

Business Insurance

RIMS 2008

DAILY NEWS & CONFERENCE COVERAGE

SAN DIEGO

NEWS IN BRIEF

[AT PRESS TIME]

Nevada regulator to retire this year

Nevada Insurance Commissioner Alice A. Molasky-Arman, one of the longest-serving state insurance commissioners and a strong backer of the state's alternative risk industry, will retire in September. In her 13 years as Nevada's top insurance regulator, Ms. Molasky-Arman was involved in many key issues, including in 2005 backing legislation that slashed the annual fee out-of-state risk retention groups paid to operate in Nevada by about 90%.

HRH unit suing former exec

A unit of Hilb Rogal & Hobbs Co. is suing a former executive for allegedly taking at least one HRH client with her when she resigned last year to join competitor Lockton Cos. L.L.C. HRH of Metropolitan Washington Inc. filed suit in U.S. District Court in Greenbelt, Md., against Anita M. Niemeyer, a former HRH senior vp and account executive who quit the Rockville, Md.-based broker last

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Questions Answers



Tim DeSett of Lockton Cos. L.L.C. discusses how the subprime mortgage meltdown and resulting credit crunch is affecting the property/casualty insurance industry, and how risk managers need to react.



'I can tell you that the old cliché that "luck is preparation meeting opportunity" really rings true.'

Janice Ochenkowski

RIMS President Janice Ochenkowski addresses attendees during the general session Monday morning.

RIMS president urges professional growth

By **SALLY ROBERTS**

Risk management is growing in importance not only in corporate America but also globally. Are you ready?

As the risk management function grows within your organization, will you move up with it? Do you want to? Are you prepared to?

Those were some of the questions and challenges posed by Janice Ochenkowski, president of the Risk & Insurance Management Society Inc. during Monday morning's opening general session that started the 2008 RIMS conference in San Diego.

"I can tell you that the old cliché that 'luck is preparation meeting opportunity' really rings true," Ms. Ochenkowski said. "During this

conference and the year ahead, RIMS will provide you with the tools for preparation. Opportunity? You have to look for that one yourself," she told a crowded room of risk management professionals.

Ms. Ochenkowski, who also is a managing director at Jones Lang LaSalle Inc. in Chicago, said that one of the most important lessons she's learned is that risk managers need to align themselves with, and to really understand, the business of their business. "I need to understand real estate and financial services," she said. "Sure, I have to understand the basics of insurance and risk management, but I can rely on my broker and underwriting experts for the details. My com-

See **OPENING** page 8

RIMS honors members for achievements

By **JOANNE WOJCIK**

Some of the best and brightest of the risk management community received special recognition during two separate awards ceremonies held on Monday during the 2008 Risk & Insurance Management Society Inc. conference.

"It's the personal commitment that they've made that makes the society a valuable resource for all of our members," RIMS President Janice Ochenkowski said during a luncheon ceremony Monday.

Diane Wolfson, director of risk and insurance at Montreal-based CAE Inc., a manufacturer of civil flight simulators, received the Harry & Dorothy Goodell Award, RIMS' highest honor, in recognition of her dedication to advancing the risk management profession over the course of her more than 30-year career.

Named in honor of RIMS' first president, Harry Goodell, the award

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Diane Wolfson of CAE Inc. receives the Harry and Dorothy Goodell Award.

INSIDE

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AWARD-WINNING RISK MANAGERS CELEBRATED / PAGE 3

AUTHOR GARDNER INSPIRES WITH LIFE STORY / PAGE 4

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Sessions cover host of topics

By REGIS COCCIA

MS-goers wishing to learn more about topics from leadership to innovation to Asian supply chain risks can do so by attending one of the Strategic Partner Sessions at the Risk & Insurance Management Society Inc. annual conference and exhibition.

The sessions, hosted by five industry organizations, will take place Tuesday, April 29, from 2:15 to 3:45 p.m. in the San Diego Convention Center. They are:

- American International Group Inc.: "How AIG Helps Customers Manage the Risks of Climate Change and Going Green," Room 30B.

- Aon Corp.: "Innovative Solutions from Aon's Client World," Room 30C.

- Marsh Inc.: "Risk Finance Optimization and Strategic Planning: How to Optimize Return on Capital Employed on Risk Transfer," Room 29C.

- Willis Group Holdings Ltd.: Joe Plumeri's Passionate Principles of Leadership," Room 28A-D.

- Zurich Financial Services Group: "Supply Chain Challenges—Focus on Asia," Room 31B.

Scheduled speakers include senior executives and risk managers from the organizations.

"Leadership is all about getting people to do things differently so they can grow," Joe Plumeri, chairman and chief executive officer of Willis, told *Business Insurance*. He defines a leader as "somebody who makes a difference in somebody else's life," contrary to societal views of leadership as hierarchical, and who helps take people to new places by creating a vision. "Leaders make big deals out of little things—because the smallest things can be important to a lot of people or your company," he said.

Aon's panel will feature case studies and other presentations from risk manager clients to explain how they are using technology to drive down costs and

RISK MANAGER OF THE YEAR

&

RISK MANAGEMENT HONOR ROLL

HONOREES: Risk Management Honor Roll members Jeffrey F. Driver, far left, and Mark A. Meyerhoff flank Risk Manager of the Year Scott H. Beckman. The awards were presented by Regis Coccia, editor of *Business Insurance*, at a Monday luncheon.



Risk management scholarships funded

By SALLY ROBERTS

The Spencer Educational Foundation Inc. on Monday announced that it will award approximately \$266,000 in scholarships to 36 undergraduate, graduate and doctoral students studying risk management and insurance in 2008.

That amount is well below the record-setting 57 scholarships worth about \$400,000 that Spencer awarded last year, Donna L. Galer, chairwoman of Spencer's board of directors, noted at a press confer-

ence Monday afternoