining case ended in a mistrial.

Ms. Griffith, who was promoted in February to director of the Boy Scouts' property division, credits the coordinated defense strategy and the attorney camps for a lot of that success.

"We had the reputation of being easy" targets for plaintiffs' attorneys in the 1980s, Ms. Griffith said. "I felt that reputation was why we were getting sued more."

A major reason the Boy Scouts were easy targets is that the organization did not have a unified defense strategy, she said.

The Boy Scouts' general liability insurer handled all of the claims, including investigation and settlement, with little input from the organization, she explained. Experienced attorneys represented the organization, but Ms. Griffith's review of claim files revealed that each case was handled in isolation. Defense attorneys did not coordinate with each other.

All of that changed in 1986.

Unifying defenses

Except for directors and officers liability claims, risk management or its claim management firm assumed responsibility for hiring defense counsel.

Risk management also jumped into the organization's defense by requiring its attorneys to route interrogatories in all cases through the claim supervisor in the risk management department. That move was made "to make sure we answer everything correctly," Ms. Griffith said.

At about the same time, the Boy Scouts hired a coordinating counsel that maintains a database of claims. The coordinating counsel helps local defense counsels throughout the country prepare for severe injury, sexual molestation and employment-related cases as well as other select high-profile cases.

The coordinating counsel, Lane, Reese, Aulick, Summers & Field P.A. of Coral Gables, Fla., reviews with defense counsels how to approach a case, based on local law and successful defenses used by other Boy Scouts attorneys.

Still, Ms. Griffith envisioned an even greater opportunity to build a strong, coordinated defense team that could bring a genuine understanding of the organization to every case.

Beginning in the late 1980s, Ms. Griffith began holding attorney conferences where the organization's defense counsels share information about their cases, solicit input on problems and pass along best practices, as well as personally experience Scout activities. Risk management holds the conference once every few years.

These kinds of conferences are common among large organizations that require a lot of defense work. But the conferences that Boy Scouts risk management runs are far more effective, according to two of the organization's attorneys who also have participated in other conferences.

A major difference with the Boy Scouts' conferences is that they are held at a Boy Scout's location—typically a camp that is run by a local council—rather than at a hotel or resort. The purpose is for the attorneys "to get a feel of what it's all about," Ms. Griffith said.

Typically, the attorneys arrive for a Wednesday evening barbecue, after which they meet for a few hours. The next morning begins with a camp breakfast, which is followed by more discussions as well as a presentation on the Boy Scouts and a review of the direction of its programs. Before the conference ends at midday Friday, attendees also can participate in activities such as hiking, canoeing and volleyball.

At the last conference, held near Dallas in October 2004, attendees toured the campsite on a pontoon boat and were able to participate in a blacksmithing demonstration.

Smaller conferences

Another significant difference from other defense attorney conferences is that Boy Scouts' conferences are much smaller. Typically, risk management invites 20 to 25 attorneys, and at least half have represented the organization for a couple years or less. Other conferences typically are double or triple the size.

The activities, the smaller gathering and the structure of discussions make the Boy Scouts' conferences far more effective than other conferences, according to two attorneys.

"It's a better environment for sharing," said Gregory P. Blaies of Blaies & Hightower L.L.P. in Fort Worth, Texas.

Because of the activities, "you become closer to each other. You develop a rapport. It encourages greater communication, a greater exchange of ideas," Mr. Blaies said.

"The setting lends itself a little more to getting to know people, their families," said Thomas A. Delaney of Sedgwick, Detert, Moran & Arnold L.L.P. in Irvine, Calif. At other conferences, the focus is only work-related, he said.

That is an important difference, the attorneys agreed.

Mr. Blaies explained that defense attorneys typically are not as open with each other as plaintiffs' attorneys are. Defense attorneys tend to view others who represent the same client as competitors, not teammates, he said.

As a result, at other conferences, attorneys tend to stake out their territory and try to protect it, because they "look at each other as competition," he said. "Do you feel like sharing" under those circumstances? he observed.

There is not a lot of interaction among attorneys on their cases during those conferences, Mr. Blaies said. "It's more of a seminar of here's how we do it."

But the activities and reassurance from the Boy Scouts organization that it plans to stick with its defense team encourages its attorneys to be more open, he said.

"It behooves me to share information, because it makes the client happy and protects them in the long run, which is our job," he said.

Round table of ideas

In addition, at the Boy Scouts' conference, attorneys are expected to present cases they are working, acknowledge problems with them and accept input from others, Messrs. Blaies and Mr. Delaney noted.

"It's much less of a seminar than a round table of sharing ideas," Mr. Delaney said.

"Egos are sort of checked at the door," he said. Indeed, Mr. Delaney said he witnessed experienced attorneys appreciate input from younger attorneys.

The small group setting also facilitates a greater exchange of information, because a smaller group can complete a discussion faster than a larger group can, Mr. Blaies said.

Because of the interaction among attorneys on a social as well as a professional basis, attorneys tend to feel more comfortable contacting each other afterward for input, Messrs. Blaies and Delaney agreed.

Mr. Blaies suggested that other organizations consider downsizing their conferences by holding either regional gatherings or structuring a conference around a limited number of topics and inviting only attorneys who are involved in those areas.

Mr. Blaies also applauded the Boy Scouts organization for educating its attorneys about its culture. If other organizations did that, it would foster a better working relationship, he said.

The conferences are not a positive experience for every attorney, though, Ms. Griffith acknowledged. A few have not enjoyed it, and their displeasure was apparent, she said.

Those attorneys no longer represent the Boy Scouts—a decision that Ms. Griffith and the organization's coordinating counsel made.

"We want to make sure they represent the Boy Scouts well," and disgruntled attorneys cannot do that, Ms. Griffith said.

Hardened target

Coordinated legal defenses have helped the Boy Scouts of America consistently win lawsuits. **Between 1997 and 2005, the Boy Scouts won 17 of 19 cases that went to trial.** The remaining two cases resulted in a directed verdict and a mistrial, respectively.

Education program helping combat sexual abuse

By DAVE LENCKUS

The Boy Scouts of America's program to protect youth from molestation is founded on three R's: recognize, resist, report.

Scouts are educated on recognizing inappropriate behavior and are encouraged to resist it and report it immediately.

The program, which also trains Scout leaders to take youth reports of inappropriate adult behavior seriously, initially resulted in increased claims, noted Debra Griffith, former director of insurance and risk management.

The higher incident reports were expected, though. That meant youths no longer waited years before reporting inappropriate advances or assaults, she said.

Boosting education

The organization's Youth Protection program works toward **two goals: prevention and defense.**

The program is premised on its **three R's approach: recognize, resist, report.**

More important to the organization than the initial higher claim figures was the hope that early reporting, in conjunction with a counseling program that Ms. Griffith implemented for victims and their parents, would prevent or minimize long-term emotional harm.

While no figures are available, Ms. Griffith says that the frequency and severity of sexual molestation lawsuits against the organization have dropped since the education and training program and counseling service were implemented about 20 years ago.

"I am convinced the program is paying off," said Ms. Griffith, noting that, unlike some other nonprofit organizations, the Boy Scouts never have lost coverage for such risks.

The Boy Scouts of America faced its first sexual molestation claim in the early 1980s. The organization then began to work toward two goals, Ms. Griffith said: prevention and defense.

The organization's Youth Protection program, which is premised on its three R's approach, works toward both, said Mark Dama, who succeeded Ms. Griffith as risk manager.

Among the materials in the program are three age-appropriate DVDs that, through vignettes, alert Scouts to the types of behavior that they should report. Chartering organizations and local Boy Scout councils are encouraged to show the DVDs to troops.

The Boy Scouts also make the DVDs available to other organizations that want to educate youths. With that in mind, the Boy Scouts produced the DVDs with actors who were not attired in Scout apparel, Mr. Dama noted.

Another tool is a video for Scout leaders and parents on how to recognize signs of different kinds of abuse and how to respond if a child or adolescent reports he has been abused.

For Scouts to advance, the organization also now requires that Scouts and their parents review and sign off on abuse education inserts in Scout handbooks.

The organization in the mid-1980s also began providing three months of counseling for abuse victims and their parents. Ms. Griffith, who spearheaded the creation of the service, said the counseling is important to steer youth away from becoming abusers later in life and to help parents address their feelings of guilt and anger.

The Boy Scouts will cover additional counseling for the victim if the health care provider warrants that the counseling is necessary because of Scout-related problems, Ms. Griffith said.

Coverage shift clears seas for diving program

By DAVE LENCKUS

What may seem like an insurance coverage problem isn't always the case.

For the Boys Scouts of America, what had appeared to be a tightening liability insurance market for a group of charter boat captains central to a popular Scout scuba diving program turned out to be problematical liability requirements that the Scouts had imposed on the captains.

Figuring that out and arranging coverage for the captains through an existing Boy Scouts coverage arrangement preserved the diving program for thousands of youths.

Debra Griffith, director of insurance and risk management for the Boy Scouts at that time, credits her team of outside insurance advisers for the coverage solution. The solution was devised after an adviser asked "the right question" about the Boy Scouts' contract with the boat captains, said Ms. Griffith, who was promoted to director of the Boy Scouts' property division on Feb. 1.

The Boy Scouts' National Council owns three high-adventure bases, including two in the Florida Keys. At the Florida Sea Base in Islamorada, 39 boat charters make themselves available to the Boy Scouts during the summer so Scouts can dive in a program the national organization developed and administers.

Among the charter vessels, 34 are sailboats that are run solely by the captain. The remaining five are schooners 80 feet or longer, whose captains have a crew of one.

The Boy Scouts require the captains to assume supervisory responsibilities over the scouts' scuba diving and snorkeling activities.

At one time, those responsibilities rested with an adult Scout. But the Boy Scouts had to modify supervision of the program to comply with a U.S. Coast Guard directive, Ms. Griffith said. The directive essentially required each boat to reduce the number of adults on board by one. To comply, the Scouts removed the adult volunteer and required the boat captain to assume those duties.

The Boy Scouts require each boat captain to buy $1 million of protection and indemnity insurance, which is maritime liability coverage. The coverage protects the Boy Scouts for incidents caused by the captains' actions or conditions on their boats.

For years, the boat captains often complained about the amount of coverage they were required to purchase and its cost, Ms. Griffith said.

But the problem worsened in 2003, when she explored raising the charter captain's liability insurance requirement to $2 million. Many captains faced prohibitive premium increases. Some captains also faced exclusions for youth-related activities and even charter arrangements.

To resolve the coverage crisis, Ms. Griffith explored a fleet program. "I thought that if you can insure things as a group, usually there are some savings," she said.

But no marine underwriter wanted to cover all of the charter boats' hull and liability risks, primarily because many of the vessels are moored in the Scouts' harbor all year. When the Scouts do not book their boats, many captains run dinner and other charters.

"I could see why" no single insurer would want such a concentration of risks, Ms. Griffith said.

The liability requirement was kept at $1 million, and she turned to her national insurance committee of current and former insurance, brokerage and risk management executives for assistance. She and the committee met at the sea base with the facility's director in April 2004 to review the coverage problem.

Breathing room

By insuring captains' liability for supervising scuba or snorkeling activities under general liability coverage, the Boys Scouts of America helped preserve popular programs and enabled the boat captains to obtain protection and indemnity coverage more easily.

The organization never considered abandoning the scuba program, Ms. Griffith said. "This is what we do" at the sea base, she said. "It's no fun just sitting in base camp."

Another option considered briefly was for the national scouting organization to purchase its own boats. But that expensive idea did not float.

"As we talked it out, it became clear that scuba was really the problem," not the liability coverage for risks related to a boat's operation, Ms. Griffith said. The P&I insurers did not want to cover youth-related risks. She modified the Boy Scouts' contract to eliminate the captains' requirement for scuba-related liability coverage. That change took effect in 2004. "That single thing solved the problem" of the disappearing P&I market, she said.

Now, each captain, as before, can buy P&I coverage. Any liability the captains incur because of their supervision of scuba or snorkeling activities is covered by the Boy Scouts' general liability insurance program.

"We were doing that when we had volunteers" supervising those activities, so covering captains did not create a new exposure, she said.

"When they cross the line from captain to supervising scuba activities, we're willing to provide them the insurance," she said.

For Ms. Griffith, the episode demonstrates the importance of listening to and entertaining divergent ideas. "The message here is real simple: It's listening."



One size doesn't fit all.

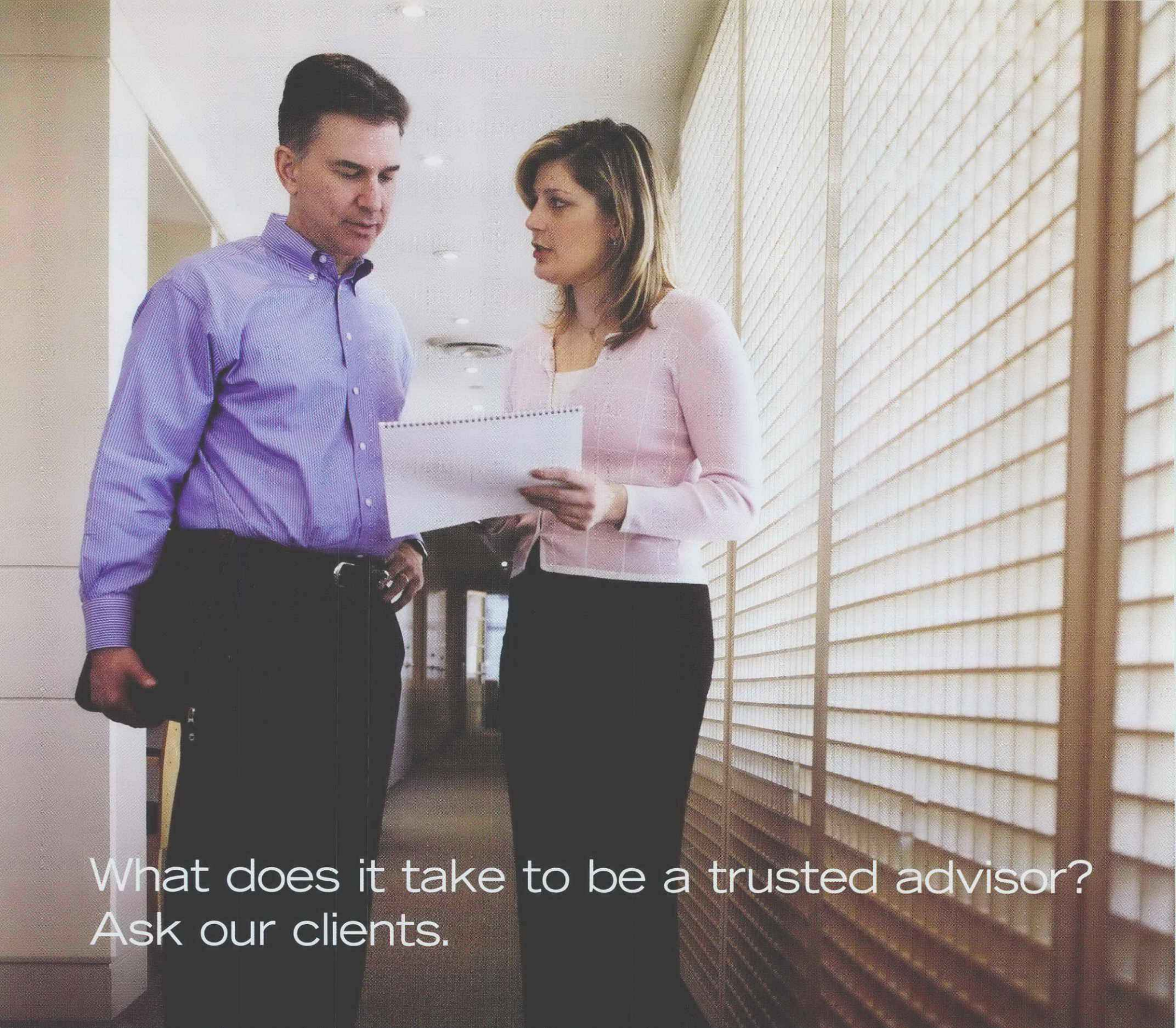
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Co-workers, friends and family members applaud Debra Griffith at a luncheon hosted by *Business Insurance* in Irving, Texas, where the Boys Scouts of America is based. Ms. Griffith is the 29th person to receive the annual Risk Manager of the Year honor, sponsored by *Business Insurance* to recognize outstanding risk managers.

Colleagues salute Griffith's tenacity, determination

By DAVE LENCKUS

A protective lioness and a velvet-gloved steel fist.

An important influence over millions of youth.

An award-winning executive who is expected to follow up in kind in her new position.

That is how colleagues, supervisors and friends toasted Debra Griffith last month during an award luncheon where she was introduced as the 2006 Risk Manager of the Year.

Ms. Griffith, who culminated her 14-year career as a risk manager in February with the profession's most prestigious honor, had been director of insurance and risk management for the Irving, Texas-based Boy Scouts of America. The organization has promoted Ms. Griffith to director of its property division.

A panel of independent judges—including risk managers, industry executives and educators—selected Ms. Griffith as the 29th recipient of the annual risk management award for her efforts in safeguarding the Boy Scouts organization and millions of youth.

The award was created and is sponsored by *Business Insurance* magazine. At the award luncheon, held in Dallas March 21, the magazine was represented by Martin J. Ross, publisher; Ronnie Drachman, director of communications; Regis Coccia, editor; and Dave Lenckus, senior editor.

In tribute to Ms. Griffith, retired brokerage executive Roy Oddy said he had "become increasingly an admirer" of her during his 10-year tenure on the insurance committee that advises Boy Scouts risk management.



Debra Griffith with past and present Boy Scouts of America officers. From left: Larry Potts, former director, administration group; Jim Terry, assistant chief scout executive; Ms. Griffith; Randall L. Kopsa, director, treasury division; and Nate Langston, director, administration group.

Mr. Oddy, who currently chairs the insurance committee, applauded Ms. Griffith's enthusiasm and determination. "No lion has ever defended her cubs with the tenacity with which Debra has defended the Boy Scouts," he said.

Likening her to "a steel fist in a velvet glove," Mr. Oddy also praised Ms. Griffith for her ability to work with all of the different personalities on the insurance committee—which consists of insurance, brokerage and risk management executives. He said she "meshed" the group in a way to "utilize their talents and make them all feel part of the team."

In addition, Ms. Griffith "ran the risk management department with military-like precision," he said. The department is "the envy of nonprofit organizations," he asserted.

Randall L. Kopsa, Ms. Griffith's immediate supervisor when she was risk manager, said he "learned a lot from Debra."

Mr. Kopsa, director of the treasury division, noted that because of Ms. Griffith's general liability insurance premium dividend program, the national organization has been able to return $100 million to Boy

See LUNCHEON / page 30

Griffith applying risk management lessons to new job

By DAVE LENCKUS

With $25 and a gasoline credit card in her pocket, Debra Griffith set out to find success in the big city after graduating from college with a degree in English literature.

A year later, she landed a claims handling position that eventually would lead her into risk management at the Boy Scouts of America, which is only the third organization for which she has worked since college.

Ms. Griffith was promoted earlier this year, and no longer is in risk management. But she says risk management still is in her blood and will be reflected in her new position as director of the Boy Scouts' property division.

Ms. Griffith, 55, grew up in Vicksburg, Miss. As she entered high school, her father, a Presbyterian minister, moved the family of six to Biloxi, where Ms. Griffith completed her secondary education. At the University of Southern Mississippi in Hattiesburg, the English literature major also minored in German and art.

'To gripe at claims'

After her 1973 graduation, Ms. Griffith worked as a secretary for a year at an automobile dealership in Hattiesburg before taking off to Houston, with only a small amount of cash and a gas card. In Texas, she lived with an uncle while trying to establish a financial foothold.

Her goal was to find a job that paid $9,000 annually. A claims handling position with Liberty Mutual Group paid $8,600 initially, with a $300 raise and a company car after three months. "I thought that was close enough," said Ms. Griffith, who took the position. "I was feeling pretty good about myself."

Liberty Mutual assigned Ms. Griffith to its office in Little Rock, Ark., where she handled both commercial and personal lines claims. After a year or so, the insurer transferred her to its Fort Worth, Texas, office, where she was promoted to claims supervisor.

By 1985, after having handled claims filed by many risk managers, Ms. Griffith had developed an interest in their profession. "That looked like a good job," she said. Plus, "I wanted to gripe at claims adjusters, rather than be griped at."

To that end, she enrolled in classes to earn her Associate in Risk Management degree. In one of the classes, Ms. Griffith met a Boy Scouts claims handler, who later recommended Ms. Griffith for an opening in the claims handling department.

Ms. Griffith joined the Boy Scouts in June 1985 as the assistant director of insurance and risk management. In that position, she directed the self-insured element of the Boy Scouts' general liability insurance program.

Promotions

She was named director of insurance and risk management for the organization in October 1991 and worked on driving risk management into scouting until this year, when she was promoted to director of the Boy Scouts' property division on Feb. 1.

Even though Ms. Griffith is out of risk management now, "a lot of the philosophy and skills I learned in risk management will be very useful in this position," she said. In addition, Ms. Griffith's new position will have some direct tie-ins to risk management.

Overall, she said, her decision making will be based on how her choices would affect risk management. Specifically, Ms. Griffith wants to make the organization's contract approval process run more smoothly. Her office originates the approval process for all contracts valued at $20,000 or more. Contracts have to be approved by seven executives before they reach the assistant chief scout executive.

To improve the efficiency of the process, Ms. Griffith hopes to implement software that would allow a contract to be sent to all signatories simultaneously.

Currently, a contract is routed to each signee after the previous executive has approved the contract. Any new electronic signature system, though, would have to allow the signatories to save the kind of margin notes—including suggested changes to contract language—they typically add to the documents, Ms. Griffith said.

Besides spending her leisure time gardening and landscaping, Ms. Griffith is involved in the Special Olympics Texas. Over the past 16 years, she has hosted the spring games' Athletes' Village, where contestants find entertainment between events, and has run bowling events. The Special Olympics named her Volunteer of the Year for the Greater Fort Worth Area in 2004.

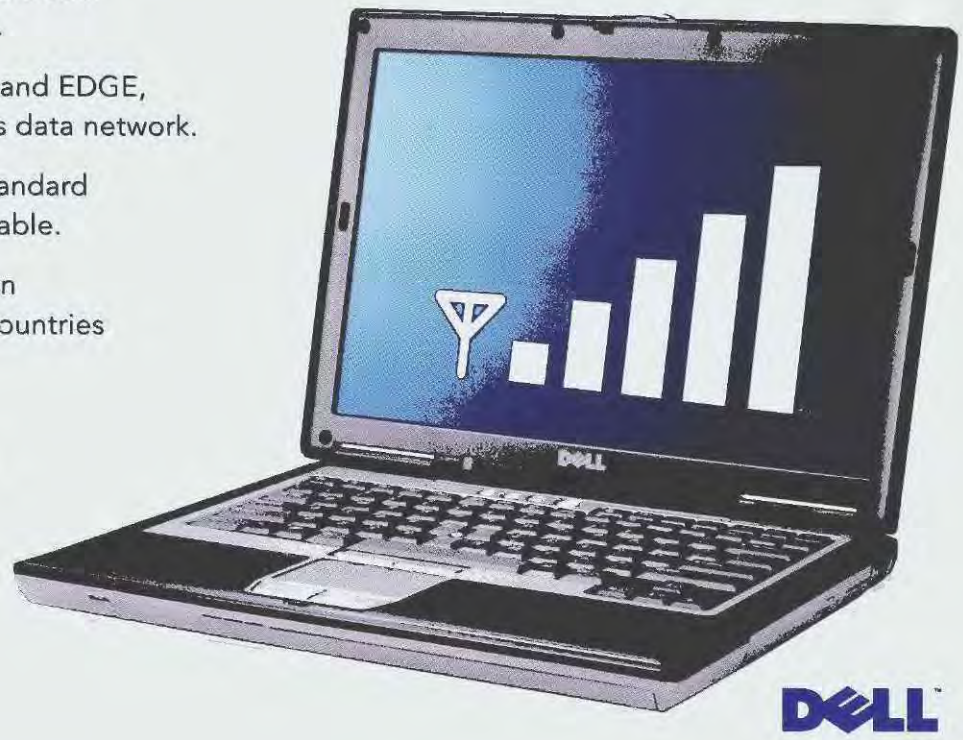
Ms. Griffith and her husband, Gary, who is retired, live in the Forth Worth area.

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Luncheon: Colleagues salute Risk Manager of the Year

Continued from page 28

Scout activities over the past 13 years.

"We do have the opportunity to impact the lives of millions of kids, and Debra, you've been a very large part of that," Mr. Kopsa said.

James J. Terry Jr., assistant chief Scout executive and chief financial officer, told Ms. Griffith that because of her many successful programs and efforts to safeguard Scouts and the organization, "you have earned the respect and admiration of local council leaders."

She also 'made the treasury division look good along the way," Mr. Terry said.

"On behalf of 300-odd local Scout councils and the chief Scout executive, thank you for what you've done in the past, and we expect even more out of you," Mr. Terry said. "You have my utmost confidence in the role you will play there."

Mark Dama, who has succeeded Ms. Griffith as risk manager for the Boy Scouts, also attested to her determination. By following up with the liquidators of Mission Insurance Co. throughout the 1990s, the Boy Scouts in late March recovered nearly $750,000 from the insolvent insurer's estate. Mission wrote the first layer of the Boy Scouts' umbrella coverage in 1984 and 1985.

Mr. Dama, who has worked for Ms. Griffith a total of 18 years at the Boy Scouts and at Liberty Mutual Group immediately before then, also thanked her for encouraging her staff to succeed.

"One of Debra's strengths is staff development," said Mr. Dama, noting he would not have earned his Associate in Risk Management designation without her encouragement.





PHOTOS: MICHAEL MARCOTTE

Above, Debra Griffith with executives from McQueary Henry Bowles Troy L.L.P., which places many coverages for the Boy Scouts of America. From left: Greg Rimling, senior vp; Jane Passino, senior account manager; Michael C. Hoad, director of risk management; Ms. Griffith; Craig Goodwin, manager, loss control; David Parker, partner; and Don Bowles, president.
At left, Ms. Griffith speaks at the luncheon.

In her remarks, Ms. Griffith drew laughter from the approximately 50 guests when she said that the function was unlike any event she was used to. Holding a bouquet of flowers that Mr. Coccia had presented her, Ms. Griffith observed: "I've never had this much attention in my life."

Ms. Griffith credited the attention in part to Mr. Kopsa, whom she said spearheaded her nomination for the award.

"Many risk managers are just as or more successful, but you didn't have a trumpeteer" like Mr. Kopsa, who "conspired with Don Bowles and others," including Mr. Terry, to promote her for the award, she said. Mr. Bowles is the president of Dallas-based brokerage McQueary Henry Bowles Troy L.L.P. McQueary places many of the Boys Scouts' coverages.

Ms. Griffith also thanked Larry Potts, a retired Boy Scouts official who, as treasury director in 1991, appointed Ms. Griffith risk manager of the organization.

Ms. Griffith then chided him good-naturedly, because she was his second choice for assistant director of insurance and risk management in 1985, when then-risk manager Harold Fieszel selected her for the position.

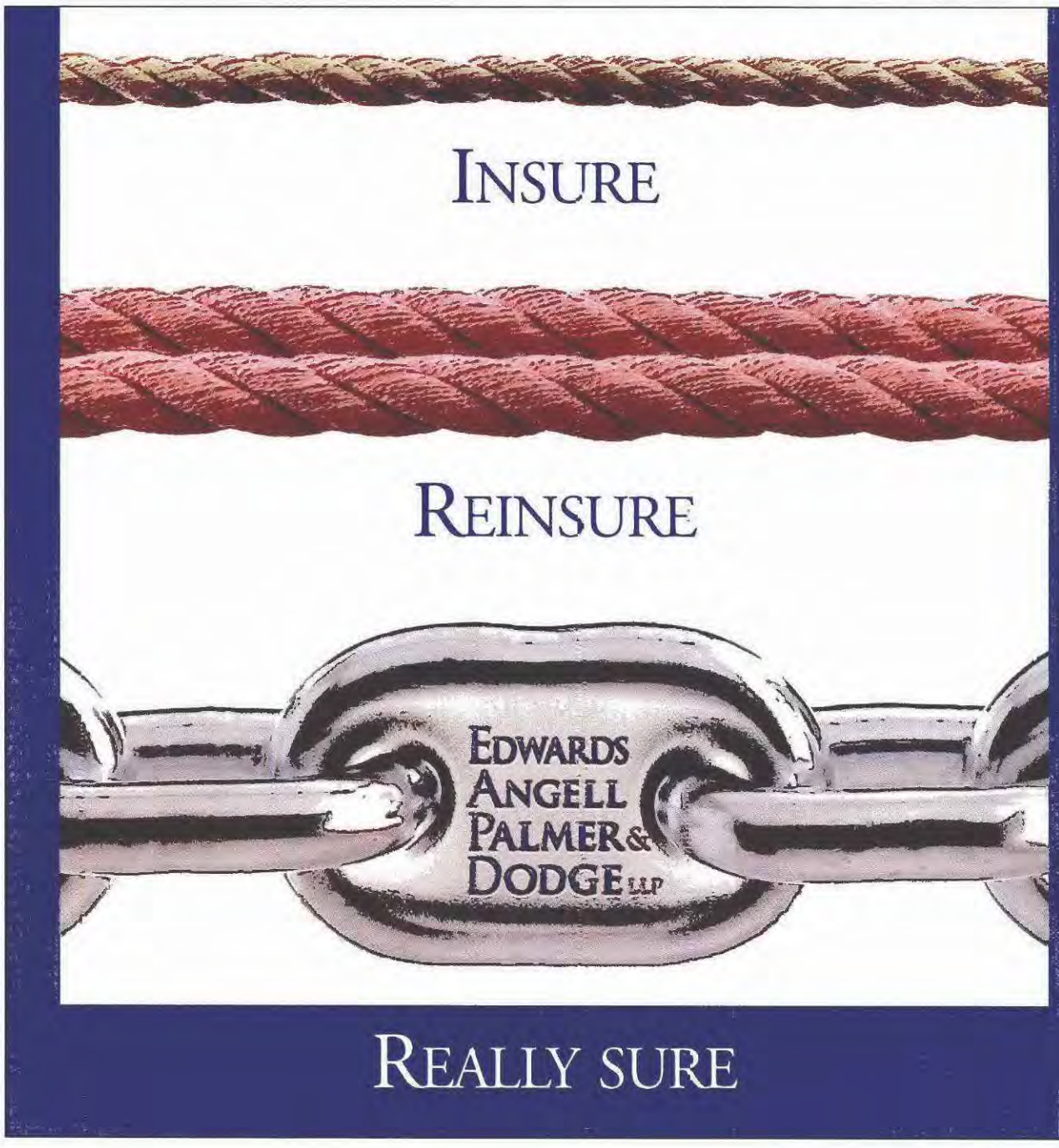
"To think, you almost hired the other guy," she told Mr. Potts.

Turning her attention to the gathering, Ms. Griffith said: "Every one of you in this room is very special to me, whether we've worked together or you're friends who took off time from work or school."

As for the Boy Scouts of America, Ms. Griffith called it "a wonderful organization" founded on honor and integrity. She noted that the Scout motto, "be prepared," is the risk manager's motto. "There is no place better to work than the Boy Scouts of America."

After her remarks, Mr. Coccia read a letter from Ms. Griffith's parents, Robert and Mary Alice Duhs of Brandon, Miss. The Duhs could not attend the event.

In part, the letter read: "From the day she was born, we knew she had a positive mind and would be an independent thinker. The years have proved us correct. We thank the Lord for her generous, compassionate, dependable, and sharing spirit in all that she does. We would like to believe that Debra learned to be "Ready and Prepared" during her growing up years." "Ready and Prepared" refers to one of the programs Ms. Griffith developed to drive risk management into the scout ranks.



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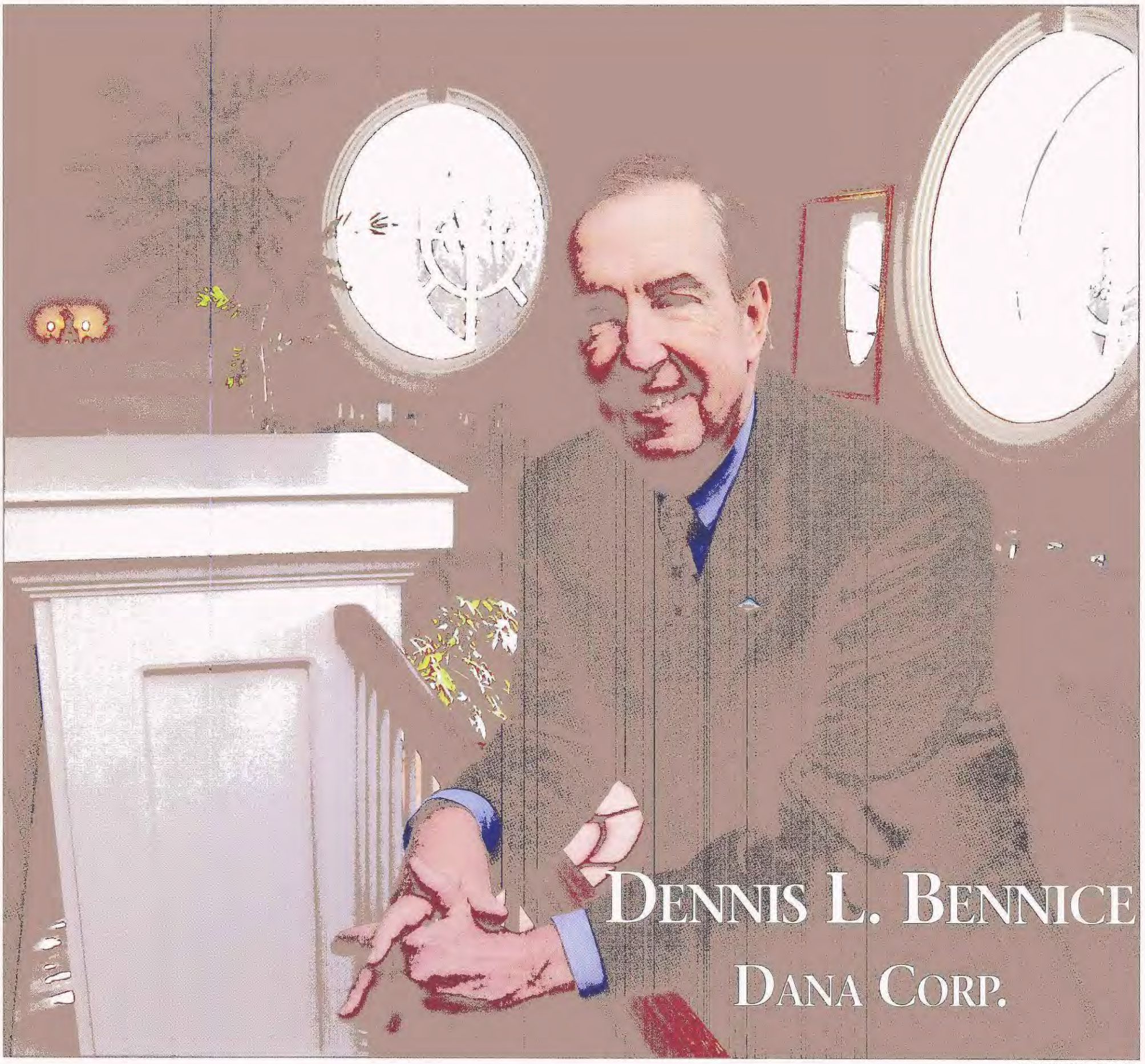


PHOTO: MICHAEL MARCOTTE

Even in retirement, keeping an eye on risk

A 40-year career evolves into a new role–tying up loose ends

By MARK A. HOFMANN

When Dennis L. Bennice stepped down after serving as Dana Corp.'s first and only risk manager for more than three decades, he left a legacy that would be the envy of most of his peers.

He'd overseen the creation of a professional risk management department that grew from one person—Mr. Bennice—in 1974 to about 30 at the time of his retirement late last year.

He'd been instrumental in the creation of a captive insurance company that covers Toledo, Ohio-based Dana's property risks and much of its casualty program as well (see story page 33).

And he'd promoted a culture of loss control awareness that permeates the automobile parts maker's global enterprise (see story page 40).

Yet Mr. Bennice, whose achievements earned him a place on *Business Insurance*'s 2006 Risk Management Honor Roll, freely admits that he feels a certain sense of disappointment.

"The disappointment was probably running out of time in my career and leaving so much unfinished—there's just so much to do at a major corporation that didn't get done in 40 years."

But Mr. Bennice is continuing to tie up those loose ends—particularly in regard to Dana's asbestos liability exposure—as a vp at Toledo-based Hylant Group, which has been Dana's sole broker for more than a quarter-century.

"I've been doing business with Dennis since 1980," said Patrick Hylant, chairman and chief executive officer of Hylant Group and one of the people who nominated Mr. Bennice. "Not only is he a very good risk manager but he is an excellent businessman and problem solver as well. He's always thinking outside the box and uses his people skills and personal relationships to get things accomplished."

Mr. Hylant said that Mr. Bennice also is working with Hylant account executives "to show them what risk managers are looking for."

"Dennis is a really outstanding individual," said Michael L. DeBacker, Dana's vp, general counsel and secretary. "He was able to understand and appreciate the overall risks facing the corporation."

Mr. Bennice has "a great feel for loss control and understood the risks in what we do and did an outstanding job on determining what we would keep inside and what we would insure," said Mr. DeBacker. "Over the years, he has built and trained an outstanding group of individuals in our risk management department. He was our first risk manager, and he really built our organization. You hate to lose a person of that caliber, but he built an organization with the skill and ability to carry on after his retirement."

Mr. Bennice explains about his current position that "it wasn't really a matter of coming back to work.

Continued on next page

Captive plays central role in Dana's philosophy of risk

By MARK A. HOFMANN

Dana Corp.'s risk management philosophy follows a central tenet, according to Dennis L. Bennice.

"Dana generally believes that the last thing in the world we want to do is buy insurance," said Mr. Bennice, who retired as president of Dana Risk Management Services Inc. late last year. "That's a last resort for us. It comes from the concept and the theory that we protect against a catastrophe. We buy large limits; we take large retentions. This is where the captive comes into play and we do business only with the best."

The captive is Bermuda-based Wrenford Insurance Co. Ltd., which Dana originally joined with four other companies to form a group captive in 1974 before buying it out and re-establishing it as a single-parent captive in 1998. The initial investment of $21,600 has grown into an entity worth more than $45 million in capital, points out Mr. Bennice. Aon Captive Managers Bermuda Ltd. handles the accounting and day-to-day paying of bills in Bermuda, he said.

"It's nothing against insurance—insurance serves a purpose. It's grounded in the concept of managing risk and only buying insurance when necessary—in other words, we manage risk," Mr. Bennice said.

"In order to have that concept work, you really have to pay attention to loss control. We only buy insurance for the catastrophe; we never buy insurance for the working layers where you know you're going to have claims. We retain exposures you can control," he said.

Retaining risk can also have cost benefits, but concerns about costs alone do not drive Dana's risk management strategy and the company is prepared to pay the appropriate premium for insurance coverage that it believes it needs, Mr. Bennice said.

Where Dana does participate in the traditional market, it does so with a few well-established partners committed to long-term relationships, according to Mr. Bennice.

"We tend not to jump around—we tend to create long-term relationships," he said. For example, Dana has had only two primary casualty insurers in the automobile parts maker's 103-year history. The company was a client of what is now Hartford Financial Services Group Inc. until the mid-1940s, when it switched its account to Fireman's Fund Insurance Co. in Novato, Calif., and then switched the account back to Hartford in 1978. It remains with the Hartford, Conn.-based insurer.

Dana does not disclose limits and detailed descriptions of insurers and insurance programs are confidential, according to Michael L. De-

See CAPTIVE / next page


PHOTO: MICHAEL MARCOTTE

Michael L. DeBacker, Dana Corp. vp, general counsel and secretary; and Dennis L. Bennice, retired president of Dana Risk Management Services.

Dana beset by woes familiar to industry

Toledo, Ohio-based Dana Corp. traces its history back to 1904, when Clarence Spicer began manufacturing improved universal joints—a device he had patented while still an engineering student at Cornell University—in Plainfield, N.J. He later joined forces with financier Charles Dana, who moved the headquarters to Toledo where the company grew into one of the premier auto parts manufacturers in the world.

Over the years, Dana products have been used in vehicles ranging from Model T Fords to World War II's jeeps to today's NASCAR racing cars. Dana employs about 46,000 people in 28 countries.

The company reported sales of about $8.60 billion in 2005, up from $7.76 billion in 2004. But Dana was no more immune to the financial woes that have lashed the U.S. auto industry than its customers were. Despite the increase in sales, Dana said it expected to report a net loss of $1.6 billion in 2005, compared with net income of $62 million in 2004.

The financial report followed Dana's March 3 announcement that it would seek Chapter 11 bankruptcy protection. In a statement accompanying the announcement, Dana Chairman and CEO Michael J. Burns said that the "process provides the company an opportunity to fix our business comprehensively—financially and operationally. This will be fundamental change, not just incremental improvement. The Chapter 11 process allows us to continue normal business operations, while we restructure our debt and other obligations and enhance performance."

—By Mark A. Hofmann

Continued from previous page

I'm going to retire, but I don't want to leave you in the lurch," he said. "Hylant was gracious enough to say, 'Fine, we'll sell that service back to Dana.' One career ended because 40 years is long enough."

One of the issues Mr. Bennice will continue to work on for Dana is management of its asbestos liabilities. While Dana has significant issues to deal with over its asbestos exposure, it is something that Mr. Bennice's previous management of the issue has helped keep from becoming overwhelming.

"First of all, everything's relative—it's a very big exposure but not a big exposure relative to some of the other" companies' asbestos exposures, he said.

Dana has more than 100,000 cases right now pending, even though very few of its products contained asbestos, Mr. Bennice said. Dana received its first asbestos claim in 1981, and proceeded to enter the Asbestos Claim Facility, which changed into the Center for Claims Resolution before dissolving.

The CCR was an entity formed by major asbestos defendant companies in 1988 to handle asbestos-related personal injury claims and reduce litigation costs.

"We self-manage our claims," said Mr. Bennice. "We have our own system of defense lawyers around the country. We aggressively manage all of those 100,000 claims in every jurisdiction ourselves," he said.

"We bought a lot of insurance because we believe in covering the catastrophe as well as the aggregation of losses. If a catastrophe's going to happen, we're going to be ready for it. We will absorb all the losses that are small, but if there's a catastrophe, we want to make sure there's plenty of insurance there."

Dana has been able "to collect on that insurance also because of our philosophy that we do business only with the best insurers," said Mr. Bennice.

Dana, though, does have to negotiate with insurers in runoff, including Lloyd's of London syndicates whose pre-1993 liabilities are now managed by Equitas Ltd.

Dana settled its claims with Equitas in late 2004. "I obviously can't disclose the amount, that was confidential, but I can tell you it was sizeable," said Mr. Bennice.

Equitas has said the settlement with Dana and three other policyholders—which Equitas declined to identify—totaled more than $200 million (*BI*, Jan. 10, 2005).

Despite the significance of its asbestos liabilities, Dana opposes creating a $140 billion national no-fault trust fund to compensate victims of asbestos-related disease, Mr. Bennice said. The Fairness in Asbestos Injury Resolution Act—which would create such fund paid for by defendant companies, their insurers and existing trust funds—stalled in the Senate this year.

"Dana's against it," he said. "Basically, we believe we don't know whether $140 billion is enough. We do know we think (they are) collecting it from the wrong people. First of all, we believe that the government should be contributing. They had all of the initial asbestos knowledge in the beginning," and required the use of asbestos in certain contracts.

> "There is no room for mediocrity in risk management. You are the only person in your corporation who knows anything to do with risk management."
>
> **Dennis L. Bennice**
> **Dana Corp.**

"We're not sure the allocation system is fair and equitable," Mr. Bennice said. "If you happen to be somebody who's done a decent job in controlling your risk and a decent job in procuring insurance and accounting for certain things, then to go out and come up with a formula that charges you so much money that's not commensurate with the risk you have every year is why it's probably going to get shot down," he said. "We're certainly against it in its current form."

Like many other so-called smokestack companies, Dana also faced considerable environmental exposures.

Where Dana had to, "we pursued litigation. It's always our last course of action. Always. Dana has never believed in litigation. We believe in working things out as business people, but where you can't do that, when you get to a point where there are disagreements, that's what the courts are for," Mr. Bennice said.

While Mr. Bennice takes pride in his dealings with insurers to assure that Dana recovers all of the payments to which it is entitled, he also takes pride in something far removed from the courtroom or negotiating table. That is a scholarship for Bermudian insurance students established by Dana's Bermuda captive—Wrenford Insurance Co. Ltd.—through the Bermuda Insurance Institute.

"This may sound minor to everybody else, but it's not minor to me, and I'm certain it's not minor to somebody in Bermuda, but we established a scholarship a couple of years ago for Bermudian students studying insurance," he said. "It's our way, after 32 years, of giving something back to the island."

In retirement, Mr. Bennice stresses the importance of maintaining the highest professional standards in the practice of risk management.

"There is no room for mediocrity in risk management," he said. "You are the only person in your corporation who knows anything to do with risk management. Nobody does what you do; there's no room for you to sit on your hands. Be proud to be a risk management professional."

He said a risk manager cannot be passive. "You have a duty to your board; nobody else has that duty. Learn how to change the corporate culture and work within it. Don't take credit for things that are outside your control, because it's going to come back to haunt you some day. Remember, no one knows your business in house better than you do—act like it," he said.

"I'm not trying to be arrogant, but you have a responsibility nobody else has and you need to accept that responsibility. You can be humble about it," said Mr. Bennice. "Success is a lousy teacher. It seduces smart people into thinking they can't lose."

Captive: Operation's long-term market relationships based on trust and efficiency

Continued from previous page

Backer, the company's vp, general counsel and secretary.

Dana also uses both ACE Ltd. and XL Capital Ltd. and was an original sponsor for both companies when they were established during the liability crisis of the mid-1980s. "To this day, they are both major players in our excess liability programs. Both have played on our D&O in and out," said Mr. Bennice. Both reinsure the captive on Dana's property program as well, he said. Chubb Group leads Dana's D&O program, which it has done for the past 15 or so years, he said.

Before Dana moved its property coverage into its captive in 1975, Industrial Risk Insurers led its property program.

Factory Mutual Insurance Co., which does business as FM Global, is Dana's boiler and difference-in-conditions insurer, he said.

For all its insurance coverage, Dana pays close attention to contract language, he said.

"You don't want to spend every day in court arguing with the insurer about what the contract means," Mr. Bennice said.

Dana also has had only two brokers in its history—Marsh & McLennan Cos. Inc. from 1948 to 1980 and Toledo, Ohio-based Hylant Group—where Mr. Bennice now serves as a vp—from 1980 to the present.

"We really believe in a one broker concept—I know a lot of people don't," said Mr. Bennice. "But we believe you can get more done, you can be more efficient, have less redundancy than having several brokers tripping over each other."

Relying on a single broker requires "trust and solid relationships—you have to believe in the people you do business with. But as Ronald Reagan said, 'Trust but verify,'" said Mr. Bennice.

Dana Risk Management Services Inc. performs the company's risk management function. "It is a 100% subsidiary of Dana Corp." formed in 1983, he said.

While Dana Risk Management Services operates on a centralized basis, the corporation itself runs on a decentralized basis, he said. "We are not in the corporate headquarters; we are not part of the corporate staff. We charge for our services to all the Dana plants," he said.

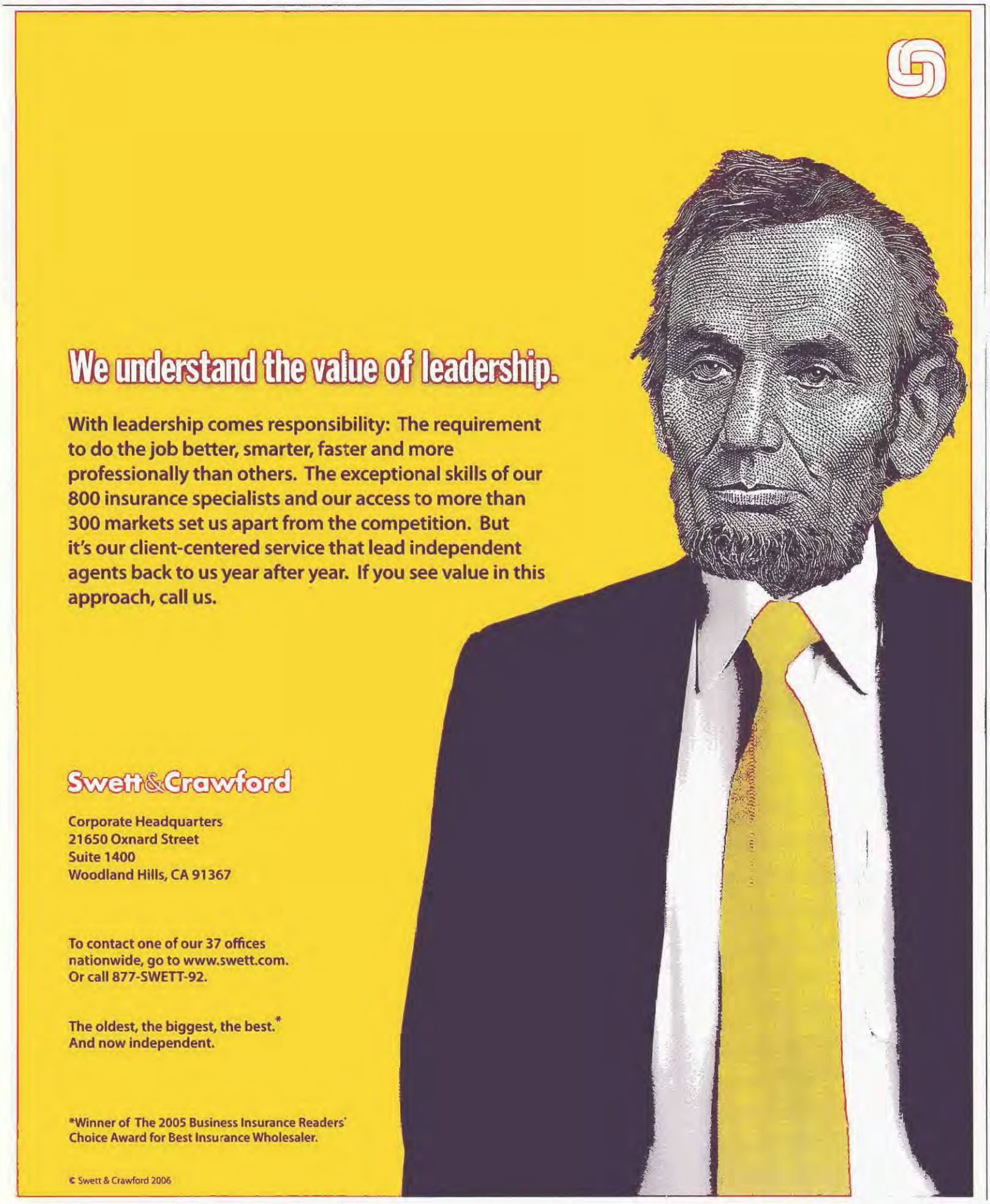
This approach has its advantages. "As far as the plants go, nobody's squealing on them at corporate," said Mr. Bennice. "We run a separate operation—you tell us, we're going to fix the problem. There's nobody looking over our shoulder at corporate. And that's really the basis for why we've kept it. We've kept it because it worked well in that regard."

The operation generally has a staff of 25 to 30 people, said Mr. Bennice. Their areas of expertise range from health and safety to environmental to insurance and financing, including "looking after the captive," he said.

Mr. Bennice retired as president of the unit last November. "I really don't have any direct involvement with what goes on at Dana everyday" now, he said. "Hylant gives consulting service back to Dana; it did it before I came on board. I am doing things at Dana as it relates to cleaning up things I hadn't gotten done at the time of my retirement—mainly asbestos, trying to make sure we collect insurance."

Mr. Bennice has nothing but praise for the staff, many of whom are former risk managers at other companies. Bonnie Schneider—a former risk manager whom Mr. Bennice hired in 1989—succeeded him as head of the risk management services unit, and Mr. Bennice has no qualms about the unit's future performance.

"There's a lot of experience—they're not going to miss me."



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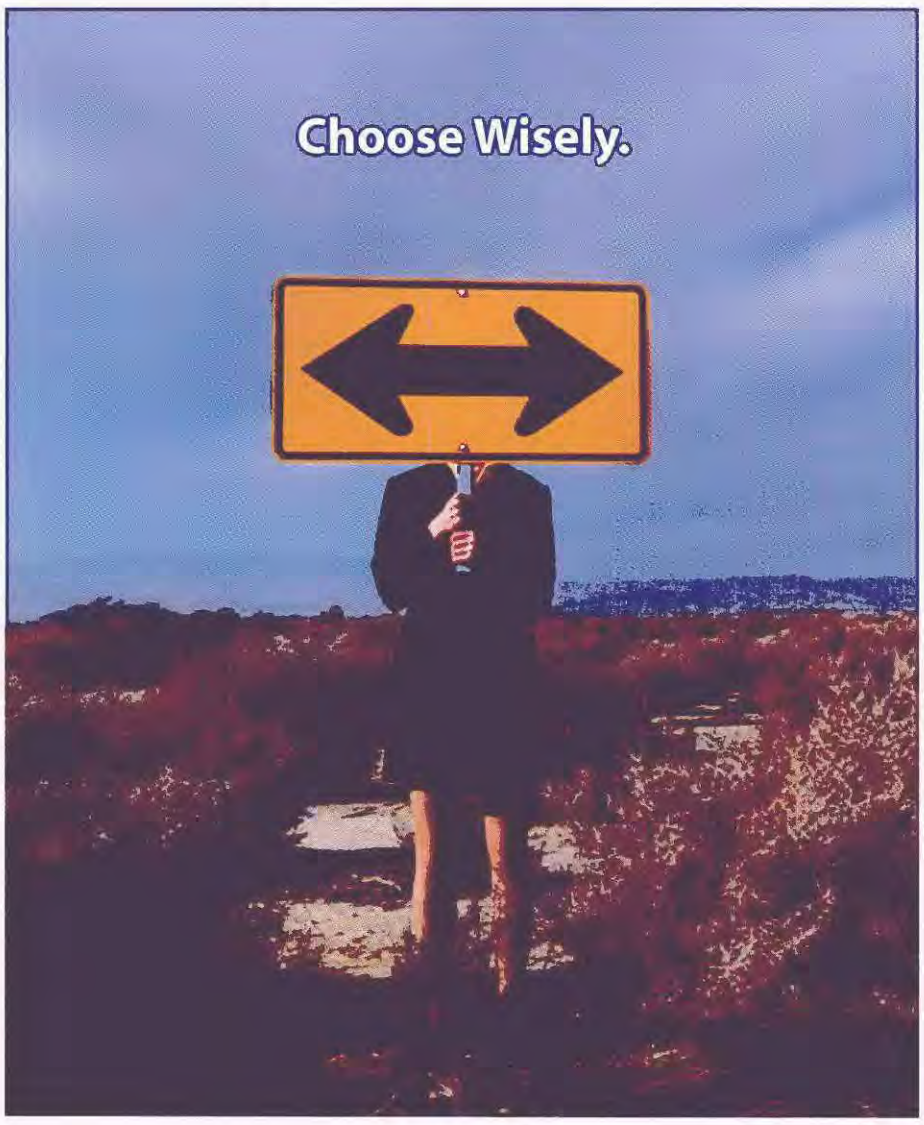
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Dana Corp.'s risk management group: Dennis L. Bennice, recently retired president, Dana Risk Management Services Inc.; Amy L. Perry, senior risk management analyst, Dana Risk Management Services Inc.; James E. Dugan, director-global health and safety, Dana Risk Management Services Inc.; Ruth Knorr, department coordinator, environmental compliance services, Dana Corp.; Greg Morris, environmental engineer auditor, environmental compliance services, Dana Corp.; Judith M. Copeland, director, environmental compliance services, Dana Corp.; Frank Pittmann, manager-workers compensation, Dana Risk Management Services Inc.



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Education relieves workers comp losses

By MARK A. HOFMANN

Sometimes staying in place can represent forward motion.

That was the case with Dana Corp.'s workers compensation costs a few years back, according to Dennis L. Bennice, the recently retired risk manager of the Toledo, Ohio-based automotive manufacturer.

"Workers comp does make up the bulk of our costs," said Mr. Bennice, who was president of Dana's Risk Management Services Inc. subsidiary. "Workers comp is still the primary cost and probably always will be."

Workers comp costs were particularly high in the late 1980s, running about $40 million a year by 1988 for Dana, which self-insures its workers comp program in Ohio and 14 other states. Many factors contributed to the high cost, he said, including an aging workforce, aging facilities, aging equipment, obsolete technology, improper training, employee turnover, rising medical costs, rising benefit levels in various states, inadequate supervision, morale issues, fraud, malingering and lack of capital expenditure.

In a first step to bringing the costs under control, Mr. Bennice decided to allocate costs on an individual plant basis.

"You're going to pay for your losses. If you're going to put your people in an unsafe environment—certainly not intentionally, nobody would intentionally try to hurt them—and not do anything about the cost, then we're going to come up with an allocation system that says you're going to pay for it," he said.

The fact that Dana Risk Management Services is a separate subsidiary of Dana, made creating a cost allocation system "real easy," said Mr. Bennice.

"Basically, what we did was say we're going to play mini-insurance company internally. We're going to come up with what we believe your ultimate losses are for your facility, and we're going to keep track of every U.S. facility separately, and we're going to project your losses to ultimate based on 20 years of history. We're going to charge you that premium right up front and we're going to adjust them after certain periods of time, just like you would with a retrospective program, and you're going to pay for your losses," he said.

But the risk management unit included a carrot in the form of loss control services as well as the stick of cost bearing in its efforts to reduce workers comp costs. "If you want to do something about that, we're going to also provide you with loss prevention services. We're going to help you identify where your losses are at. And we're not going to charge you for that service."

Dana Risk Management Services hired James E. Dugan, now director-global health and safety, in 1988 to oversee the loss control and workers comp claim activity, Mr. Bennice said.

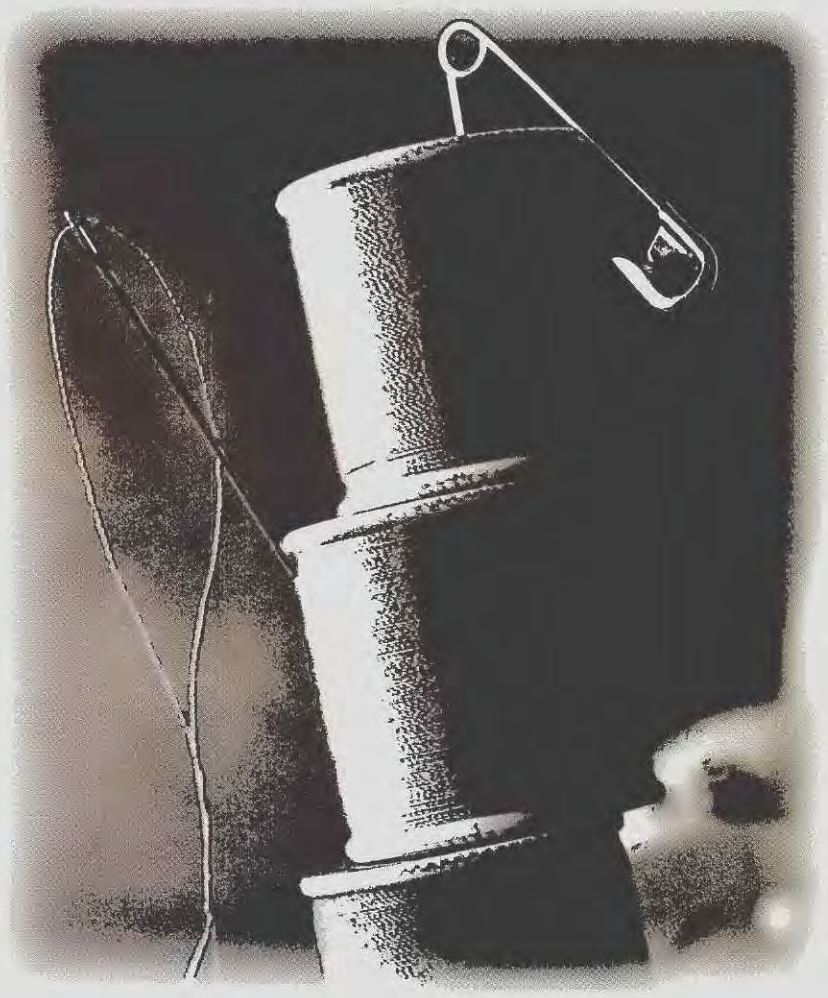
"We wanted to get the costs down, so we followed the 80/20 rule and looked at the 20% of the plant that normally contained 80% of the costs," said Mr. Bennice. "We trained supervisors," with sessions in every plant as well as annual regional seminars, he said.

"Education was really important to show them the causes of workers compensation losses," said Mr. Bennice. "The concept's the same all over the world; improper training is going to cause losses no matter where you are. Unless you took the time to explain that to people, they didn't get it internally, but they get it now."

The approach paid off quickly, said Mr. Bennice. "I would say the losses stabilized within a year. Some would look at that and say 'Well, what good is that? You had $40 million losses in 1988 and you had $40 million losses in 1993, that's five years later and you still have $40 million in losses.'"

But, with increased man hours, a 10% annual increased in medical costs and increased workers comp benefits levels "you have an absolute win if you were able to keep (workers comp costs) flat," he said.

And, "even though the company has shrunk in recent years, the losses have gone down more than proportionately," Mr. Bennice said.



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Exporting the U.S. approach to loss control pays off

By MARK A. HOFMANN

Loss control American-style isn't always a popular export.

But for Dana Corp., with facilities spanning the globe, it's a necessary one, according to Dennis L. Bennice.

Dana's philosophy is to buy insurance "only when we need to," said Mr. Bennice. "We manage our risks because we think that's...the prudent business thing to do. It takes convincing, and in a decentralized company with a centralized risk management function, the only thing that saved us there was that we had the complete support of the senior management and board to go out and get done what you have to get done," he said.

That's not an easy sell overseas, Mr. Bennice said. "The global side was difficult, because they don't understand and don't practice very well the U.S. version of loss control. They believe in the philosophy—and I speak generally when I say this—generally, they believe in insuring luggage, they believe in insuring ashtrays, they believe in insuring anything that's insurable, vs. taking a risk management approach that says, 'No, you're going to take a million-dollar deductible and you're going to control your losses,' which is what we were faced with."

That approach ran into resistance, resistance that required a measured response, according to Mr. Bennice. "One of the ways around it was we didn't charge them for loss control. What we said was, 'You're going to get loss control whether you like it or not. We're not going to ask you to pay for it'—at least not pay for it directly."

Doing so wasn't cheap, according to Mr. Bennice. "Our captive picked up the tab," he said. "We spent over $2.5 million a year in the captive—that's just property loss control" on a global basis.

One area in which innovative loss control paid impressive dividends both at home and abroad involved the use of infrared testing of electrical equipment, a program launched in 1998, said Mr. Bennice.

"We were starting to get losses in the mid-1990s that were huge," arising out of electric fires, he said. "We had one in France, one in Argentina, a couple in the United States. They totaled well in excess of $100 million."

Old plants and equipment were obviously in part to blame, he said. "We decided to do infrared testing of high voltage. I'm not talking about the small stuff; I'm talking about outside the plant, the substation—huge exposure, huge transformers," said Mr. Bennice.

Special infrared cameras can measure the temperature of a transformer and its components to test whether it is close to overheating and determine when maintenance was needed, he said.

"In periods of tough times, maintenance is the first thing that gets cut," he said. "Maybe not cut by senior management but certainly cut by somebody local because they figure they've got to find places to cut corners."

The infrared testing "showed them they were cutting corners in places they shouldn't be cutting them," said Mr. Bennice. "They were taking shortcuts, and they were putting in copper bars instead of new circuit breakers, things like that, to save the hundred dollars for the circuit breaker. What it was doing was creating losses waiting to happen."

When the program began, Dana suffered annual losses of nearly $20 million, said Mr. Bennice. Now, average losses run at about $3 million a year globally for Dana's roughly 300 locations. The number and the severity of claims has fallen, he said. Before the program began, the company faced 20 to 30 claims a year, including three or four "huge ones," he said. "Now there are about 10 claims a year, none of them huge," he said.

The numbers tell the story, said Mr. Bennice, "again, proving that loss control is the answer."

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Bennice sought out career in risk

By MARK A. HOFMANN

Dennis L. Bennice didn't just stumble into risk management.

Mr. Bennice, who retired as president of Dana Risk Management Services late last year after serving as the Toledo, Ohio-based auto parts maker's risk manager for more than three decades, actually sought out risk management.

Mr. Bennice, who holds a bachelor's degree in accounting and finance from the University of Toledo, "came into Dana on the accounting side" in 1966 and rose to become a senior auditor. He appeared to be on a career path that would lead to being first a plant controller and then perhaps ultimately to corporate controller.

"I decided that isn't where I

See CAREER / page 42

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Dennis L. Bennice, retired president of Dana Risk Management Services Inc., the risk management subsidiary of Toledo, Ohio-based automobile parts maker Dana Corp., poses with staff members of Dana Risk Management Services. From left to right: Pam Kesmeyer, administrative assistant; Mr. Bennice; Holly L. Warner, senior risk management analyst; David Rowland Miller, controller; Becky Grogg, risk management analyst; Timothy M. Comer, director, global risk field operations; Connie Heinlin, senior risk management analyst; Bonnie L. Schneider, president.

Career: Sought out challenges

Continued from page 40

wanted to go, but I did like finance and was offered, and became in 1974, Dana's first risk manager," he said. That presented him with a challenge to determine "what can we do other than buy insurance?"

"I basically settled into saying, 'This is a career; this is what I want to do.' It was pretty easy, actually," Mr. Bennice said. "It wasn't the result of not getting to do something else; it was the result of saying, 'This looks to me like it could be a challenge.'"

And it was a challenge Mr. Bennice relished. "It really started this evolution coming from a one-person staff and trying to sell senior management on this risk management concept. The 32 years I was in risk management, it was never the same. That's what I liked about it. To this day, every day is different—not always good, but different—and that's why I like it and why I got into it," he said.

The choice of career led Mr. Bennice, a 60-year-old native of the greater Toledo area, to become active in both the Detroit and Toledo chapters of the Risk & Insurance Management Society Inc. He served as president of the Detroit chapter in the 1980s and continues to be active in the society; he will be a session speaker at this year's RIMS conference in Honolulu.

Mr. Bennice has also been involved on the risk management councils of several insurers and the risk management council of the Manufacturers Alliance for Productivity & Innovation, an Arlington, Va.-based nonprofit executive development and business research organization.

But it's not all work and no play for Mr. Bennice, and sometimes he is able to mix business and pleasure. "I do like to play golf. I think golf is a great avenue to conduct business in the insurance industry," he said. He also enjoys lake fishing.

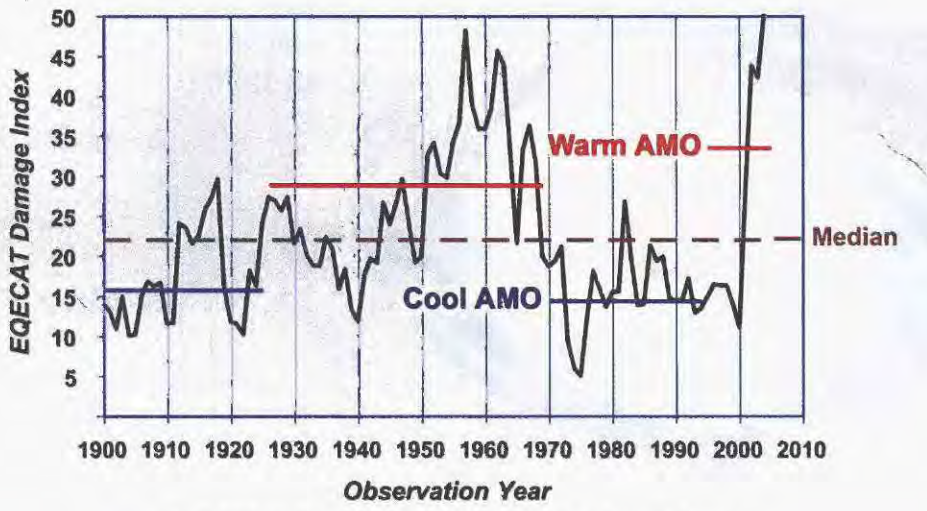
Mr. Bennice and his wife, Virginia, a retired medical assistant, have two children: His son, Todd, is a vp with the Hylant Group in Cleveland and his daughter, Jennifer, is a clinical psychologist in private practice in Charleston, S.C.

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Quick action mitigates production losses from Hurricane Ivan

By MARK A. HOFMANN

Dana Corp.'s emphasis on loss control led plant managers to go to extraordinary lengths to ensure that a Dana plant located in the path of Hurricane Ivan would be ready to return to normal operations soon after the storm hit.

Dennis L. Bennice, Dana's longtime head of risk management, gives credit to the managers themselves for getting generators to the Pensacola, Fla., facility so quickly that the plant, which makes parts for Ford Motor Co., lost only a few hours of production after the September 2004 hurricane.

"It wasn't that we did so much; it's just they respected what we did and what we said. They did it all—the plants did it all. The plants are the ones who, as soon as we told them the hurricane's heading toward Pensacola," sprang into action. We told them, "We need to get back in business as quick as we can. What are they going to do about it—what is the plan?" recalled Mr. Bennice.

The response plan involved the Pensacola plant and other plants in its division, said Mr. Bennice. Dana sent two generators to the area on separate trucks from its tractor trailer fleet, putting one to the east of the plant and one to the west, increasing the probability that one would be available for use after the hurricane passed.

Mr. Bennice credits plant managers for understanding that disaster recovery has to happen as quickly as possible.

"We do a lot of just-in-time supplying, so if you don't get ready in time, you're going to shut down, because nobody carries much inventory these days," he said.

"The hurricane happened on Friday and we were in there on Saturday, and we were back and running on Saturday and actually producing parts on Monday," said Mr. Bennice.

A Dana plane was one of only two aircraft to reach Pensacola the first day after the storm, he said. The other was carrying a team of government personnel into the disaster area to make sure it was secure for a presidential visit.

Mr. Bennice said that while Dana has a general catastrophe plan, the company's decentralized nature means that each plant has to work out the details of its own individual plan.

"Every plant's different—you really can't run it from Toledo, Ohio," he said. "But you can set the stage and give them the thinking for having (a cat plan), helping them tweak it if they need help. They have to do it on their own, and we do audit them."

Dana Risk Management Services Inc. makes sure the individual plants have their disaster plans in place and are following normal property loss prevention procedures, with large facilities undergoing twice-a-year inspections, he said.

And the emphasis on preparedness and recovery is not just for Dana's benefit, Mr. Bennice stressed. "If you're not ready, you're going to shut that customer down," he said.

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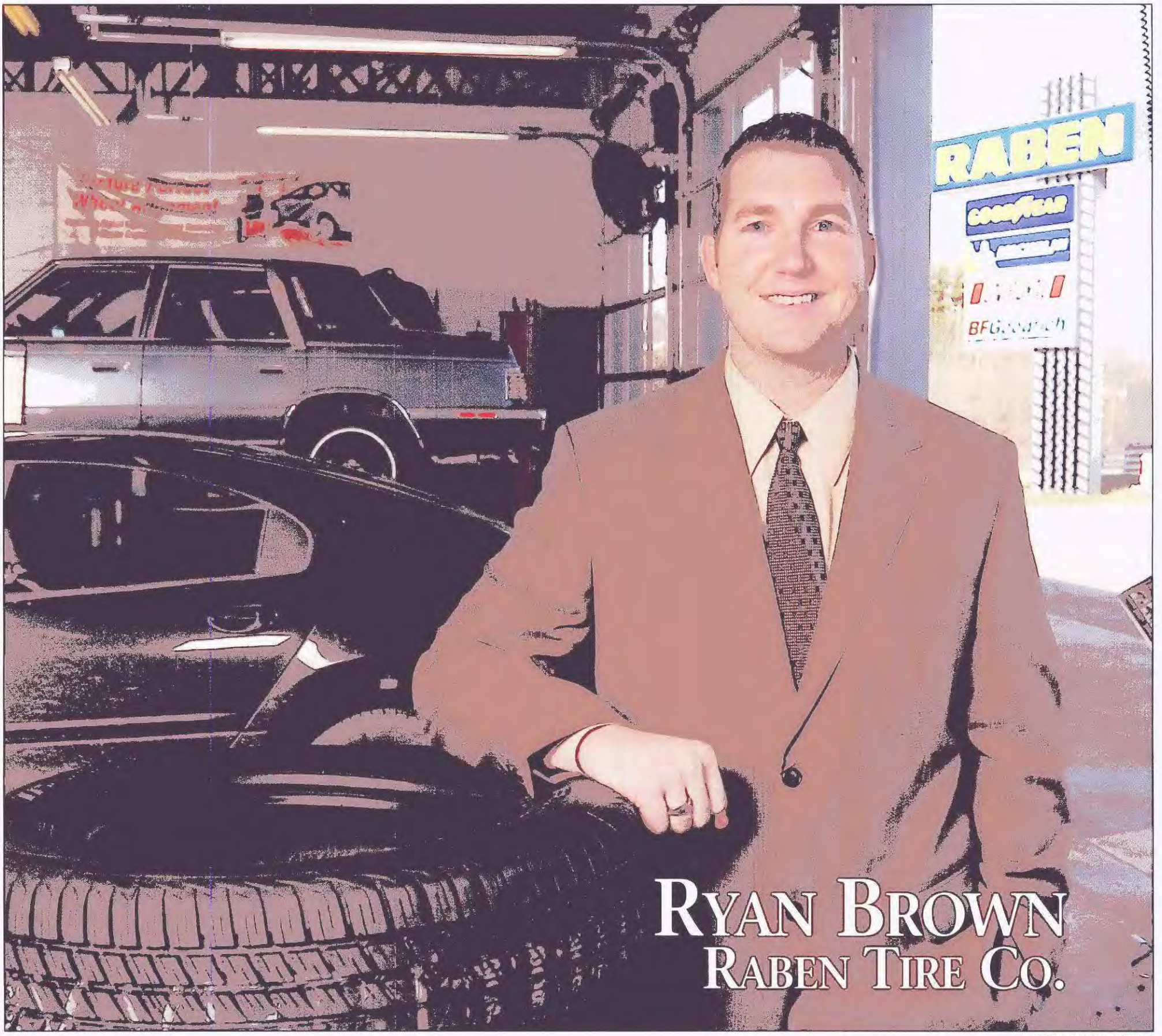


PHOTO: MICHAEL MARCOTTE

Helping risk management gain traction

Risk manager successfully balances variety of duties

By MICHAEL BRADFORD

Ryan Brown is the kind of guy who can make you feel guilty for not aspiring to your full potential.

And you can't help but wonder how far he's going to go.

Consider that he took a job at Raben Tire Co. at a time when its workers compensation costs were out of control and shrank them to a fraction of their former size. In doing so, he created a multitude of loss-control programs that have slashed the company's cost of risk and nearly eliminated lost-time injuries.

Mr. Brown revamped the company's insurance program, creating further savings, and he has raised safety awareness to new heights at the Evansville, Ind., headquarters of the 54-year-old family-owned business and its 37 retail outlets.

And with the time he has left over, Mr. Brown teaches occupational safety courses, serves on the board of a charitable organization, works as president of an organization that raises funds for a children's psychiatric center and spends time with his wife and children.

Still it would be inaccurate to call Mr. Brown a seasoned risk manager and long-time community activist: He's done all of this—and much more—by the age of 29.

He arrived as a 24-year-old at Raben Tire's headquarters and warehouse operation in southern Indiana in 2001, already carrying a resume that listed a five-year stint as safety director for Process Chemical Piping Corp., a Mount Vernon, Ind., subcontractor for GE Plastics. He took that job as a 19-year-old college student and held it until the offer came from Raben to come on board as the company's safety director.

As Mr. Brown's role at Raben Tire evolved, so did his title; he's now director of risk management and fleet operations.

"He came in running," said Mark Raben, corporate secretary at Raben Tire. "Ryan was able to immediately make an impact on our workers comp and safety programs." Mr. Brown's contributions to the company have been "really amazing," Mr. Raben said.

Soon after he took the job, Mr. Brown turned his attention to lowering Raben Tire's workers comp costs, which had ballooned to nearly $1 million per year. The bulk of his work would focus on controlling injuries at the company's stores, which were spread across Indiana, Kentucky, Illinois, Missouri, Arkansas, Ohio and Tennessee.

The stores, which are owned by the Raben family and their partners, are retail operations that sell and service tires and offer various automobile services, including oil changes, tuneups, brake repairs and emergency roadside assistance. The stores are each around 8,000 square feet and average around 15 to 20 workers. Altogether, the stores employ around 575 workers.

Raben Tire's other exposure is its headquarters, which also is the site of its distribution and retreading operations. The 100,000-square-foot building houses corporate offices and around 60,000 tires of various sizes and styles. Sixty-five workers are employed at the Evansville facility.

Raben Tire's annual revenues are expected to reach around

See BROWN/ page 46



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PHOTO: MICHAEL MARCOTTE

Mark Raben, owner of Raben Tire Co.; Kathy Risher, Mr. Brown's administrative assistant; and Ryan Brown, director of risk management and fleet operations

Brown: Gives risk management a tuneup

Continued from page 44

$140 million this year.

Controlling comp costs

Despite the company's size, there was no formalized loss control program when he arrived, Mr. Brown recalled, and there was a glaring need for one at the retail outlets, where injuries were generating huge workers comp claims.

"The two fundamental things that were not there were written procedures and policies," he said. From performing oil changes to filing injury reports, the procedures for carrying out tasks differed from store to store, he said. "And in some cases, it was different within the store," Mr. Brown added.

"In the first week I started here, I had five accident reports on my desk. They were written on four different forms, and they were from three different stores."

It took a while, he said, "to gain my bearings and realize what was going on." It wasn't that store managers weren't trying to work efficiently; the problem was a lack of direction as to what was expected of them, Mr. Brown said. "It was really kind of organized chaos, if you will."

Once he was aware of the scope of the workers comp problem, Mr. Brown embarked on a methodical mission to bring costs down and keep Raben Tire's workers safely on the job.

His first job was to educate himself, Mr. Brown said.

"Prior to being at Raben, I didn't have any experience in automotive service...so I kind of immersed myself in the stores, spent a lot of time not only getting a feel for the culture of the company but also how things are done, how the stores operate, what a typical day is like in a store. And I spent a lot of time with data."

He reviewed loss information and accident reports, talked to Raben Tire's insurer—at the time, Cincinnati Insurance Co.—about the nature of the accidents. "I wanted to see how the accidents were happening. Was it a mechanic getting hurt? Was it a tire changer, somebody getting hurt in one of our stores, somebody doing roadside service?"

The problem of lowering costs and protecting workers, Mr. Brown discovered, would be solved not only by changing the work environment, but also in overhauling the way workers comp cases were managed (see story, page 48).

"If you look at an accident, the activities that happen before and after really dictate how severe or how serious that loss is," he said. Training, purchasing proper equipment, qualifying people to handle their assigned jobs and other "activities before the loss" can have a big impact on minimizing losses, Mr. Brown said.

Mr. Raben said Mr. Brown's loss prevention skills are particularly strong. "He has an ability to see problems and correct them." When Mr. Brown identifies an issue to be corrected, he is quick to "work on a problem to correct it and educate people" as to how to avoid future problems, Mr. Raben noted.

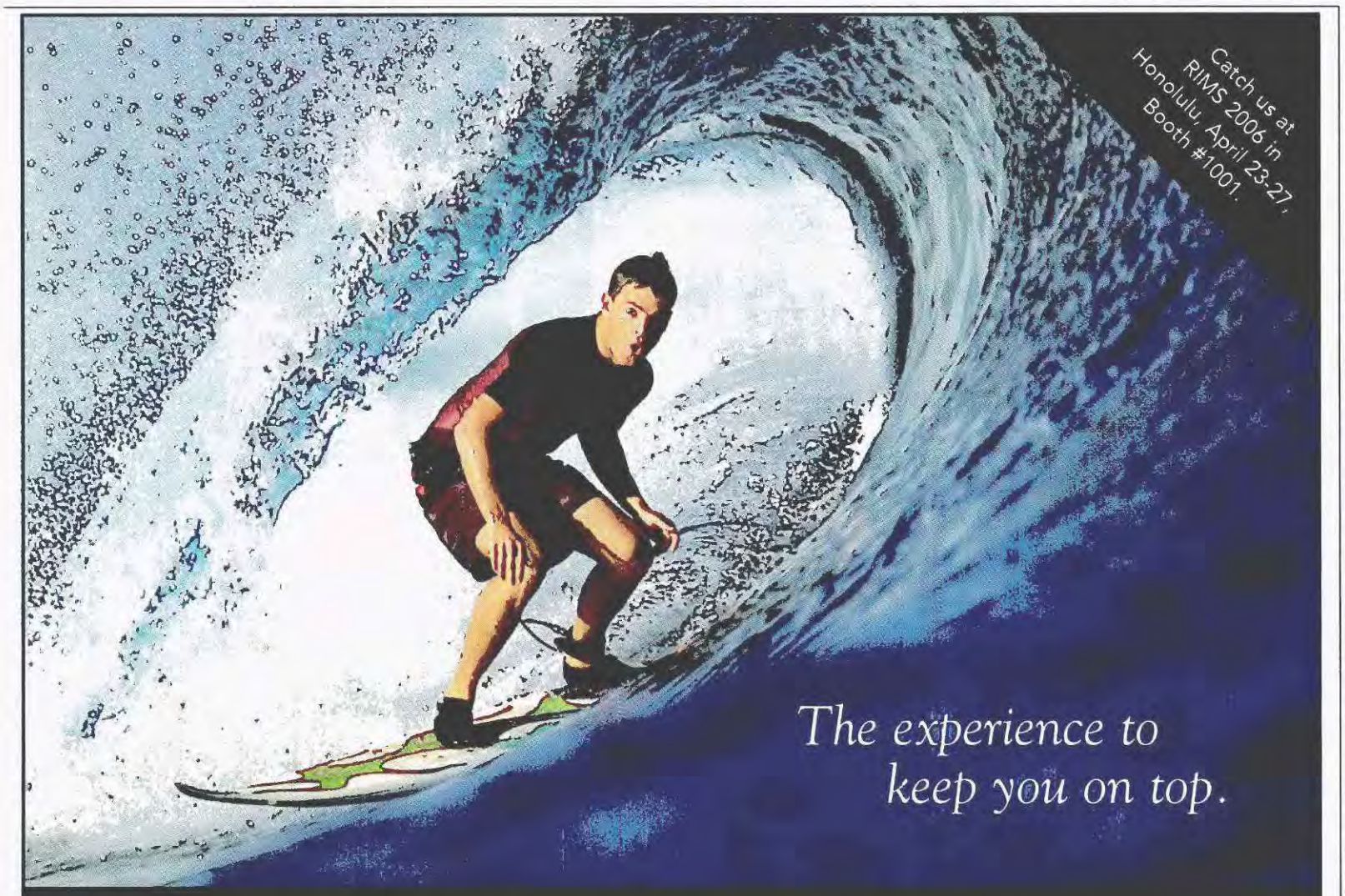
Changing the culture

Mr. Brown acknowledged that, even with the changes that have been made, "it's going to take time for our folks to get adjusted and the culture to develop in which accidents aren't OK."

Such a cultural shift is a drastic change for a company where injuries at one time were routine and accepted. Now, "it's almost a situation of intolerance," said Mr. Brown. "We just don't tolerate it; it's an absolutely extraordinary event for someone to get hurt and miss time, as it should be."

Once the workers comp situation was addressed, Mr. Brown focused on Raben Tire's other exposures and insurance coverage. While property/casualty exposures apart from workers comp were not as urgently in need of attention, some adjustments were called for. Among them, an increase in Raben Tire's umbrella limits (see story, page 52).

"I want to make sure that we are protecting our assets as we grow," Mr. Brown said. "And what was best for Raben Tire five years ago doesn't mean it's necessarily still a good fit for us."



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Early task was putting brake on workers comp losses

Loss control measures halt runaway costs

MICHAEL BRADFORD

When Ryan Brown joined Raben Tire Co. in 2001 as safety director, it didn't take him long to realize where he would be spending most of his time.

"My first 26 months here at Raben," Mr. Brown said, were taken up by nothing but "workers comp. It was such an issue, such a priority, I would almost classify it as a crisis."

Workers comp losses, which had climbed to a single-year high of nearly $1 million before he arrived, were largely from back, shoulder and knee injuries sustained by workers handling tires for commercial vehicles in Raben Tire's retail outlets. The company has around 640 employees, operates 37 stores and is headquartered in a 100,000 square-foot building that also serves as a distribution facility in Evansville, Ind.

In fact, injury rates and claims were so high that Cincinnati Insurance Co., which had written Raben Tire's workers comp insurance for more than 20 years, decided to quit providing it not long after Mr. Brown arrived.

"There were no hard feelings, because I can't blame them," said Mr. Brown, now Raben Tire's director of risk management and fleet operations. "I always put myself in the insurance company's chair and say, 'How good of a risk are we? Would I want to write insurance for Raben Tire's workers comp?' If it was on a guaranteed-cost program, I wouldn't do it," he said of the risk at the time.

Fairfield, Ohio-based Cincinnati Insurance Co. was charging Raben Tire more than $900,000 for coverage, "and they were still losing money," Mr. Brown said. The tire company's experience modification factor—a rate insurers use to calculate workers comp premiums—had reached 2.52 when the insurer called it quits in 2002.

"I had never heard of one that high," Mr. Brown said of the modification rate.

"Our losses were mounting, and accident frequencies were very high," Mr. Brown said. "We had a high disability rate. A lot of folks who got hurt never came back to work."

Problems, solutions

As he began studying Raben Tire's accidents and claims, it became clear to Mr. Brown that the company did not have the proper pre-loss and post-loss procedures in place to prevent injuries and hold down claims costs.

Prequalification of workers to determine whether they are suited for the job, training and the use of proper equipment are important in helping prevent injuries, he noted. "And then once a loss happens, how do we as a company handle the claim?" he asked.

Addressing those considerations after he arrived at Raben Tire in 2001, Mr. Brown was able to imple-

> "Our losses were mounting, and accident frequencies were very high. We had a high disability rate. A lot of folks who got hurt never came back to work."
>
> **Ryan Brown**
> **Raben Tire Co.**

ment programs designed to lower the odds of a workplace injury and increase the chances that an injured employee will be given proper care and returned to work as soon as possible.

There was a lot of room for improvement in post-loss procedures, Mr. Brown said, so his attention went toward handling injury claims.

A big post-loss problem was Raben Tire's failure to direct injured workers to occupational medicine providers, Mr. Brown said. "We let the employee pick his family practitioner, which not only added to claims costs, but left us as an employer out of the picture in the ability to manage claims."

The company now has in all locations "a relationship with a care provider that I have personally met with," Mr. Brown said. "They understand our goals, as an employer, of getting our people the best care we can and getting them back to pre-accident condition as soon as possible." Visits to that physician are not compulsory, but are strongly encouraged.

The care providers mostly are local health care facilities with occupational medicine expertise. "Some of our locations are very rural," he said, and do not have access to a provider with that specialty. "Sometimes our best alternative is a family practitioner who understands our needs as an employer."

Raben Tire also needed to get its workers back on the job sooner, al-

See WORKERS COMP / page 50

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Workers comp: Brown's first task on the job was putting the brake on injury losses

Continued from page 48

lowing them to perform light-duty tasks if they were not ready to move back to a more physically demanding job.

Because injured employees were not allowed to return to work until they were deemed by physicians to be able to handle their jobs, the company was chalking up an "inordinate amount of lost time that we were paying people for," Mr. Brown noted.

Raben Tire's return-to-work program arose out of a conversation Mr. Brown had with store managers during the first safety meeting he held with them.

He asked the managers to consider the question, "if you were given an extra employee, what tasks would you have them perform?"

Their answers, which Mr. Brown noted on a flip chart, included cleaning sales displays, picking up litter in parking lots, cleaning windows and floors and distributing store literature on cars at mall parking lots.

"I said, 'Thanks, guys, for the input,' and ripped off the chart page," Mr. Brown recalled.

Later that day, when the group discussed a return-to-work program, some managers objected that "if a person can't do their normal job, then we don't have anything for them to do," Mr. Brown said.

Out came the list, and Mr. Brown pointed out that the managers earlier in the day had given him dozens of light-duty tasks an employee who is not fully recovered could perform.

With such a plan now in place, he said, "our philosophy is getting that person back to work, and getting any output at all is better than paying the lost wages and getting zero output."

In addition, the company in October 2001 implemented a drug-testing program designed to reduce

Continued on next page



PHOTO: MICHAEL MARCOTTE

Ryan Brown, director of risk management and fleet operations at Raben Tire Co., poses with the owners of the Evansville, Ind.-based family business. Left to right: Jon Raben, Phillip Raben, Thomas Raben, Mr. Brown, James Raben, Mark Raben.

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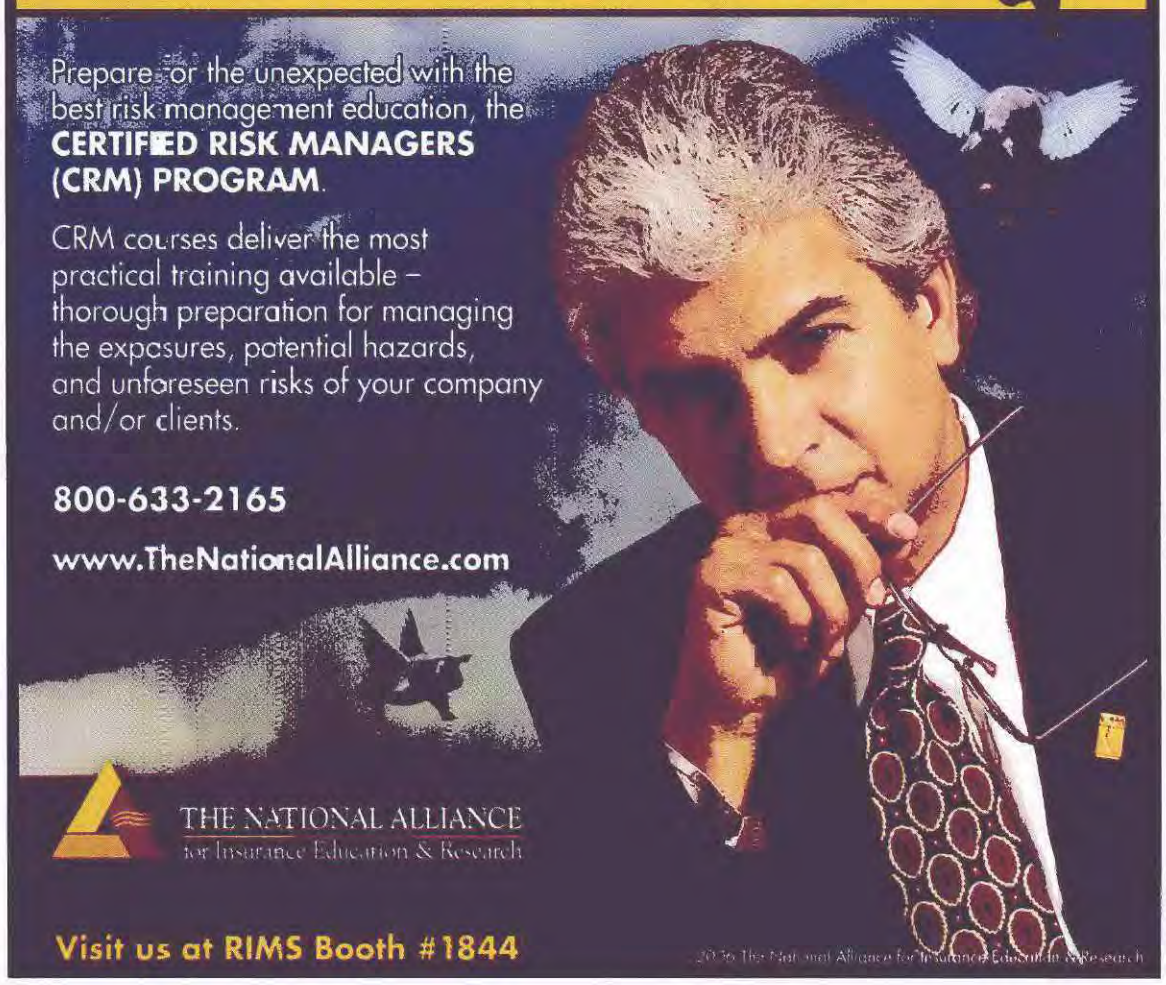
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Continued from previous page
workplace injuries and their related costs (see related story).

Other approaches

Other pre-hire moves have helped keep workers comp losses low, Mr. Brown said.

Raben Tire takes a look at the motor vehicle reports of all its potential employees, giving them a level of scrutiny depending on the job the applicant wants. Those applying to drive delivery or sales vehicles are will have their MVRs most closely examined.

The company also uses two industry-produced training programs for its new hires, as well as an in-house safety and training program.

"If they're going into a retail shop, there's a program through the Tire Industry Assn. called 'basic automotive tire service,'" Mr. Brown said. The video program provides safety information as well as instruction in such techniques as putting a vehicle onto a lift, performing tire rotations and repair, properly torquing wheels and other common procedures.

Lost-time work days dropped to 0.8 days per worker in 2005, from a high of 17.2 days in 1998. Workers comp losses were $134,924 for the year ending Sept. 30, 2005, down from nearly $1 million in fiscal year 2000.

Workers headed to jobs that involve handling commercial vehicles must complete a Tire Industry Assn. program that centers on basic service for such vehicles. "The bigger the tire," Mr. Brown said, "the more risk there is in terms of handling it, inflating it."

There have been workplace changes as well, among them the introduction of training in proper lifting techniques, stretching exercises, advice on avoiding overexertion and the use of mechanical devices that make tire handling easier.

The company installed lift gates on all its commercial service vehicles and began using a mechanical "tire dunker" at its stores, according to Mr. Brown. The machine submerges a pressurized tire in water to find a leak, replacing the cumbersome process whereby two workers wrestled a tire under water.

The stores also use new, lighter equipment to make sure tires are tightened to the proper torque. The equipment not only is easier to handle but decreases the risk that a customer will have a problem with a wheel that was improperly installed.

Getting results

The various programs have paid off. Lost-time work days dropped to 0.8 days per worker in 2005, from a high of 17.2 days in 1998. Workers comp losses were $134,924 for the year ending Sept. 30, 2005, down from nearly $1 million in fiscal year 2000. Those losses are projected at $96,000 for this year.

In addition, the fat experience modifier that was once 2.52 has shrunk to 1.14.

Early improvements helped Mr. Brown in 2001 find an insurer to replace the departing Cincinnati.

He marketed Raben Tire's account on the strength of improvements in lost-time injury rates, shrinking workers comp losses and the potential for the changes he had implemented to further bring down injuries and costs.

Philadelphia-based PMA Insurance Group "took a really hard look at us and liked what they saw," Mr. Brown said. "That was our first venture into a large-deductible program" and a "big leap of faith" from the fixed-cost arrangement written by Cincinnati, he added.

PMA wrote the coverage for a year, and it is now written by Boston-based Liberty Mutual Group Inc. The coverage, a large-deductible retro program, calls for Raben Tire to pay the first $250,000 of each loss. Under the program, the company is eligible for a rebate or can be on the hook for additional payments, depending on how losses develop. The Liberty Mutual coverage costs around $212,000, a huge savings compared with the guaranteed-cost program written by Cincinnati Insurance when workers comp losses were not under control.

As of earlier this year, Raben Tire had not experienced a claim larger than its deductible.

Drug testing reduces work-related injuries

Program screens job candidates

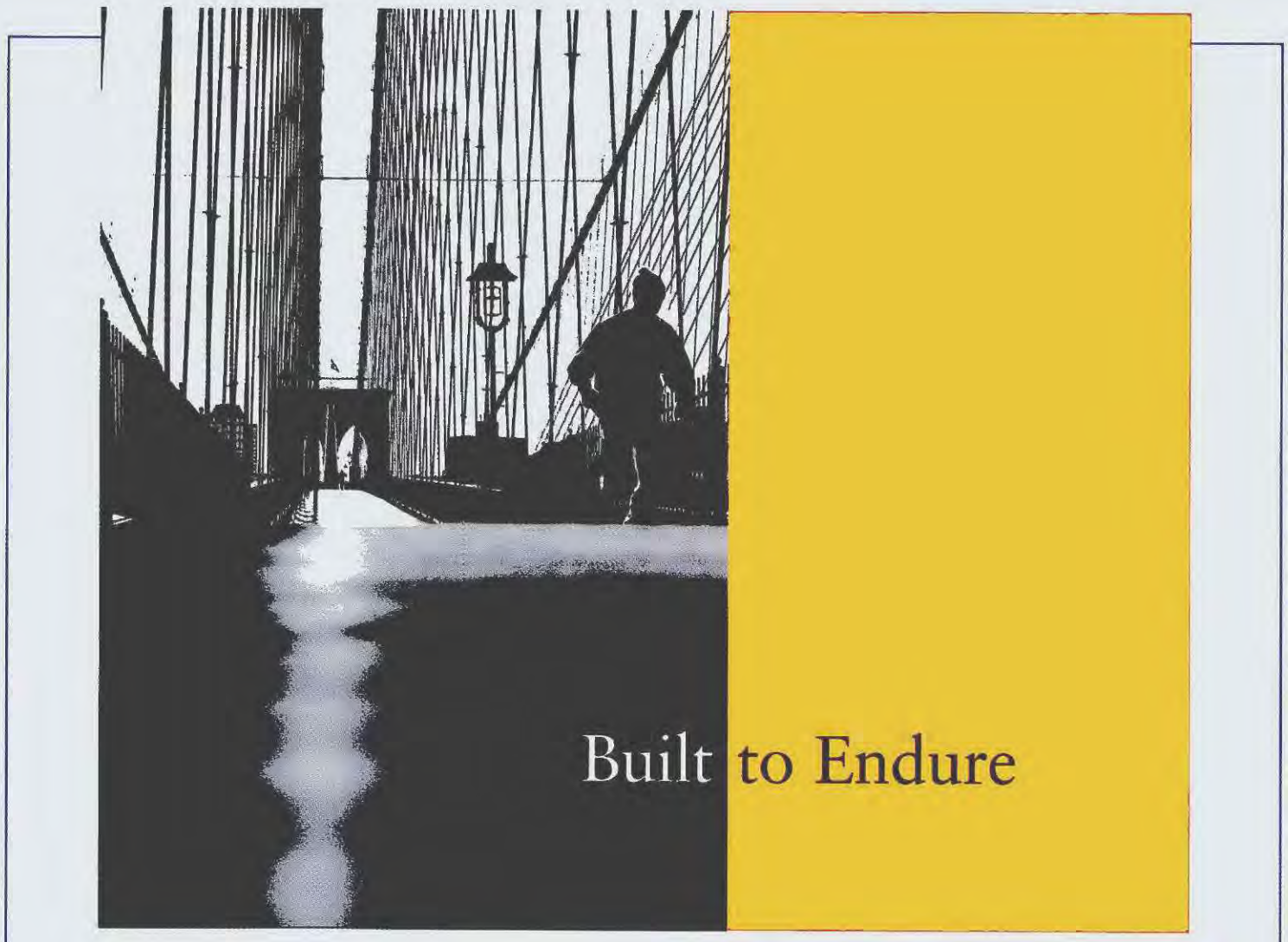
By MICHAEL BRADFORD

Drug testing, which Raben Tire Co. implemented in October 2001, has become a key part of the company's efforts to reduce work-related injuries and costs.

"It was a hard process to get going; it was a big change for us," said Ryan Brown, director of risk management and fleet operations for the Evansville, Ind.-based company. "Not that (drug use) was something that we condoned; it was something that we had never really addressed," he said. No particular incident prompted Raben Tire to begin drug testing.

The company implemented first a post-loss urine test to determine whether a worker involved in an accident was under the influ-

See DRUG TEST / next page



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Coverage: Brown overhauls Raben Tire's insurance program

Continued from previous page

"You're not going to put them out," he said.

The Evansville and Cincinnati facilities are equipped with sprinklers, and fire department officials have examined the way the tires are stored and have become familiar with the layout of the buildings, in case they have to respond to a fire. Fire officials also have visited some retail stores that have large tire inventories, according to Mr. Brown.

All of Raben Tire's coverages except workers compensation are placed with Cincinnati Insurance through a local agent, Norbert Niemeier of ONB Insurance Group in Evansville. Mr. Brown deals directly with the company's workers comp insurer, Boston-based Liberty Mutual Group Inc.

Mr. Niemeier pointed out that Mr. Brown—who was hired as the company's safety directory and currently serves as the company's director of risk management and fleet operations—was quick to catch on to the insurance side of his job. "He is so knowledgeable it's unbelievable. I've been doing this for 35 years, and I would put Ryan with any insurance agent in understanding the policies, the depth of the coverage."

"He's one of a kind," Mr. Niemeier said. "You just don't run across people of his caliber very often."

Mr. Brown said he learned from Mr. Dudley that safety is part of a bigger responsibility, like a "branch on a tree."

"Risk management," he said, "is the tree."

Academic project boosts risk analysis

By MICHAEL BRADFORD

When you're as busy as Ryan Brown, any opportunity to kill two birds with one stone is welcome.

In a shrewd blending of academic and real-world duties, Mr. Brown managed to complete a project for his master of business administration degree and prepare for Raben Tire Co.'s insurance renewals at the same time.

"Now that Raben Tire has a decidedly objective means of evaluating risk costs," the company will be able to make "better decisions."

Ryan Brown
Raben Tire Co.

Mr. Brown, working in 2004 as director of risk management and fleet operations at Raben Tire while pursuing his master's degree, said his professor in a managerial accounting course at the University of Southern Indiana in Evansville, wanted his students to consider "something we worked with every day" and complete a report that would "educate ourselves on something within our disciplines."

"It was an excellent opportunity for me at the time," Mr. Brown said. Raben Tire's renewals were six months away, and the data on cost of risk and the company's exposures that he was gathering for that task was "very beneficial," not only for the upcoming renewal but also for his classwork, he said.

The result was a research paper that leads off with a discussion of risk management basics, including the benefits of risk management, types of risk, benefits of benchmarking and other topics. The paper's second section is devoted to Raben Tire's exposures and presents a detailed cost of risk analysis for the company.

"Calculating and monitoring the cost of risk provides numerous benefits for a company," Mr. Brown concluded in the paper. "These benefits include the ability for a company to benchmark its risk costs against others in their industry, more accurately predict future risk costs for budgeting purposes, and to provide return on investment information when making decisions on investing in risk control projects that would eliminate or reduce risk."

In Raben Tire's case, the information was particularly valuable because it had never been compiled. "The cost of risk study substantiated our progress with reducing risk costs," Mr. Brown wrote. "By calculating risk costs over a period of time, I was able to document savings afforded by the risk control programs and progressive risk financing techniques utilized over the last 26 months."

"Now that Raben Tire has a decidedly objective means of evaluating risk costs," the paper states, the company will be able to make "better decisions, utilizing better information."

Mr. Brown said that the "MBA process for me was extremely beneficial, because most of our curriculum was an individual project that was in some way, shape or form related to your career, whether it was your current career or career objectives. The balance of the coursework was group-related" and involved bringing together students who were involved in finance, accounting, marketing and other business disciplines.

It wasn't an easy project, Mr. Brown contends, involving a lot of research and rewriting. Still, it paid off.

In addition to being well-prepared for renewals, "I got an A," he said.



Game helps prevent injuries at work

Who would have thought that a game loved by children and senior citizens could help make a workplace safer?

Raben Tire Co.'s director of risk management and fleet operations had a pretty good idea that's what would happen when he introduced a daily round of bingo at the company's retail outlets.

"Every employee gets a card," Ryan Brown said of workers at the 37 retail outlets and headquarters of the Evansville, Ind.-based tire and automotive services company. "We pull a number every day out of a bingo hopper" and pass it along by e-mail to the stores, he said.

A bingo is worth $200, and a completely filled card gets $650. A lost-time injury restarts the game, but if the game continues past 30 days, the prize amounts doubles. The biggest win was a jackpot of $5,200.

But what ties the game to injury prevention are the daily safety slogans that accompany each number.

"Protect your hands, you need them to pick up your paycheck" is one such safety reminder that Mr. Brown distributed with a daily number. The slogans are intended to reinforce safety messages, and they play a big role in the size of a store's winnings.

Workers are required to keep up with the slogans and must be able to present them when claiming a winning card. A bingo or full card without the slogans is worth only half the prize.

Raben Bingo is paying off for Raben Tire, Mr. Brown said.

A $5,200 award "sounds like a lot of money," he said, but that means "we went over a quarter of a year without a lost-time injury." At one time, he said, the company was averaging one-and-a-half lost-time injuries each week.

—By Michael Bradford

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PHOTO: MICHAEL MARCOTTE

Ryan Brown's work doesn't end when he leaves Raben Tire Co. at the end of the day.

Brown's contributions to safety extend beyond end of workday

If there's a spare moment to be found, Ryan Brown is determined to put it to good use.

His job as director of risk management and fleet operations at Raben Tire Co. in Evansville, Ind., fills his work days quite nicely. But when the 5 p.m. whistle blows, the work's not done for the 29-year-old Mr. Brown.

Part of his extracurricular activity is spent teaching what he knows about safety.

"I teach a range of different safety topics" for the Professional Training Institute, an organization that provides courses for individuals holding professional designations, Mr. Brown said. "I'd say the biggest and best one is understanding workers compensation insurance," he said of the courses he instructs.

He also is certified as an authorized trainer for the Occupational Safety and Health Administration. In that capacity, he is authorized to "instruct individuals in a 10- or 30-hour OSHA course," Mr. Brown said.

Mr. Brown's interest and education in safety matters came early. As a 19-year-old, at the urging of one of the owners—a friend of Mr. Brown's father—he was hired in 1996 as the first safety director at Process Chemical Piping Corp. in Mount Vernon, Ind. At the time, he was a full-time student at the University of Southern Indiana and planned to take some time off of work to enjoy college life after a job handling some basic safety chores for a company that provided lawn care and other residential services.

"That lasted about two weeks," he said of his planned work hiatus.

There were two openings at Process Chemical. One was the safety director position and the other was in construction project management. The safety job was more appealing, Mr. Brown said, and the company provided a lot of training to "get me trained and up to speed."

College life, therefore, was limited to completing a full course load while working 45 to 50 hours a week. Mr. Brown completed his undergraduate studies in 2002, earning a degree in business administration and management. Three years later, he also held a master of business administration from the same university.

Before finishing school, Mr. Brown joined Raben Tire in 2001.

At home in Evansville, the town where he was born and grew up, Mr. Brown participates in several civic activities.

He serves on the board of directors for the local Red Cross chapter and is president of the Friends of Evansville Psychiatric Children's Center, a fundraising organization for the facility, which treats children with severe psychiatric problems.

Mr. Brown hopes to further fill his calendar by earning the Associate in Risk Management designation from the Insurance Institute of America. "I'd like to have two of the three tests done by the end of this year," he said.

With no local chapter of the Risk & Insurance Management Society Inc. in Evansville, Mr. Brown hasn't been able to participate in the society's activities. The closest chapter is in Louisville, Ky., about a two-hour drive from Evansville.

When the weekend rolls around, Mr. Brown might be found on the soccer field as a coach. He and his wife, Tara, have two children, an 11-year-old daughter named Caplin and a 5-year-old son, Caden, both soccer players.

With any time left over, "I try to get to the gym as much as I can," Mr. Brown said, "but other than that, it's running the kids to soccer practice or another after-school activity."

—By Michael Bradford

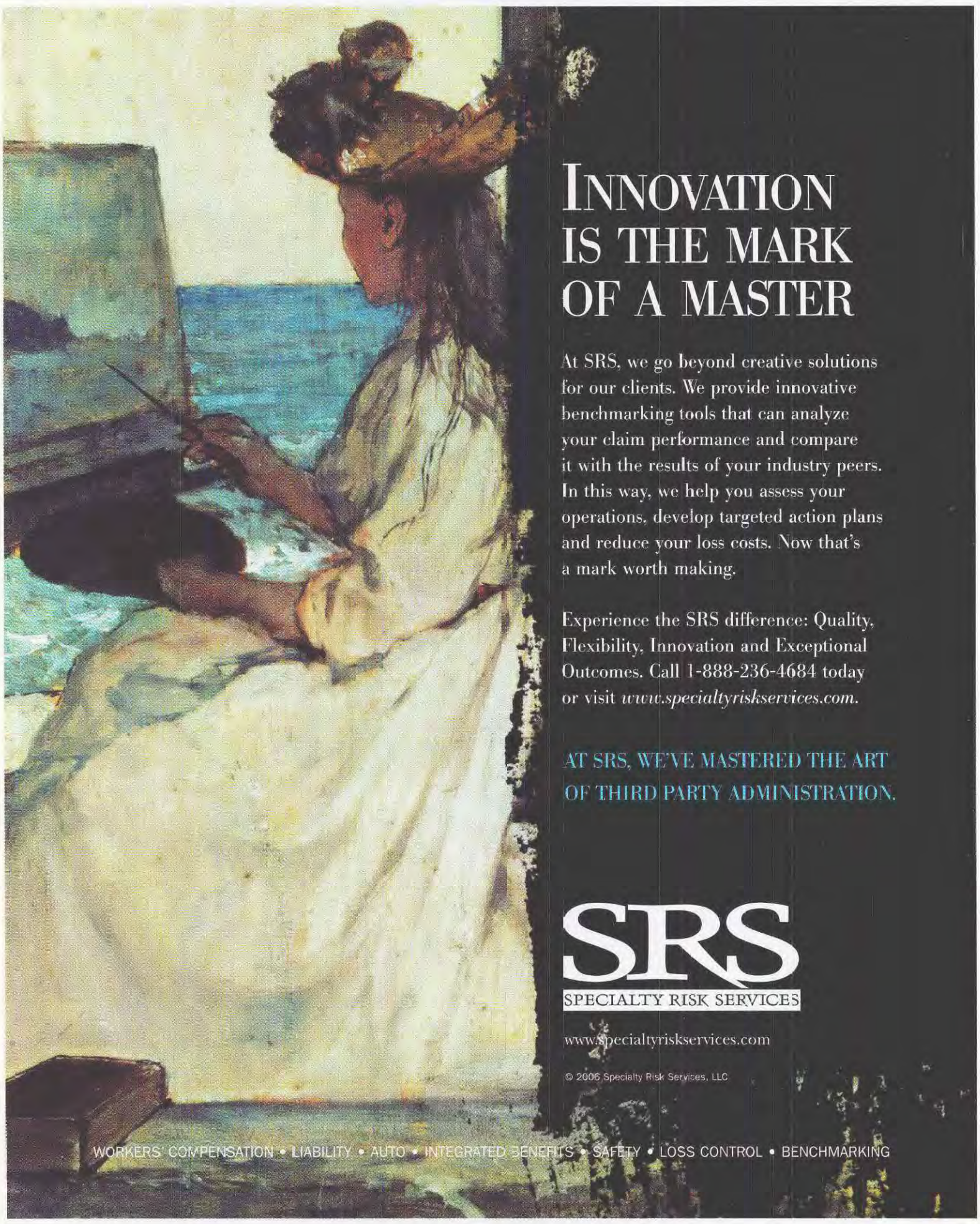




Photo: Michael Marcotte

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

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Business Insurance now accepting nominations for 30th annual award

CHICAGO—Nine independent judges from all sectors of the risk management and insurance profession selected the 2006 Risk Manager of the Year and Risk Management Honor Roll.

Nominations for next year's awards are being accepted until Dec. 1, 2006. The award-winning risk managers will be announced next April at a special awards luncheon coinciding with, but independent from, the Risk & Insurance Management Society Inc.'s Annual Conference and Exhibition.

Risk managers anywhere in the world are eligible to enter the competition. A nominee need not handle risk management responsibilities full time, but he or she must be a full-time employee of the organization whose program he or she directs.

The 2007 Risk Manager of the Year will be the 30th person to receive this honor. *Business Insurance* created the Risk Manager of the Year competition in 1977, on its 10th anniversary of publication, to recognize outstanding risk management practices. The first award was presented in 1978. *BI* created the Risk Management Honor Roll in 1981 to recognize outstanding achievements in risk management in employment categories not represented by the Risk Manager of the Year.

Nine independent professionals will judge this year's entries. Honorees are chosen based on the judges' opinions of each nominee's program as detailed in the nomination forms.

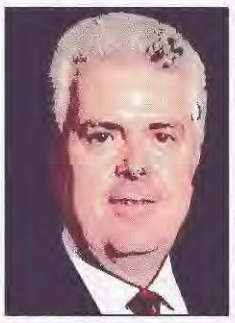
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Mr. Coombs

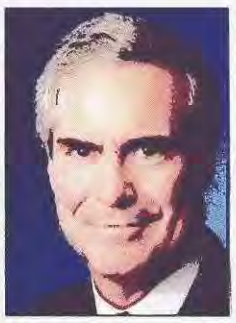

Mr. Cubbin


Mr. Gorski


Mr. Hinton


Mr. Maguire


Mr. O'Connell


Mr. O'Hara


Mr. Wood

This year's panel comprises the 2005 Risk Manager of the Year, the 2005 Risk Management Honor Roll members, two insurer executives, two brokerage executives, a risk management consultant and an insurance educator. They are:

- Scott Isaacson, chief marketing officer of broker Acordia Inc. in Chicago, representing large brokers.
- Steven A. Coombs, president of Risk Resources Inc., a consulting firm based in Elmhurst, Ill., representing risk management consultants.
- Robert S. Cubbin, president and CEO of broker Meadowbrook Insurance Group Inc. in Southfield, Mich., representing midsize brokers.
- Al Gorski, manager of risk management for the Orange County Transportation Authority in Orange, Calif., and a member of the 2005 Risk Management Honor Roll.
- James D. Hinton, vp-risk and insurance for HCA Inc. in Nashville, Tenn., and the 2005 Risk Manager of the Year.
- Alan J. Maguire, president and CEO of AEGIS Insurance Services Inc. in Jersey City, N.J., representing mutual insurers.
- John J. O'Connell, the C.V. Starr Professor of International Risk Management at Thunderbird, The American Graduate School of International Management, in Glendale, Ariz., representing educators.
- Brian O'Hara, president and CEO of XL Capital Ltd. of Hamilton, Bermuda, representing stock insurers.
- Bradley R. Wood, senior vp of risk management for Marriott International Inc. in Bethesda, Md., and a member of the 2005 Risk Management Honor Roll.

Judges evaluate each entry based on 10 criteria (see related story). The nominee with the highest total score is named Risk Manager of the Year; the remaining individuals will be placed into one of four categories not represented by the RMOY:

- Corporations with sales exceeding $300 million.
- Corporations with sales of less than $300 million.
- Government entities, including public entity pools.
- Tax-exempt or nonprofit entities.

The highest-scoring individual in each field not represented by the RMOY will be considered for the Risk Management Honor Roll.

To obtain a nomination form or for more information, please contact *Business Insurance* Editor Regis Coccia by e-mail at *rcoccia@businessinsurance.com* or by telephone at 312-649-5274. Nomination forms and instructions also are available online at *www.businessinsurance.com/rmoy*.

Criteria for Risk Manager of the Year

Ten criteria will be used to score the nominations for *Business Insurance's* annual Risk Manager of the Year Award and the Risk Management Honor Roll.

The panel of independent judges scores each nominated candidate on a scale of 1 to 10, according to how well he or she:

- Established and implemented an effective risk management program within the organization.
- Tackled and solved one or more major problems for his or her organization.
- Innovatively applies the diverse tools of risk management and insurance.
- Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization (specifically addressing the types of policies purchased and manuscripted policies, if any).
- Established a workable intelligence system inside and outside the organization, culminating in a flow of information about events and activities that affect the organization's risk management and insurance coverages. (How the risk manager secures information from other departments in his or her organization and the use of risk management information systems are addressed in this criterion.)
- Skillfully performs the functions of management in the overall organization and within the risk management/insurance department. The functions include planning, organizing, directing and controlling.
- Achieves the most effective risk management program at the optimum cost over the long term.
- Has developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operational aspects of the job.
- Exhibits an attitude and performs activities fostering the advancement of the risk management profession (such as professional activities, speaking engagements, teaching and related activities).
- Develops in his or her career (as exhibited by job history, including current job description, education, honors and memberships).

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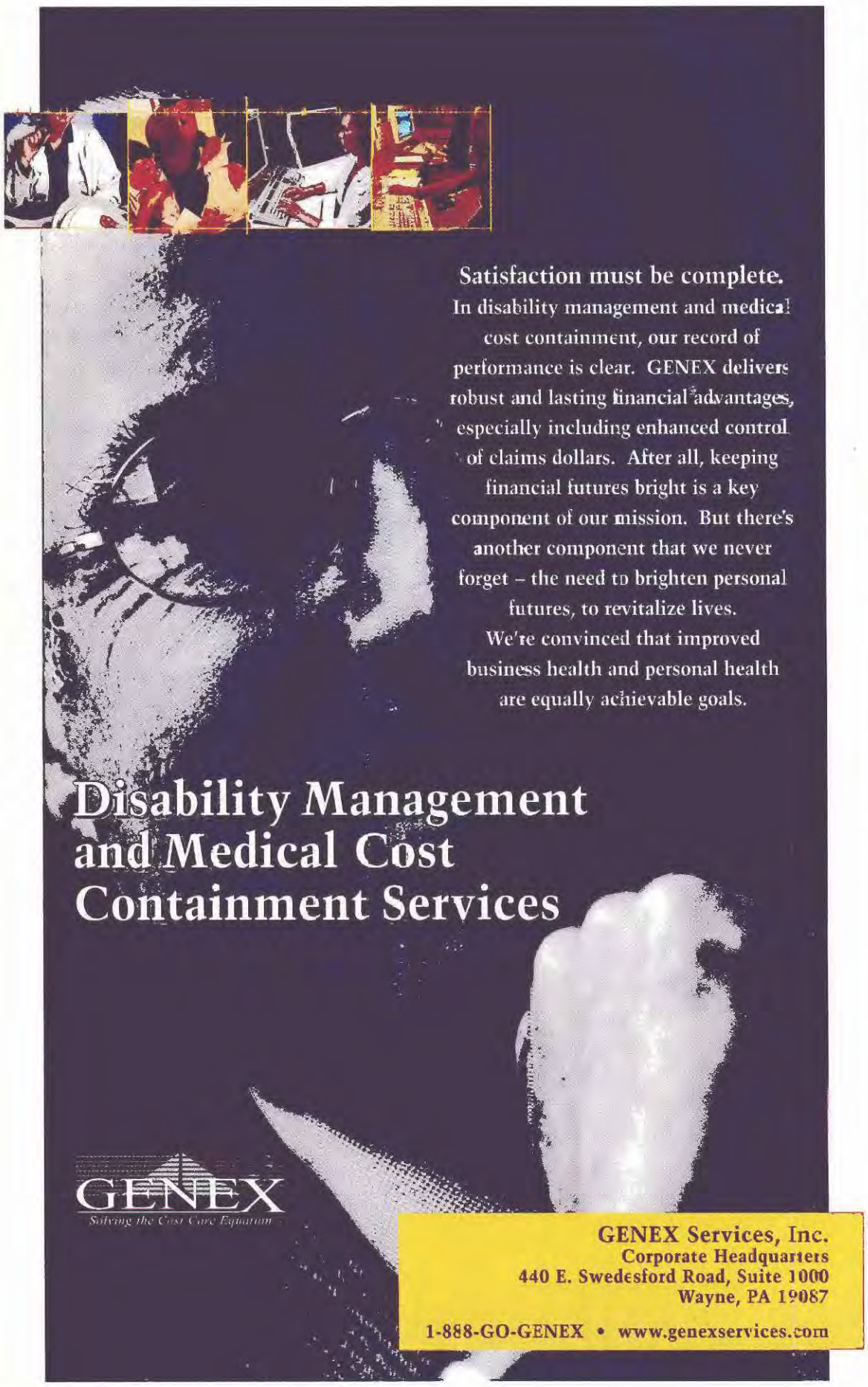
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COMMENTARY

Senior Editor Rodd Zolkos

Aloha, brah, there's trouble in paradise

Having never visited Hawaii before, I elected—like many RIMS-goers, I suspect—to combine a bit of vacation time with this year's conference.

For reasons of *Business Insurance* production schedules and what not, if we were going to do it, it was necessary to take the vacation before the conference, so my wife, Kathy, and I arrived in the islands the week before this year's RIMS gathering.

Having been here for a week then, the message I want to send to those back home is that this time in paradise isn't all it's cracked up to be. I'm sure those of you here for the conference would certainly agree. Whatever colleagues and superiors back home might think, this RIMS in Hawaii deal isn't just some sun-splashed romp set against an endless backdrop of floral shirts and tiki drinks. It's serious business and, I might add, fraught with peril (and not just sunburn).

For one thing, not that they should ever have to, but I suppose if any risk managers attending this year's conference were to be put in a position of having to defend a week's worth of conferencing in a tropical paradise, they could note that they're doing so in a place that's offering the world some very important lessons in risk management.

It's been reported recently that state and local officials here are at the very forefront in their preparations for addressing the possibility of an avian flu epidemic.

With a tremendous number of travelers pouring into the state each day—many from Asia—Hawaii officials were quick to recognize the potential of the Honolulu airport serving as a point of entry for the flu virus. With that in mind, late last year Hawaii became the first state to develop its own program for monitoring airports for signs of the virus, setting out plans for testing passengers who might be infected and implementing quarantines if needed.

In May, Hawaii officials plan to take another step in their effort to address the avian flu risk, meeting with businesses in the state to discuss the impact an epidemic could have on their companies and their employees.

So you see, this is quite a legitimate site for a risk management conference. OK, fair enough, you say. But what about the perils that I suggested lurk in this paradise? Well, where do I begin?

How about raw sewage?

It's a subject that seems to be getting a lot of attention locally. Specifically, it has to do with Honolulu's diverting 48 million gallons of raw sewage into the city's Ala Wai Canal when a sewer main broke in March. Elsewhere around Oahu, storm water runoff following the weeks of heavy rains that soaked the island earlier this year caused additional concerns about elevated bacteria counts in the waters off local beaches.

That contamination caused local officials to close a number of beaches. While some have since reopened, stories in the local press suggest many of the locals remain wary, bacteria levels are still being monitored and no one's quite sure about the long-term impact on local marine wildlife.

Speaking of impact, according to one account I read last week, a surfer who evidently chose to defy the bacteria warnings in order to pursue her passion contracted some sort of flesh-eating infection. Not to belittle the situation or this woman's affliction, but there's a certain science fiction element to surfers risking contamination to catch their waves. Can an army of zombie surfers landing on the beaches of Waikiki be far behind?

Another story I read in the Honolulu Advertiser last week said a sand replenishment project at a local beach has been delayed because bacteria levels in the sand exceed state standards. Will these cursed microbes stop at nothing? Is it not enough that they've infested the sea, must they take over the beach as well?

All right, so you can't swim, sunning's out, maybe then a nice walk around town. Think again. As I scanned another section of the paper over breakfast last week, I read about a guy who was attacked while walking downtown by a nunchaku-wielding assailant. So it would appear that not only do we have to worry about the bacteria in the sea and sand, we've got to stay ever vigilant on the local streets for ninja assassins.

What do you think, RIMSgoers? Have I laid it on thick enough for the folks back home? It's no paradise here. Seriously.

Senior Editor Rodd Zolkos can be reached at rzolkos@businessinsurance.com.

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2001: Dan Hartman, State of Oregon

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1999: Merritt W. Fabel, American International Group Inc.

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1997: Judy Lindenmayer, FMR Corp.

1996: Brian D. Casey, Corning Inc.

1995: Scott K. Lange, Microsoft Corp.

1994: Lucille A. Gallagher, ConAgra Red Meat Cos./ Monfort Inc.

1993: Richard C. Heydinger, Hallmark Cards Inc.

1992: Millicent W. Workman, Belz Enterprises

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1988: William L. Mather, The Gillette Co.

1987: Edith F. Lichota, Irving Trust Co.

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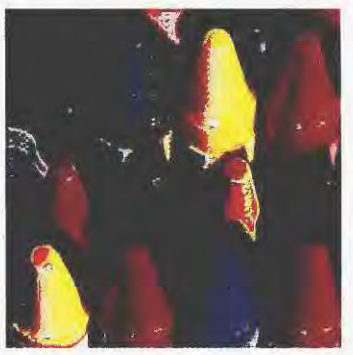
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Taking Stock

High-tech fix is due

By Myron M. Picoult

The United States has gone from the Iron Age to the Industrial Age to the Information Age. This observation immediately conjures up for me thoughts about the insurance industry...in general. Likewise, when I asked a good friend who retired several years ago how he was enjoying retirement, he responded that "his golden years were turning into the rust years." This too made me think about the insurance industry... again, in general terms. The reason for the quick comparison is the fact that, by virtually any standard, the insurance industry has lagged in the use of information technology. This is evident when comparing insurance with other segments of the financial services industry.



At this juncture, my focus is on the property/casualty industry, which, depending on one's perspective, is either in or approaching a state of maturation. The increasing speculative verbiage about a pickup in mergers and acquisitions underscores the reality of maturation for many of the industry's participants. It remains to be seen if this will, in fact, occur. In any event, it is beyond comprehension that an industry that collects so much data has not been more proficient in its use of that information.

There are clearly exceptions to the rule, but too many insurers do not collect appropriate or more meaningful data that could enable them to become more efficient, smarter underwriters and differentiate themselves. Among those that do troll in these waters, a small number effectively slices and dices the data base and an even smaller group executes on the findings.

In insurance, knowledge is power. To the extent that today's technology enables, the only query is whether an insurer uses it or a competitor makes use of it against the laggard entity. I recognize the complexity—in fact, the increasing complexity—of the industry's products, the embedded use of legacy systems and the hurdles of getting employees to accept change and new processes. Using the aforementioned as excuses, though, is the very reason the industry is in this laggard position.

Making predictions is always dicey. But the reality is that change is ongoing and the pace of change has increased. In the years ahead, how organizations do business is likely to become more important than what they do. I suspect that the slow and steady modus operandi in the insurance industry is not likely to cut it in the years ahead. For all businesses, adaptability to change is critical and perhaps the greatest challenge that faces managements today in creating real long-term value.

I have long believed that the industry's business model was broken. The best way to repair it is through enhanced technology that will support cutting-edge applications. Insurers are under constant pressure from Wall Street, existing shareholders, prospective stakeholders and agents to grow. In short, the machines are always crying for premium growth. History has shown that most efforts to ramp up an insurer's growth have led to disappointing results. Insurance entities cannot be all things to all people, and that includes both domestic and global footprints. Companies should focus on what they do best.

I have already noted the need for insurance companies to be nimble and quick to adapt to the pace of change. There are many problems that exist in the business, but one of the biggest is the apparent inability of most of the industry's players to truly understand the product and service needs, wants and behavioral patterns of their existing and prospective customers. There are clearly differences between the needs and wants of commercial and personal lines clients. Still, both want to be serviced in a timely and effective manner. Clearly, there are reasons for the recidivism rate and favorable commentary that one almost always hears from the policyholders of USAA and AMICA.

The use of existing upgraded technology could lower an insurer's expenses and enhance its underwriting performance. The ability to provide a true "value-added approach" to the customer, who is king, will go a long way toward enabling insurers to differentiate themselves and enhance their position in the business. The cost of these projects and the commitment is not something to take lightly. Nonetheless, slow and steady is not the right course either.

Myron Picoult is an independent insurance consultant in New York. He is a past president of the Assn. of Insurance & Financial Analysts and was a member of the New York Society of Security Analysts. He can be contacted at mpicoult@aol.com. An archive of Mr. Picoult's columns for Business Insurance can be viewed at www.businessinsurance.com.

Auctions: Putting benefit plans out to bid online

Continued from page 4

Billet said.

"This is Watson Wyatt's tool for soliciting bids," he said.

"It's faster than faxes, it's standardized, it's consistent," Mr. Billet said. Previously, a consultant would put out paper RFPs, and then analyze them when they were returned by vendors. "With software advances, we could e-mail out a questionnaire and the results came back in Excel, but it was still largely a manual process."

The online auction "is more efficient, no question," Mr. Taylor said.

The online RFP system reduces a staff's workload and cuts the cycle time considerably, said Mary Haigis, HighRoads' chief marketing officer.

In addition, "with a paper-based system, you have to contact a smaller number of vendors because it's labor-intensive," said Ms. Haigis. "We already have vendors trained" in the auction software. "It's easy to bring on new ones, and you can double the number of vendors" responding to a bid, she said.

The streamlined process has encouraged companies to put their plans out to bid more often, resulting in savings. "We've had incumbents taking a renewal at a reduction of 20%," Ms. Haigis said.

Also, the auction process allows companies to more efficiently manage their benefits, she said.

The online auction process "keeps all of (a company's) records consolidated in similar electronic formats," she said. Once the auction is over, the information can be used in a variety of ways—for example, to preload summary plan descriptions and to manage a vendor based on performance indicators from the contract.

However, Mr. Taylor said, "I would argue that most employers are very demanding about the kinds of data they use to monitor the performance of their health plans, increasingly marrying medical outcomes with costs." The performance information generated by an online auction would mostly impact administrative fees, which are "a very small piece of the pie," he said.

> The streamlined online request-for-proposal process has encouraged companies to put their employee benefit plans out to bid more often, resulting in savings.

UltraLink, a Costa Mesa, Calif.-based benefits and human resources administration firm, found that there were limits to the effectiveness of online benefits auctions when it started in the field several years ago.

"Virtually all our clients have said we don't really want to let competitors see each other's bids," said J. Stephen Ashley, senior vice president of client and consulting services.

Besides, "health benefits are really not yet a commodity" like tires or paper and don't lend themselves to the apples-to-apples comparisons of an online auction format, he said.

Rather than conduct auctions, Ultralink now, through an online tool called iProcure, sends out electronic RFPs for health benefits for about 12 large multisite employer clients "across all industries and geographies," Mr. Ashley said. UltraLink completes negotiations with responding health plans and other vendors face to face, he said.

For example, UltraLink brings "a tremendous block of business"—representing $100 million or more in claims—to Blue Cross & Blue Shield of Illinois, Mr. Ashley said. "We'll go in representing several clients and spend a day or two" in negotiations with that insurer, he said.

While the practice is expanding, the consolidation of vendors and carriers as well as at the client level is slowing growth somewhat, he said. "But clearly, employers are still looking for ways to manage cost increases, and being efficient in procurement and negotiation" is one way, he said.

Online Benefits Inc. in Uniondale, N.Y., whose main customers are brokers, offers a product called AgencyWare, an agency management tool that creates RFPs that go out to carriers on behalf of mid-sized-to-small employers, said Andrew Ceccon, chief marketing officer.

See AUCTIONS / next page

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IFEBP issues benefits catalog

BROOKFIELD, Wis.—The International Foundation of Employee Benefit Plans has published a catalog of more than 100 employee benefit and compensation resources available through its organization.

The "Benefits and Compensation Books" catalog includes books, CDs, DVDs, periodicals and survey research on topics such as general benefits, health care, and pension and retirement plans, among others.

A complimentary copy of the catalog can be obtained by contacting the IFEBP at 888-334-3327, option 4, or at *books@ifebp.org*. The catalog can also be viewed online at *www.ifebp.org/bookstore*.

AIG unit launches cancellation program

NEW YORK—AIG Programs, a division of American International Group Inc.'s Lexington Insurance Co., has introduced an insurance program covering losses incurred when an event is canceled.

The Event Cancellation Insurance Program allows companies in the sports, marketing and entertainment industries to address this particular risk. Numerous events are covered, including conventions, concerts, trade shows and sporting events.

The program is administered by Wakefield, Mass.-based HCC Specialty Underwriters Inc. It can be purchased alone or as part of the TotalEvent suite of coverages, consisting of special-event liability insurance, weather insurance and prize indemnity insurance.

For more information, contact Mark Barry, senior vp at HCC Specialty Underwriters, at 781-994-6000, ext. 6251, or at *mbarry@hccsu.com*.

JLT enhances security, privacy program

LONDON—JLT Risk Solutions Ltd., a subsidiary of Jardine Lloyd Thompson Group P.L.C., has expanded its security and privacy liability insurance program to offer broader coverage.

The program, Enterprise Privacy Protection, is underwritten by Lloyd's of London and is designed for companies within the U.S. financial services and health care sectors. Some of its latest offerings include: coverage for customer notification expenses to warn customers or patients of security breaches, expanded coverage for physical theft of hardware, and coverage for false electronic communications designed to trick users into providing personal information.

In addition, a second policy form is available that combines the security and privacy coverage of the Enterprise Privacy Protection program with technology errors and omissions and miscellaneous professional liability coverage.

This second policy form is designed for staffing and employment service providers and technology companies that provide software or services for high-compliance industries, such as health care, power and energy and financial services.

More information can be obtained by contacting Emily Freeman at 44-207-528-4679 or at *emily_freeman@jltgroup.com*.

Cybersettle upgrades online claims system

NEW YORK—Cybersettle Inc. has enhanced its online claims settlement system.

The company has launched Cybersettle 5.0, which now allows users to support and settle related claims together; share documents online; and customize, standardize and specialize reports; among other features. In addition, the company has shifted the system's platform to Microsoft's ASP.NET, a technology for creating dynamic Web applications.

For more information, contact MaryAnn Jennings, senior vp, at 914-286-5665 or visit the company's Web site at *www.cybersettle.com*.

Beazley introduces risk management suite

FARMINGTON, Conn.—Beazley, a specialty lines insurer, has launched a suite of Web-based risk management services for employment practices liability and directors and officers exposures.

BeazleySource will be available May 1 for the company's EPL and private company D&O clients. The platform delivers customized services based on the policyholders' individual exposures. It features online training for various employment-related topics, including sexual harassment compliance for California, employee termination and discrimination prevention. The site also includes information on compliance with wage-and-hour laws and model employment policies and procedures that can be downloaded and customized.

For more information, contact Carrie Brodzinski, product manager, EPL and private company D&O, at 860-677-3750.

Lexington launches architect assistance site

NEW YORK—Lexington Insurance Co., a unit of American International Group Inc., has established an online resource to inform design professionals about the legal and economic liabilities of the architects and engineers marketplace.

The Web site, *www.lexaehelp.com*, was created for the company's architects and engineers liability insurance policyholders. It provides risk management tools and educational resources and also includes information on topics such as an overview of legal exposures and contract guidelines.

For more information, contact Patrick McCarthy, director of risk management, at *pat.mccarthy@aig.com*.

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Auctions: Employee plans put out to bid online

Continued from previous page

The tool "creates proposals online and brings them all into an online system, so that preparing presentation documents for a client is much more automated," he said.

Online Benefits wants to go a step further and conduct online auctions. "It's on our development calendar," and the company could be conducting them by the end of the year. One of their broker partners has asked for that capability, Mr. Ceccon said.

Online Benefits offers other tools that lend themselves to the online auction process, he said. One of them is Client Community, which is a broker Web site for each client. "We're hooking up AgencyWare with Client Community, and we're thinking of adding in a broker face to carriers, called Carrier Community."

According to Mr. Ceccon, "Carriers have been kept outside the broker-to-client conversation." With an online interface, carriers can put their bids in and see where their ranking is. Clients also "can watch the process; they can see there's no funny side deals going on. That's our concept."

There will, though, "be some resistance" on the part of carriers, Mr. Ceccon predicted. "HighRoads deals with big groups, so carriers see the advantage of cooperating" in online auctions. But a carrier may not want to change the way it responds to RFPs to get a smaller group's business, he said.

Pitney Bowes uses e-RFP setup

STAMFORD, Conn.—Pitney Bowes Inc. has been working with online auction company HighRoads Inc. for three years. The company has gradually moved all its RFPs and bidding for health plans and other parts of its benefit program online through HighRoads—but it does not actually hold an auction.

"We call it an electronic RFP," said Mary Bradley, director of health care planning at Pitney Bowes in Stamford, Conn. "To us, it's a terrific electronic way to gather information."

"To me, an auction in the benefits arena implies granting business to the lowest bidder; that kind of is removing quality from the decision point," she said.

Health plans that respond to a Pitney Bowes electronic RFP do not see their competitors' bids. "We would rather do the negotiation with the health plans one by one behind the scenes," Ms. Bradley said.

Another reason Pitney Bowes does not do a full auction is that "we're not big enough where we have a critical mass to set up competitive bidding across the country," she said. The company has about 22,000 benefit-eligible employees and about 5,000 retirees.

But using the auction process in part "gives us an efficient way to collect data and report it out. We can spend our time and focus our energy on negotiation rather than collecting the information," she said. The electronic RFP has allowed the benefits staff to eliminate the use of consultants for original bidding, renewal and negotiation, thus saving "a substantial amount," Ms. Bradley said.

The electronic RFP "gives us control over the questions, the negotiations and all the data on the back end," which is provided to benefits staff so they can update summary plan descriptions and answer employee questions about their benefits, Ms. Bradley added.

—By Louise Kertesz

Mutual proposed for London local authorities

Government-funded effort designed to 'introduce fresh competition'

By SARAH VEYSEY



LONDON—A mutual insurer for local authorities in London is slated to begin operations next year in an effort to expand coverage options in a tight market, its sponsors say.

The yet-to-be-named insurer will likely offer property, general liability and auto liability coverage to local authorities.

The mutual will be funded by the London Regional Centre of Excellence, one of nine government-funded regional bodies that provide funds to local authorities to help them improve efficiency, among other things. The LRCE will provide £115,000 ($203,539) to cover costs incurred in setting up the mutual, and London-based consultant Charles Taylor Consulting P.L.C. has been appointed to help prepare a business plan, a constitution and operational plan for the proposed mutual.

The plan is now awaiting approval by the Financial Services Authority, the United Kingdom's insurance regulator. Capitalization requirements for the mutual and the limits that the insurer will offer have not yet been determined.

The mutual is expected to begin operation in April 2007, according to a spokeswoman for the London Borough of Croydon, which is leading the initiative.

The proposed mutual would be open to all 32 London boroughs, the Corporation of London—the municipal governing body for London's financial district—and the Greater London Authority—the elected body that governs Greater London.

The move follows a feasibility study funded by the LRCE, which was conducted in response to concerns from local authorities over the limited number of insurers providing insurance for local government, among other factors. Currently, only a handful of insurers in the United Kingdom specialize in offering coverage to local authorities, sources say.

"It will introduce fresh competi-

See MUTUAL / page 67



The Danube River floods a street in Nikopol, Bulgaria and has affected areas throughout Eastern Europe.

Danube floods bring few claims

E.U. begins work on flood prevention directive

By RICK MILLER

The worst flooding of the Danube River in years is not expected to generate huge insured losses, according to several insurance sources.

Flooding of rural areas in Eastern Europe—in some cases done intentionally—is mostly affecting homeowners, who are less likely to have coverage.

"Dams were opened in rural areas to avoid any complications for industrial areas, so basically it is private people that have suffered damage," mostly in Romania and Bulgaria, said Walter Bartholomes, managing director of Crawford Germany, the Dusseldorf-based branch of Crawford & Co. in Atlanta.

Crawford, for example, has had no requests for claims in the affected countries, said Mr. Bartholomes, who also serves as regional manager for Central and Eastern Europe. "I have spoken with a couple of insurance companies and insurance brokers and, so far, we don't have any exposures, really," he added.

Melting snow combined with heavy rains caused the Danube to flood throughout southeastern Europe in the past few weeks. Europe's second-longest river was flowing at a record 558,000 cubic feet per second—or double the average for this time of year—according to press accounts of data from Romania's Environment and Water Management Ministry.

From 1998 to 2004, Europe has suffered more than a hundred major flood events, in particular the catastrophic flooding of the Danube and the Elbe during the summer of 2002. The 2002 floods, which affected many parts of Europe, including Austria, the Czech Republic and Germany, caused insured losses of around $3.2 billion, according to a study by Swiss Reinsurance Co. in Zurich.

The current Danube flooding has also affected parts of Lower Austria, the state surrounding Vienna, which should impact the major insurers to some degree, said Franz Schreiner, chief executive officer of Schreiner Consulting, a loss adjusting firm headquartered in Linz. However, the damage is not nearly as severe as in past years and losses should be limited, he noted.

Meanwhile, a European Parliament committee is expected to start work this week on a European Commission proposal for a directive aiming to help member states' flood prevention efforts and limit the consequences of floods.

The EC efforts were endorsed in March by the Comité Européen des Assurances, the Paris-based federation of European insurance associations. The EU floods directive would lead to measures such as the development of flood risk management plans focusing on the prevention of damage, the protection of river basins and public preparedness, the CEA said.

Aussie ruling widens scope of 'liabilities'

By ELIZABETH FRY

SYDNEY, Australia—A defunct Australian reinsurer is not required to pay liabilities owed to Australian creditors before settling claims with foreign cedents, Australia's highest court ruled earlier this month.

In *AssetInsure Pty. Ltd. vs. New Cap Reinsurance Corp. Ltd.*, the High Court of Australia effectively broadened the definition of "liabilities in Australia" in the country's insurance law, observers say.

This High Court decision to more broadly define liabilities in Australia overruled a 2004 decision in the Court of Appeal and restored the New South Wales Supreme Court's decision that New Cap Re's insurance liabilities in Australia were not restricted to contracts of insurance that satisfied the definition of "liability in Australia" under the Insurance Act. That court concluded that liabilities in Australia included all liabilities arising for an insurance business in Australia.

The case concerned Sydney-based New Cap Re, which went into liquidation in 1999, and two of its cedents—AssetInsure, which was formerly known as Gerling Global Reinsurance Co. of Australia Pty. Ltd., and Faraday Underwriting Ltd. in London. The case arose in 2003, when New Cap Re's liquidator sought clarity on how to allocate assets and invited insurers to participate in a test case.

A key issue in the case was determining the scope of section 116 of the Insurance Act 1973, which is concerned with the distribution of assets when an insurer is liquidated. The central question was what constitutes "liabilities in Australia" for the purposes of liquida-

See AUSTRALIA / page 67

Updates

Group plans to write for Lloyd's in Singapore

London-based Omni Whittington Group is awaiting regulatory approval for a Lloyd's of London syndicate to write Singaporean business. Omni Whittington, which specializes in administration for insurance companies and runoff, among other things, said it plans to set up a Lloyd's of London managing agency to run the planned syndicate and a Lloyd's corporate name to provide funds to the syndicate. The syndicate will do business through a Singapore-based service company. It will underwrite property, onshore energy, cargo, engineering and construction, and related general liability and product liability insurance, a spokesman for Omni Whittington said.

European insurers stable, S&P says

Ratings for European insurance companies are predominantly stable, according to a report by Standard & Poor's Corp. New York-based S&P said the balance sheets of most European insurance companies are healthy and the profitability for most European insurers currently is good.

AXA Re sees profits decrease

AXA Re, the reinsurance arm of AXA S.A., posted net income of €44.0 million ($52.0 million) for 2005, a drop of 65.9% from a year previously. AXA Re currently is the subject of takeover talks between AXA and Paris Re Holdings Ltd., a newly formed company backed by a consortium of investors lead by Trident III L.L.P., a fund managed by Greenwich, Conn.-based Stone Point Capital L.L.C. The Paris-based reinsurer said a number of major losses last year, including three hurricanes in the United States, resulted in pretax claims of about €572.0 million ($676.2 million).

Swiss Re to invest in new insurance fund

Swiss Reinsurance Co. announced that its head of financial services will leave to set up an insurance investment fund backed by the reinsurer. Zurich, Switzerland-based Swiss Re announced Friday that John Fitzpatrick will leave the company to set up a fund that will invest in the insurance, securitization and financial services sector. Swiss Re said in a statement that it "plans to become a significant investor in this fund." Until a successor for Mr. Fitzpatrick is named, Jacques Aigrain, Swiss Re's chief executive officer, will assume interim responsibility for the company's financial services arm, the statement said.

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LEGAL NOTICE

NOTICE FOR ALL SCHEME CREDITORS TO COMPLETE AND RETURN CLAIM FORMS
IN THE HIGH COURT OF JUSTICE (ENGLAND AND WALES) No. 2873 OF 2005
CHANCERY DIVISION COMPANIES COURT
IN THE MATTER OF LION CITY RUN-OFF PRIVATE LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985 (ENGLAND AND WALES)

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE No. OS542 of 2005
IN THE MATTER OF LION CITY RUN-OFF PRIVATE LIMITED
and
IN THE MATTER OF THE COMPANIES ACT, CHAPTER 50 OF SINGAPORE

NOTICE IS HEREBY GIVEN that by an order of the English Court dated 23 March 2006 (the "English Order") and an order of the Singapore Court dated 30 March 2006 (the "Singapore Order") (each an Order and together, the Orders) both made in the above matter, each Court has sanctioned the proposed Scheme of Arrangement dated 3 June 2005 as amended and supplemented by the Supplemental Scheme Document dated 27 January 2006 (together, the "Scheme") approved by Scheme Creditors (as defined in the Scheme) at a meeting on 23 February 2006.

AND NOTICE IS FURTHER GIVEN that on 13 April 2006 (the "Effective Date") an office copy of the English Order was delivered for registration to the Registrar of Companies in England and Wales and a copy of the Singapore Order was delivered to the Registrar of Companies in Singapore.

AND NOTICE IS FURTHER GIVEN that the claims submission date for the purposes of Scheme Creditors submitting claim forms detailing their Scheme Claims (as defined in the Scheme) against the Company (the "Claim Form") is 31 August 2006 (the "Claims Submission Date").

AND NOTICE IS FURTHER GIVEN that within two weeks of the Effective Date, the Scheme Manager shall:

(a) Send a Claim Form and notification of the Claims Submission Date by Post or e-mail (only where details of an e-mail address have been provided by the Scheme Creditor to the Scheme Manager) to each Scheme Creditor of whose address it is aware;

(b) Send a Claim Form and notification of the Claims Submission Date to any and all Brokers identifiable in the address records available to the Scheme Manager as the Scheme Creditor's Broker(s); and

(c) Send to each relevant Broker of whose address it is aware, copies of the Claim Forms.

AND NOTICE IS FURTHER GIVEN that completed Claim Forms must be received by the Scheme Manager on or before 12.00 midnight Singapore time (5.00 pm British Summer Time) on the Claims Submission Date. Completed Claim Forms should be sent to the Scheme Manager at Omni Whittington Asia Pacific Pte. Ltd, 1 George Street #16-03, One George Street, Singapore 049145.

24 April 2006

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A copy of this RFP is available via download at www.panynj.gov. A copy can also be requested via e-mail at askforbids@panynj.gov. When requesting the RFP, please reference **RFP Number 9570** in the subject line. Your e-mail should include: firm name, e-mail address, contact person, mailing address, and telephone number. Joint ventures/teams are acceptable.

Proposals in response to this RFP are due by 2 P.M. on May 1, 2006, and must have the RFP Number and full legal firm name clearly indicated on the outside package.

LEGAL NOTICE | **LEGAL NOTICE**

UNITED STATES BANKRUPTCY COURT - SOUTHERN DISTRICT OF NEW YORK

In re Petition of Board of Directors of
LION CITY RUN-OFF PRIVATE LIMITED,
Debtor in a Foreign Proceeding.

In a Case Under Chapter 15 of the Bankruptcy Code
Case No. 06-B-10461 (SMB)

NOTICE OF ORDER AND FINAL DECREE GRANTING RECOGNITION OF A FOREIGN MAIN PROCEEDING, PERMANENT INJUNCTION AND RELATED RELIEF

NOTICE IS HEREBY GIVEN THAT, in connection with the petition filed on March 15, 2006, pursuant to Chapter 15 of the Bankruptcy Code (the "Petition") by the Board of Directors (the "Petitioner") of LION CITY RUN-OFF PRIVATE LIMITED (the "Company"), the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") has entered an Order and Final Decree Granting Recognition of a Foreign Main Proceeding, Permanent Injunction and Related Relief (the "Order"), among other things:

1. Providing that the proceeding respecting the Scheme of Arrangement (as defined in the Order) under the Singapore Companies Act (as defined in the Order) pending before the Singapore High Court (as defined in the Order) and the Scheme of Arrangement is granted recognition pursuant to section 1517(a);

2. Providing that the proceeding respecting the Scheme of Arrangement under the Singapore Companies Act pending before the Singapore High Court and the Scheme of Arrangement is granted recognition as a foreign main proceeding pursuant to section 1517(b)(1) of the Bankruptcy Code;

3. Providing that all relief afforded foreign main proceedings pursuant to section 1520 of the Bankruptcy Code is granted;

4. Providing that sections 361 and 362 of the Bankruptcy Code apply with respect to the Company and the property of the Company that is within the territorial jurisdiction of the United States;

5. Providing that sections 363, 549, and 552 of the Bankruptcy Code apply to a transfer of an interest of the Company in property that is within the territorial jurisdiction of the United States to the same extent that the sections would apply to property of an estate;

6. Providing that the Company's foreign representative may operate the Company's business and may exercise the rights and powers of a trustee under and to the extent provided by sections 363 and 552 of the Bankruptcy Code;

7. Providing that section 552 of the Bankruptcy Code applies to property of the Company that is within the territorial jurisdiction of the United States;

8. Providing that the Scheme of Arrangement shall be given full force and effect in the United States, and shall be binding on and enforceable against all Scheme Creditors (as defined in the Order) in the United States;

9. Permanently enjoining all Scheme Creditors from taking any action in contravention of, or inconsistent with, the Scheme of Arrangement;

10. Permanently enjoining all Scheme Creditors from seizing, repossessing, transferring, relinquishing or disposing of any property of the Company in the United States, or the proceeds thereof, to any person or entity other than the Scheme Managers;

11. Permanently enjoining all Scheme Creditors, except as prohibited by section 1521 of the Bankruptcy Code, from: (a) commencing or continuing any action or legal proceeding in connection with any Scheme Claim (as defined in the Order) (including, without limitation, arbitration or any judicial, quasi-judicial, administrative action, proceeding or process whatsoever), including by way of counterclaim, against the Company, or any property in the United States that is involved in the foreign proceeding, or any proceeds thereof; (b) enforcing any judicial, quasi-judicial, administrative judgment, assessment or order, or arbitration award obtained in connection with any Scheme Claim, and commencing or continuing any act or action or legal proceeding in connection with any Scheme Claim (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative action, proceeding or process whatsoever) or any counterclaim to create, perfect or enforce any lien, attachment, garnishment, setoff or other claim arising out of a Scheme Claim against the Company or any of its property in the United States, or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts; (d) invoking, enforcing or relying on the benefits of any statute, rule or requirement of federal, state, or local law or regulation requiring the Company to establish or post security in the form of a bond, letter of credit or otherwise as a condition of prosecuting or defending any proceedings (including, without limitation, arbitration, mediation or any judicial, quasi-judicial, administrative action, proceedings or process whatsoever) arising out of a Scheme Claim and such statute, rule or requirement will be rendered null and void for proceedings; provided, however, that nothing in this Order shall in any respect affect any security in existence at the Effective Date or the replacements for such security; (e) drawing down any letter of credit established by, on behalf or at the request of, the Company, in excess of amounts expressly authorized by the terms of the contract or other agreement pursuant to which such letter of credit has been established; and (f) withdrawing from, setting off against, or otherwise applying property that is the subject of any trust or escrow agreement or similar arrangement in which the Company has an interest in excess of amounts expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, trust, escrow, or similar arrangement has been established; provided, however, no drawing against any letter of credit shall be made in connection with any commutation unless the amount has been agreed in writing with the Petitioner or the Scheme Managers or permitted by further Order of the Court;

12. Requiring that in the absence of a bona fide dispute, all persons and entities in possession, custody or control of the Company's property in the United States or the proceeds thereof, shall turn over and account for such property or its proceeds to the Petitioner or Scheme Managers;

13. Requiring that all Scheme Creditors that are beneficiaries of letters of credit established by, on behalf or at the request of the Company or parties to any trust, escrow or similar arrangement in which the Company has an interest, to: (a) provide notice to the Scheme Managers' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, setoff against, or other application of property that is the subject of any trust or escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Scheme Managers to assess the propriety of such drawdown, withdrawal, setoff or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff or other application and a copy of any contract, related trust or other agreement pursuant to which any such drawdown, withdrawal, setoff, or other application was made, and provide such notice and other information contemporaneously therewith; and, (b) turn over and account to the Scheme Managers for all funds resulting from such drawdown, withdrawal, setoff, or other application in excess of amounts expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, trust, escrow or similar arrangement has been established;

14. Requiring that every Scheme Creditor that has a claim of any nature or source arising out of a Scheme Claim and that is a party to any action or other legal proceeding (including, without limitation, arbitration or any judicial, quasi-judicial, administrative action, proceeding or process whatsoever) in which the Company is or was named as a party, or as a result of which a liability of the Company may be established, to place the Petitioner's United States counsel (Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, NY 10112, Attn: Francisco Vazquez, Esq.) on the master service list of any such action or other legal proceeding, and to take such other steps as may be necessary to ensure that such counsel receives: (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding; and, (b) any and all correspondence, or other documents circulated to parties named in the master service list.

Copies of the Order, the Scheme of Arrangement and the Petition are available upon written request to the undersigned counsel:

CHADBOURNE & PARKE LLP • Attorneys for the Petitioner • 30 Rockefeller Plaza • New York, New York 10112
(212) 408-5100 • Attn: Howard Seife, Esq. and Francisco Vazquez, Esq.

May 8, 2006
RIMS Conference - Trends & Developments
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Risks: Refining roles for larger opportunities

Continued from page 3

here is no one risk is driving the continuum" of the profession from traditional to strategic risk management, said Jackie Hair, a RIMS board director and the corporate director of risk management for Ingram Micro Inc. of Santa Ana, Calif.

"There are numerous risks that are going to be driving this," she said.

Indeed, Mr. Duncan said, the survey's results underscore that the risk profiles of most companies are worsening.

"So there is a greater demand from various corporate stakeholders for people and services to provide risk management solutions" that are strategic in nature, he said. Those stakeholders are not only top management but also investors and debt rating agencies, which are applying increasing pressure to top management to manage corporate risk of all kinds better, he said.

Strategic risk management moves beyond identifying, controlling and financing hazard risk through commercial insurance or alternative measures and safeguarding business continuity, according to the survey's authors. It also encompasses indexing risk and engaging in enterprise risk management.

"This is a time of opportunity for risk managers," Mr. Duncan said. "The CFO is looking for strategic leadership," and rating agencies are looking for information.

But many risk managers will have to refine their skills to take advantage of that opportunity, Mr. Duncan and Ms. Hair agreed.

Risk managers must be able to identify and quantify risk in a language "that's meaningful to the organization," Ms. Hair said.

"That's different for the CFO than it is for a line manager," she said. And because different skills are needed for different audiences within an organization, "that's where risk managers have to step up and make that change" in their skill levels.

But a finance degree is not the only way to acquire those skills, Mr. Duncan said. Risk managers also can "intentionally insert" themselves in areas of their organizations where they can pick up those skills, he said.

For example, he said: "I know three risk managers who are doing tours of duty in internal audit" for periods ranging from a few months to a year.

Besides beefing up their skills, risk managers can bolster their strategic risk management efforts by leveraging their organizations' efforts to comply with the Sarbanes-Oxley Act. Congress passed the financial responsibility act in response to the string of corporate accounting scandals beginning with Enron Corp. in 2001.

Mr. Duncan said he knows of a risk manager who used the findings that came out of his organization's Sarbanes-Oxley compliance efforts "to move the ball forward on business continuation" plans that the risk manager had developed.

"People can use that as organizational grease to get things done," he said.

Results of the survey will be presented and discussed during session RMG 204 at the RIMS conference in Honolulu. The full survey will be available in June. Requests for complimentary copies should be e-mailed to Marsh at questions@marsh.com and should include the recipient's name, title, organization and address.

Mutual: Proposed insurer causes uncertainty

Continued from page 65

tion into the insurance market and offer new ways of engaging with the reinsurance market," Ken Cole, director of the LRCE, said in the statement. "Insurance insiders throughout the country will be looking very closely at how this initiative performs, and we may see other regions following suit," he added.

The spokeswoman for Croydon said it was too early to tell how many of the eligible authorities likely will participate in the mutual, but she said that 28 had taken part in the feasibility study and had, largely, returned positive feedback.

The mutual likely will provide insurance packages tailored to the needs of the participating local authorities, the spokeswoman said, "but the intention is that it will have the capacity to cover property, motor and liability" risks.

The proposed mutual could deliver significant cost savings for participating local authorities that have good claims experience, noted one risk manager who asked not to be named, but it "would need careful funding."

While a mutual could be beneficial for local authorities, the market is softening at the moment for local authority risks, and those advantages are less clear, according to one London-based local authority risk manager who asked not to be named.

The risk manager also expressed concern that the mutual is intended to be "all encompassing" rather than specialized like, for example, certain pooling arrangements in the United States that underwrite only workers compensation business.

In addition, the risk manager said, the geographical concentration of the proposed mutual's members could mean that if an event such as a flood were to affect several London boroughs, it could have a disproportionate financial impact on the pool.

Australia: Court's ruling may have implications

Continued from page 65

tion proceedings, as under Australian law, assets must be used to settle such liabilities first.

AssetInsure argued that section 31(4) of the Insurance Act sets out an exhaustive list of what constitutes an insurance liability in Australia and, therefore, liabilities that do not fall within any of the specified categories should not be regarded as liabilities in Australia. It argued that a Faraday policy reinsured with New Cap Re, which covered certain risks that were not located in Australia, was not one of New Cap Re's "liabilities in Australia."

In its April 7 decision, the High Court ruled, however, that liabilities in Australia were much wider than those defined by section 31(4).

The court said that the term "liabilities" is not limited to insurance liabilities and that the categories of liabilities set forth in the law should not be viewed as an exhaustive and exclusive list of liabilities in Australia.

Moreover, the court found that since section 31(4) applies only to insurance liabilities, the argument that the list was exhaustive in respect of liabilities generally would necessarily result in two separate tests—one for insurance liabilities and the other for other liabilities that fell under common law provisions—which would result in the unequal treatment of creditors.

The trial court correctly ruled that "the purpose of section 31(4) was to provide affirmatively, as it does, that certain insurance liabilities will be liabilities in Australia in certain cases where, at general law, there may be a different conclusion or at least uncertainty. This was done in a statutory context that contemplates authorization of foreign insurers or of Australian insurers that have foreign as well as local businesses," according to the ruling.

Peter Mann, a partner at law firm Clayton Utz in Sydney who represented AssetInsure, said the High Court decision would have implications for Australia's insurance regulations, which, he said, for the past 30 years had required insurers to measure their liabilities narrowly in line with section 31(4).

But the Australian Prudential Regulatory Authority said in a statement "that the decision of the High Court was consistent with APRA guidelines in relation to liabilities in Australia under the Insurance Act."

AssetInsure Pty. Ltd. vs. New Cap Reinsurance Corp. Ltd. [2006] HCA 13; April 7, 2006.

HSAs: Health care reform legislation hindered; Congress urged to form consensus

Continued from page 4

In fact, Rep. Stark contends, HSAs aren't much more than a tax shelter for the well-to-do. Under law, employees' contributions to HSAs are tax deductible, or pretax—if made through a salary reduction arrangement—while HSA contributions and investment income can be withdrawn tax-free to pay for health care-related expenses.

Rep. Stark also questioned if health care consumers will gain access to provider cost and quality information soon, noting widespread provider opposition to the collection and release of such information. Doctors, he said, are not going to allow themselves to be ranked.

The California Democrat, who in his more than 30 years in the House of Representatives, has sponsored numerous health care bills—the best known perhaps being COBRA, the 1986 law that allows former employees and their dependents, in certain cases, to retain employer-provided coverage for a limited time—questioned the likelihood of Congress agreeing anytime soon on health care reform legislation.

Asked whether any elements of health care reform legislation—including a Bush administration proposal to expand tax breaks for HSAs—will pass this year, Rep. Stark said it was very unlikely, given the intense partisanship in Congress. "We used to have conference committees" to work out differences in bills, he said. Now, 'I can't even find out where (conference) meetings are," he added.

Still, health care reform could command more attention in Washington in the future, said another panel speaker and a former senator.

> "We used to have conference committees" to work out differences in bills. Now, "I can't even find out where (conference) meetings are."
>
> **Rep. Pete Stark, D-Calif.**

David Durenberger, who served three terms as a Republican senator representing Minnesota from the late 1970s to the mid-1990s, said a new generation of political leaders, with presidential aspirations, is emerging, one that is deeply interested in reform of the health care system.

One such individual identified by Mr. Durenberger is Mitt Romney, the Massachusetts Republican governor, who recently signed bipartisan legislation that is intended to ensure near-universal health care coverage for Massachusetts residents within three years.

The Massachusetts law, among other things, expands eligibility for Medicaid, provides state subsidies of health insurance premiums paid by lower-income individuals and requires all residents to obtain health insurance coverage, provided affordable coverage is available.

Mr. Durenberger notes that the next presidential election—depending on who the candidates are—could be a reverse of 1992, when Bill Clinton, the Democratic candidate, made health care reform a cornerstone of his campaign. If Gov. Romney is the Republican candidate in 2008, Republicans could make health care reform one of their major issues, Mr. Durenberger said.

Insurance leader dies at age 99

Former Chairman of the Board and Chief Executive Officer of Great American Insurance Co., Bill Newcomb, died April 15, 2006, age 99.

Bill Newcomb was born in San Francisco in 1906, the year of the earthquake that leveled the city.

He had a long and distinguished career in the insurance business and was named head of Great American in 1965.

In addition he served as: chairman of the American Foreign Insurance Assn., chairman of the American Institute for Property & Liability Underwriters, chairman of the National Insurance Actuarial & Statistical Assn., director and member of the executive committee of the General Adjustment Bureau, board member of the Underwriters Salvage Co., member of the insurance advisory committee for the Atomic Energy Commission, member of Bankers Trust Advisory Committee and director of National General Corp.

Mr. Newcomb retired from his active insurance responsibilities in 1971 although continued to work as a consultant.

In retirement Bill Newcomb served on the boards of the Humane Society and The Southern Vermont Art Center.

He was preceded in death by his wife of 68 years, Alice B. Newcomb and his eldest son, William K. Newcomb. Mr. Newcomb is survived by his son, Richard M. Newcomb of Franktown, Col.; his daughter, Sharon N. Hauff of Greenwood, Va.; seven grandchildren and fourteen great grandchildren.

A private cremation will take place in Denver. Friends may contact his family via Ms. Hauff, at P.O. Box 43, Ivy, Va. 22945.

Consumer driven: Cost issues

Continued from page 4

up efficiencies and bring down costs, but only if health care consumers have access to provider cost and quality information, Mr. Hubbard said. To be a good health care consumer, "you need good information," he said, and right now that information is not available.

Mr. Hubbard, responding to questions from physicians in the audience, acknowledged that developing cost and quality information will not be easy. Care has to be taken so that "apples-to-apples" comparisons are made, he said, noting that it would not be fair to compare the medical outcomes achieved by providers treating patients with many complications to those treating patients who are much healthier.

While developing quality comparisons may be challenging, that doesn't mean the effort should not be made, he said, adding that consumers would be much better off with such information than without it.

Turning to a related subject, Mr. Hubbard rejected suggestions that HSAs are geared to the young and wealthy, who, in the case of younger individuals, are likely to incur fewer health care expenses than others and, in the case of the wealthy, are likely to have the financial means to easily absorb the big health care bills that fall within their plan deductibles.

In fact, Mr. Hubbard said, HSAs are very appealing to lower-income individuals. That is because the plans cost less than other, more-traditional plan designs. "You can come out ahead," Mr. Hubbard said, referring to the premium savings and the ability to withdraw HSA contributions and investment income tax-free to pay for health care expenses.

Mr. Hubbard conceded, though, that HSAs might not work very well for those with chronic and expensive medical conditions. To address that problem, the Bush administration has recommended that Congress pass legislation that would allow employers to make bigger contributions to HSAs covering employees with chronic medical conditions than to the HSAs of other employees.

Under current law, employers cannot vary their HSA contributions based on employees' health status.

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Letters

Continued from page 8

jury, advertising injury, contractual liability or some other exposure that the insured simply failed to mention or forgot about.

In the old days to which Mr. Buono refers, the standard liability policy was not nearly as broad as it is today. Many coverages were purchased "a la carte." A separate premium charge was made and a specific endorsement added to the policy. Coverage such as personal injury, blanket contractual, broad form property damage and employees as insureds, to name a few, are now included in the language of the commercial general liability policy. If an insured didn't buy personal injury and was sued for false arrest, the umbrella would pick it up.

Due to the comprehensive nature of the current CGL, I think Mr. Buono would be hard pressed to describe a situation where a loss not covered by primary insurance will be picked up by the umbrella. And while many umbrellas are stand-alone contracts, many are still following form.

Phillip C. Bly
Director of Risk Management
Crescent Heights
Miami

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Builders risk: Cover for Gulf Coast recovery vital but scarce

Continued from page 1

risk coverage, and the number of insurers that will write it is down to a very few, he said.

Zurich Financial Services Group Inc. is writing much of the region's builders risk insurance, market sources say.

"We haven't changed the way we do business" in the builders risk market, said Jeff Benson, Jacksonville, Fla.-based senior vp of marketing and sales at Zurich Insurance Services Inc., which administers Zurich Financial's builders risk program. "Our guidelines have remained stable, and we're still providing coverage," he said.

Mr. Benson said Zurich Financial's builders risk writings are up by "triple digits" in the region—both in terms of policy count and premiums written—since the storms raked the area.

Even though Zurich is willing to be a major player in the builders risk market, a lack of competitiveness is making it hard to get coverage in place, sources note.

The market for the coverage was tight before Katrina struck, and the storm caused a further constriction, said Warren C. Perkins, vp-risk management at Boh Bros. Construction Co. in New Orleans.

"We've got relationships going back 20 years," Mr. Perkins said of his dealings with builders risk insurers, which he declined to identify. He noted that he thinks "that's the only reason they are interested" in writing coverage for his company.

The insurers that are left are not all taking a traditional approach to underwriting, Mr. Perkins says. Rather than their assessing the risk, "it's about capacity, reinsurance and not wanting to participate in this area," he said. "It's not logical."

Boh Bros.' recent bid on repairs to the Louisiana Superdome, a job worth more than $100 million, was without figures for builders risk insurance until the 11th hour, Mr. Perkins said. "My broker goes to the market, and he can't get any pricing the day before the bid," he said. "I'm fairly confident the competition didn't have it either."

When the insurer's quote did arrive, it was for coverage with sharply higher deductibles than those on pre-Katrina coverage. Boh Bros. had to assume 5% on damage from named windstorms and 5% on flood damage, Mr. Perkins said. "I had to think hard about taking on that expense and factoring it in," he said.

Boh Bros. secured the Superdome job and earlier this month was scrambling for a builders risk quote on a bridge project east of New Orleans, Mr. Perkins said.

Bringing insurers together to write a builders risk policy has become difficult, Mr. Kelly confirmed. When insurers were more willing to underwrite the coverage, it took one or two to fill out a program, he said. Now, it can take a dozen or more to put together sufficient limits.

> Rather than underwriters assessing the risk, "it's about capacity, reinsurance and not wanting to participate in the area....It's not logical."
>
> **Warren C. Perkins**
> **Boh Bros. Construction Co.**

"If you can get a price, it's expensive," said Mr. Perkins.

Mr. Tubbs said that buyers "are getting over the sticker shock" of coverage costs but are wrestling with the high deductibles and coverage terms—such as those that define windstorms—that some policyholders find onerous.

Mr. Tubbs and other sources say there is talk in the marketplace of insurers implementing windstorm sublimits in builders risk policies, although none has done so yet.

Opportunistic underwriting hasn't appeared to bring fresh capacity or lower prices to the builders risk market, even with the demand for coverage. Mr. Tubbs said he thinks that is partly because rating agencies are taking a closer look these days at insurers' aggregate risks and want to know that no one catastrophe could impair an insurer's surplus or ability to write business.

New Orleans' recovery is going to be affected partly by how the market for builders risk and other coverages evolves, Mr. Perkins said. "If you can't get insurance, you can't get financing. If you can't get financing, you can't get developers" to handle the recovery work.

Homeowners tap market

Many homeowners in the region are facing skyrocketing insurance premiums on properties bought to replace their destroyed homes or on homes they have bought to repair and resell. Insurers are renewing existing customers' policies, but most are not writing new coverage on properties that change ownership.

Homeowners in such situations have found that they can turn to the builders risk market for an interim insurance solution. Like a commercial policy, the builders risk coverage for homeowners protects against damage to the property, theft, vandalism and other risks.

Homeowners face the same builders risk availability problem as commercial policyholders, according to Albert S. Pappalardo Jr., president of the Independent Insurance Agents of Greater New Orleans Inc.

Zurich is about the only market personal lines policyholders have for that coverage, said Mr. Pappalardo, who handles it as president of Pappalardo Agency Inc. in New Orleans. He pointed out, though, that Zurich's coverage restrictions require the builder on the job have at least two years' experience. That is a condition that can be hard to adhere to in a region where contractors are sometimes difficult to arrange and many are newly established.

Many homeowners remain in limbo between rebuilding and leaving the area, Mr. Pappalardo said. Some are waiting to see if they will be able to collect payments from insurers that are being sued over their flood exclusions. "That's holding them back," he noted.

The challenge to flood exclusions also is causing some insurers to hold off on writing homeowners insurance until coverage questions are resolved, Mr. Pappalardo said.


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Governor fires comp insurer duo

PROVIDENCE, R.I.—Gov. Donald L. Carcieri last Thursday fired two members of the Beacon Mutual Insurance Co.'s board, following a report detailing management abuses at the Rhode Island insurer.

Additionally, last week board member Edward Braks resigned.

In termination letters hand-delivered to board members George Nee and Henry Boeniger, the governor cited an audit report that, among many other problems, found that a business owned by a former board member misclassified its payroll and received preferential pricing for workers compensation insurance despite an unfavorable loss history.

The governor said in his letters that the audit report is also replete with findings regarding the failings and misconduct of the company's chief executive officer. Such findings show negligence and dereliction of duty on the part of the terminated board members, the governor noted in the letters.

Messrs. Boeniger and Nee could not immediately be reached for comment.



Rhode Island Gov. Donald Carcieri has fired two Beacon Mutual board members.

The nine-member Beacon Mutual board consists of four members appointed by the governor, three representing policyholders, the director of the Department of Labor and Training, and the company's CEO.

A day earlier, Beacon Mutual board members fired Joseph Solomon, who was the insurer's president and CEO, and David Clark, vp for underwriting. Cliff Parent, formerly vp of claims at Beacon Mutual, has been named interim CEO, a company spokesman said.

The audit report, prepared by a management consulting firm headed by former New York Mayor Rudolph Giuliani, was ordered by a review committee formed by Beacon's board. The committee was authorized to investigate several allegations of improprieties at Beacon.

Rhode Island legislators created the insurer in 1991, and its bylaws permit the governor to remove for cause board members appointed by his office. Beacon provides about 90% of workers comp coverage in the state.

—By Roberto Ceniceros

'Friends': Vulgar language not necessarily harassment

Continued from page 3

regarding sexual harassment.

The Supreme Court heard the matter to determine whether use of sexually coarse and vulgar language in the workplace constitutes harassment under FEHA.

> The court noted the "Friends" workplace was focused on producing scripts for an adult-oriented comedy show featuring sexual themes.

In reaching its decision, the high court noted several factors: Most of the vulgar language was not aimed at the plaintiff or other women in the workplace; the workplace was focused on producing scripts for an adult-oriented television comedy show featuring sexual themes; and the plaintiff was warned before being hired that the job required listening to sexual jokes and discussions and transcribing much of the material.

The justices found that while FEHA prohibits a hostile work environment based on sexual harassment, it does not outlaw sexually coarse or vulgar language or conduct that merely offends.

In finding for the plaintiffs, "we do not suggest the use of sexually coarse and vulgar language in the workplace can never constitute harassment because of sex; indeed, language similar to that at issue here might well establish actionable harassment depending on the circumstances," wrote Justice Marvin R. Baxter.

The high court remanded the case to the appeals court for further proceedings consistent with its finding.

Records: Electronic medical histories incorporate claims data

Continued from page 1

an employee can complete himself or herself but that changes automatically should the downloaded claims data contain any medical information that might affect the content of the health risk assessment. For example, with the automatic import function, if a blood test shows elevated cholesterol levels, the employee's previously self-reported cholesterol level will automatically be updated.

Dell and EMC are the first of the more than 250 employers that contract with WebMD for their health information portals that have elected to make the automatic claims import capability available to their employees, according to Craig Froude, executive vp of WebMD's health care services based in Portland, Ore.

Several insurers that contract with WebMD have also begun making this capability available to their plan members. But the only way an employer can provide this capability to all of its employees—and not just those enrolled in the health plans that provide the function—is to aggregate all of its claims information into a data warehouse and then link it to an engine such as WebMD, sources say.

"While it's helpful to have carriers moving in that direction, large employers have multiple health plans, so to try to solve the problem by going to the health plans is only going to take them so far," said Mindy Kairey, global health and welfare outsourcing leader at Hewitt Associates Inc. in Lincolnshire, Ill.

"We have a lot of employers on both the consulting and the outsourcing business side that are looking for solutions, and one of the sexy solutions they're exploring right now is the personal health record," she said. "But I would say that the vast majority are exploring it and are interested in it, and the minority of them have actually implemented something," the most popular solution being annual statements that generally provide a summary of how much was spent on each individual employee's health care in a given year. But, unlike personal health records, these statements generally do not include clinical information, she said.

"We have a growing number of employers and vendors offering e-health records, but this sounds more advanced than the others offered by employers that have been announced," agreed Helen Darling, president of the National Business Group on Health in Washington.

Early adopters

EMC was the first employer client to launch this approach with WebMD, according to Delia Vetter, senior director of benefits at EMC. She said EMC developed its Healthlinks portal for employees in 2003 with WebMD, and in 2004 integrated it with its data warehouse, which contains three years' of medical claims information from between 12 and 14 vendors, including a pharmacy benefit manager.

"The objective was to maximize data to drive employee behavior," Ms. Vetter said. "EMC believes that the key to containing health care costs in the long term is managing employee health. We also have taken information from the health risk assessments to do predictive modeling," she said, adding that 90% of EMC employees have completed health risk assessments. The data warehouse is also being used to develop onsite health management workshops.

When an employee signs onto EMC's Healthlinks portal to take the health risk assessment and view his or her personal health records, the individual is asked whether to have his or her claims information imported automatically from the data warehouse. Employees also have the capability of sharing their personal health records with their physicians via e-mails, printouts or by signing onto the portal via the Internet while in their physicians' offices. So far, about 90% of EMC's 18,000 U.S.-based employees who have completed health risk assessments have turned on the auto-import function.

Dell, which began collecting data in its warehouse more than two years ago, last week gave its employees the option of having their individual claims information automatically imported into their personal health records, according to Tré McCalister, senior benefits consultant and program manager for health improvement and disability.

> "It's a great consumer tool. It puts information in the hands of the user and helps them to make wise health care decisions."
>
> **Tré McCalister**
> **Dell Inc.**

"Dell believes that we need to encourage our partners and suppliers to adopt technology that improves processes and access to quality information, so, in (the request for proposal) process, we ask the vendors about the latest innovations," said Ms. McCalister. "When we learned about this technology in 2004, we included this additional feature as part of our contract with WebMD. We launched WebMD in 2004 with the manual input, knowing this would be Phase II."

Dell has also decided to make the personal health records portable, so that employees can take them with them when they leave the company by importing them into individual memberships on WebMD's public site.

"It's a great consumer tool. It puts information in the hands of the user and helps them to make wise health care decisions," Ms. McCalister said.

While EMC and Dell may be among the first employers that have chosen to share claims data with their employees via personal health records, they are at the forefront of a growing transparency trend that is part of the consumerism movement, industry experts say.

"There is growing employer interest and activity in this area," according to William P. Whitely, chief marketing officer of Eden Prairie, Minn.-based Ingenix, a subsidiary of UnitedHealth Group that consolidates claims information for about 100 employers. In the past, this information was used internally by employers, for such purposes as budgeting, trend analyses and comparing insurers with one another, but "now employers are asking if they should consolidate this data for use by employees."

"That's an awesome use of data," acknowledged Chris McSwain, manager of compensation and benefits at SCANA Inc. in Columbia, S.C., which recently contracted with Ingenix and the University of South Carolina to build a data warehouse of its employees' medical claims history for the same purpose.

"It's a little bit more personable, too," he said. "In concept, that is a wonderful way of weaving information together and helping people take more responsibility by pointing them gently into the right information stream to get more information about whatever is ailing them. It's really an awesome application of what a high-tech company should be able to do."

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Public workers' benefit costs likely to increase, study says

Public employees' protection from the major benefit cuts and cost shifting that have occurred in the private sector is likely to end, a study predicts.

The combined impact of tax revenue shortfalls in recent years, continued health care inflation and new government accounting rules for retiree health benefits could lead public employers to reconsider their commitment to employee benefits, according to the study by the Center for Studying Health System Change in Washington.

"While budget pressures to cut public employee benefits have been intense, actual changes in benefits have been modest," said Robert E. Hurley, a senior consulting researcher at HSC and one of the authors of the study, published in Tuesday's online edition of Health Affairs.

Instead, "public employers avoided shifting higher health costs to workers, but some workers paid to keep their generous health benefits by forgoing wage increases," said coauthor Laurie Felland, also a researcher at HSC.

Several employers acknowledged absorbing more of the premium increase than they are sharing with workers, in part because of concern about lack of pay increases in recent years, the study reported. "Some recycled salary savings from attrition and unfilled positions to shield workers from the full impact of cost inflation. Others increased dependent coverage premiums or tried to encourage spouses to obtain coverage elsewhere."

> "While budget pressures to cut public employee benefits have been intense, actual changes in benefits have been modest."
>
> **Robert E. Hurley**
> **Center for Studying Health System Change**

But public employees' holiday from cost sharing is likely to end, the study's authors suggest.

In particular, "the cost of retiree health benefits is likely to be a growing issue for state and local officials as they grapple with the ramifications of new requirements from the Government Accounting Standards Board to record long-term liability for expected costs of health benefits promised to current and future retirees," the authors said in a statement announcing the study's findings.

"As the director of one state employee health benefit program graphically put it: 'When I wake up in the morning and think of what this number (the liability) might look like, I just want to pull the covers over my head and go back to bed,'" according to the statement.

The study, titled "Public Employees' Health Benefits Survive Major Threats, So Far," is based on HSC's 2005 site visits to 12 nationally representative metropolitan communities: Boston; Cleveland; Greenville, S.C.; Indianapolis; Lansing, Mich.; Little Rock, Ark.; Miami; northern New Jersey; Orange County, Calif.; Phoenix; Seattle; and Syracuse, N.Y. HSC has been tracking change in these markets for the past 10 years.

The study is available online at *www.healthaffairs.org*.

—By Joanne Wojcik

Insurer's purchasers sued

Lawsuit says companies violated purchase contract

OLYMPIA, Wash.—Washington state Insurance Commissioner Mike Kreidler last week announced a lawsuit alleging several plaintiffs fraudulently invested in a financially strapped insurer to provide workers compensation coverage for their professional employment organization operations.

The insurer, Bellevue, Wash.-based Cascade National Insurance Co., focused on writing auto and commercial trucking coverage in Alaska, California, Louisiana, Mississippi, Oregon and Washington state. The defendants include Midwest Merger Management L.L.C. of Kentucky, American Staff Resources of California Inc. and Certified Services Inc.

In 2003, Cascade experienced financial problems and began looking for a purchaser. The defendants named in the lawsuit agreed to purchase a portion of Cascade. The deal called for Cascade to provide workers comp coverage for the purchasers' clients and employees.

But within months, Cascade's financial troubles "markedly worsened," according to the suit. The defendants failed to comply with payment terms and fund reserving called for in the purchase contract, the commissioner alleges.

When Cascade could not meet statutorily required reserve requirements, the commissioner seized it in November 2004. The company is now in liquidation, and any recovery from the suit would go toward offsetting its guaranty fund obligations, the commissioner said in a statement.

—By Roberto Ceniceros

BI Stock Index [4/17 - 4/21]

Up-to-the-minute data for all 85 companies that comprise the *BI* Stock Index can be found at *www.businessinsurance.com*.

Percentage change of *BI* Stock Index vs. key indicators

***BI* Stock Index**	2909.56	-1.57
Dow Jones	11120.04	0.10
S&P 500	1295.50	0.05

Largest gains

Tower Group Inc.	14.89%
Fairfax Financial	13.56%
Odyssey Re	5.99%
Unitrin Inc.	5.53%
American Safety	4.43%

Largest losses

NYMAGIC Inc.	-8.45%
EMC Insurance Group	-7.93%
UnumProvident Corp.	-6.15%
Health Net Inc.	-5.55%
Humana Inc.	-5.36%

Weekly change by market segment

Brokers	-0.99%
Insurers/reinsurers	-1.59%
Managed care organizations	-2.90%

Source: FinancialContent Inc. *(http://financialcontent.com)*

Late News

Continued from page 1

Minn. AG joining UnitedHealth suit

Minnesota Attorney General Mike Hatch is joining a federal securities lawsuit that shareholders of UnitedHealth Group of Minnetonka, Minn., have filed against company executives and board members over alleged backdated stock option grants. In the lawsuit, filed in federal district court in Minneapolis, shareholders charge that they were harmed by backdated grants to 11 company executives, including Chief Executive Officer William McGuire and Chief Operating Officer Stephen Hemsley.

Alberta decides against private insurance option

In response to public opposition, the government of Alberta has decided not to give citizens the option of buying private insurance or to permit doctors to work in both the public and private health care systems. The provincial government had proposed the idea in response to escalating health care costs and a shortage of physicians, which has created long waiting periods for many procedures. Current Alberta law bars the use of private insurance to fund basic health care services. Though some Albertans agreed "that parameters need to be set for publicly funded services," many were concerned about the potential loss of their publicly funded health benefits if the reforms were enacted, according to a report by the Ministry of Health and Wellness.

Cat losses down in first quarter

Seven catastrophes caused an estimated $1.38 billion in insured property damage in the United States during the first three months of this year, according to a preliminary analysis by the Insurance Services Office Inc.'s Property Claim Services unit. By comparison, catastrophes caused an estimated $2.14 billion in insured property damage during the first quarter of 2005. PCS estimates that the catastrophes produced nearly 390,000 claims in 19 states, of which about 12% were for commercial lines.

Brewer gets approval to terminate pension

A federal bankruptcy judge has approved the distress termination of an underfunded pension plan sponsored by Pittsburgh Brewing Co. The plan, which has about 530 participants and $11.8 million in unfunded benefits, has been frozen since 1995. Pittsburgh Brewing, best known for its Iron City brand beer, has requested a termination date of April 1, 2005. The Pension Benefit Guaranty Corp. has agreed to try to complete its financial and legal review of the case within 30 days, including whether it will accept the proposed April 1, 2005, termination date, a PBGC spokesman said.

Keogh tapped as head of ACE global P/C unit

The ACE Group of Cos. has named John W. Keogh chief executive officer of its international property/casualty unit, ACE Overseas General. Mr. Keogh, who most recently served as president and CEO of National Union Fire Insurance Co. of Pittsburgh, Pa., a division of American International Group Inc., will replace Gary Schmalzriedt. Mr. Schmalzriedt will remain as chairman of ACE Overseas General until he retires from the company on Oct. 1.

Alabama becomes captive domicile

Captive insurers will be able to form in Alabama under legislation signed by Gov. Bob Riley. The governor last week signed S.B. 305, which authorizes the establishment in Alabama of pure captives; association captives; industrial insured captives, which include risk retention groups; and sponsored captives, which operate as segregated-cell companies. The captive movement in Alabama gained momentum in 2004 after Hurricane Ivan caused huge property losses in the state.

Benfield, Merrill Lynch team on cat bonds

Broker Benfield Group Ltd. has entered into partnership with investment bank Merrill Lynch to offer catastrophe bonds to insurers and reinsurers. The partnership will enable Benfield, which previously had advised clients on catastrophe bond deals, to have access to Merrill Lynch's distribution capabilities for such deals, a spokesman for the London-based broker said.

Briefly noted

Guy D. Hengesbaugh is resigning as chief operating officer of embattled reinsurer **PXRE Group Ltd.**, effective July 17. The reinsurer currently is undergoing a strategic review after it was downgraded by rating agencies, having posted a $698.2 million loss for 2005....U.S. **property/casualty insurers'** net income rose by 11.7% after tax to $43 billion in 2005, according to the Insurance Services Office Inc. and the Property Casualty Insurers Assn. of America. The industry's consolidated surplus grew by 9.2%–or $35.8 billion–to $427.1 billion last year, compared with $391.3 billion in the prior-year period, the groups said.

At *BusinessInsurance.com*

New **Online Poll**: Do you believe that employers not offering health insurance coverage should have to pay an assessment to help fund coverage for the uninsured?

Items in the Late News column originally appeared in *BI*'s Daily News feature on *www.businessinsurance.com*. Visit the *BI* Web site to sign up to receive *BI*'s Daily News by e-mail.

AIG: Monopolistic workers comp states question their inclusion in settlement

Continued from page 1

Also by March 1, AIG also was to pay each state for the underpayment of premium taxes.

The settlement calls for the attorney general and insurance commissioner of each state to receive notification of the amount set aside for their jurisdictions to compensate them for the alleged underpayment of residual market assessments. States that agree to participate have until March 1, 2007, to release AIG from further related claims.

But two monopoly state insurers say AIG has never been allowed to sell workers comp insurance within their jurisdictions and another state says a residual comp market did not exist in the state during the period covered by the settlement.

The Washington State Department of Labor and Industries, which is the sole provider of workers comp coverage in the state, is confused over why the agreement assigned $63,554 to Washington, according to a spokesman for the department. The amount is for residual market assessments and interest.

"Not to say we won't accept it, but we don't think we deserve this money," the spokesman said.

Similarly, representatives for North Dakota's Workforce Safety & Insurance, the only comp insurer in the state, say they are scratching their heads.

"We don't have a clue what that number being attributed to North Dakota is," said Evan Mandigo, a board member for the quasi-state government workers comp agency. "Workers compensation in North Dakota could never have been written by AIG under any circumstance."

In 1919, North Dakota legislators created a workers compensation system and, since then, the state has prohibited private insurers from selling workers comp coverage, said Mr. Mandigo, who is also risk manager for Bismarck, N.D.-based Basin Electric Power Cooperative.

Mr. Mandigo said he can't figure out how AIG would owe his state money. Even out-of-state employers hiring a single employee in North Dakota must purchase coverage from the state insurer.

North Dakota, however, is owed only $1,548 for residual market assessments. The settlement states that AIG overpaid $5,541 in workers comp premium taxes in the state. Workforce Safety & Insurance General Counsel Jodi Bjornson said she will ask the New York Attorney General's office for an explanation.

West Virginia Insurance Commissioner Jane L. Cline said "it is a confusing situation" because her state operated a monopoly workers comp market until Jan. 1. A residual market did not exist in West Virginia during the years AIG allegedly underreported payments.

Yet the settlement agreement shows West Virginia is owed $23,915 for residual market assessments and interest.

Two other states, Wyoming and Ohio, also have monopoly markets. Calls to the Wyoming attorney general's office were not returned. Ohio is not slated to receive any money under the settlement.

Most other states are now analyzing the AIG settlement and conducting due diligence to ensure the amounts designated for them are fair and accurate, said Michael McRaith, director of insurance for Illinois. He also is chairman of a National Assn. of Insurance Commissioners brokers' activities taskforce that is monitoring various allegations of bid-rigging in the insurance industry. Unfortunately, there is no uniformity among data each state will have to review and the amounts earmarked for each state vary considerably, he noted.

The settlement shows, for example, that Rhode Island stands to receive nearly $98 million for residual market assessments and interest, while California will receive less than $1.3 million.

AIG declined to comment on the matter other than to say they are cooperating with regulators.

Neither the New York Attorney General's office nor the New York State Insurance Department returned calls seeking an explanation.

Insurance regulators in several states are confused by the arrangement, said Peter Burton senior division executive for the Boca Raton, Fla.-based National Council on Compensation Insurance Inc.

The NCCI administers a National Workers' Compensation Reinsurance Pool that reinsures residual markets in 20 states. An attorney for the pool's board is negotiating with AIG over the release of data that would help determine whether the amount slated for states where the pool operates is adequate.

"I don't know how they came to those figures at all," said Jim Nau, NCCI general manager of residual markets. "That is what everybody is trying to understand."

Negotiations with AIG concern the scope of the data the NCCI can access and confidentiality issues, Mr. Nau said.

Money for nothing?

Some states with monopolistic workers comp insurance markets question why they were included in a Feb. 9 settlement of American International Group's alleged misreporting of workers comp taxes and assessments. Below are amounts they are owed under the agreement.

State	Under payment or (over payment) of taxes	Interest for taxes	Total taxes plus interest due	Workers comp residual market assessments	Workers comp residual market total interest	Total assessments and interest
North Dakota	($5,541)	$0	**$0**	$535	$1,013	**$1,548**
Ohio	(730,792)	0	**0**	(66,801)	0	**$0**
Washington	(18,573)	0	**0**	18,125	45,429	**$63,554**
West Virginia*	12,191	14,335	**26,526**	9,991	13,924	**$23,915**
Wyoming	(15,773)	0	**0**	1,564	3,355	**$4,919**

* West Virginia had a monopolistic state workers comp system until Jan. 1.
Source: AIG settlement agreement with New York Attorney General Eliot Spitzer and the New York insurance superintendent

BNSF: Supreme court to rule on when work-related retaliation suits are valid

Continued from page 3

the change in function would not be regarded as retaliation, she said.

If the court determines in the BNSF case that the changing of the woman's position, which didn't result in a change in pay or benefits is adverse enough or retaliatory enough, "I think employers are going to have a lot of difficulty from ever taking some kind of altering position with an employee who has complained because that employee is immediately going to come back if they don't like it and say it's retaliation," Ms. Lajewski said.

"This case, depending on how the Supreme Court rules, could hamstring employers and make it much more difficult to make a personnel decision that adversely affects the employees and not be sued over it," said Gerald Maatman, a partner with Seyfarth Shaw L.L.P. in Chicago.

"This is a case that's going to, more likely than not, clarify what exactly the burden of proof is" in retaliation cases, he said. "Certainty is good and it's going to help with that, but it has the potential to tip the balance one way or another."

"The concern is they're going to strike down the doctrine of adverse employment action, which is going to throw the baby out with the bath water," said Andy Scott, a partner in the Atlanta office of Fisher & Phillips L.L.P. "This case has such extreme facts, they may find that the doctrine has to go and we're going to be back to where we were years ago where we were having to litigate over" trivial workplace dissatisfactions like desk sizes and office colors, he said.

Retaliation claims

The number of Title VII retaliation charges filed with the EEOC:

Year	No. of claims
1996	14,412
1997	16,394
1998	17,246
1999	17,883
2000	19,753
2001	20,407
2002	20,814
2003	20,615
2004	20,240
2005	19,429

The adverse employment action doctrine was instituted in many courts as a means to prevent the number of retaliation lawsuits involving those types of trivial claims, said Mr. Scott.

Although courts differ on what actually constitutes an adverse employment action, "it's been a very useful tool in reducing the length and expense of a lot of employment discrimination litigation and has probably deterred a lot of litigation in the first place," he said.

The case involves Sheila White, a forklift operator and the only woman working in the maintenance department at the Tennessee Yard of the Burlington Northern & Santa Fe Railway in Memphis, who complained to company officials in 1997 of alleged sexual harassment by her supervisor.

BNSF investigated the claims and suspended the supervisor. While informing Ms. White of the resolution of her internal claim, officials informed her she was being reassigned from her forklift position to a standard track laborer position, due to complaints from coworkers.

Ms. White's pay and benefits remained the same but her new job was more arduous and "dirtier" than the forklift position, court papers say.

Soon thereafter, Ms. White filed a sex discrimination and retaliation charge with the Equal Employment Opportunity Commission.

She filed a second retaliation charge with the EEOC two months later alleging a supervisor had placed her under surveillance and was checking on her daily activities, court papers say.

Seven days after filing the second EEOC charge, Ms. White was suspended for 37 days for alleged insubordination, but was reinstated to her track position with full back pay after an investigation, according to court papers.

She then filed suit in the U.S. District Court for the Western District of Tennessee in Memphis, alleging sex discrimination and retaliation in violation of Title VII.

In 2000 a jury returned a verdict in favor of Ms. White on her retaliation claim and awarded her $43,500 in compensatory damages. On appeal, a divided three judge panel of the U.S. 6th Circuit Court of Appeals ruled in favor of BNSF ruling that its temporary suspension and transfer of Ms. White to a different duty within the same job classification and with the same salary, title and seniority were not adverse employment actions sufficient to sustain a Title VII retaliation claim.

On appeal to the full appeals court, the court reversed its previous decision ruling that the job reassignment and suspension were indeed adverse employment actions.

"Taking away an employee's paycheck for over a month is not trivial, and if motivated by discriminatory intent, it violates Title VII," the court said in its 2004 opinion.

In a statement, BNSF said that if an employer can be held liable under the facts of this case "the end result would be that hundreds of regular management actions taken in workplaces across the country every day would be likely to end up in lawsuits. There has to be room in the U.S. legal system for the right balance between protecting an employee from retaliatory acts and allowing a business to operate safely and efficiently."

Ms. White's attorney Donald A. Donati of the Donati Law Firm L.L.P. in Memphis, could not be reached for comment.



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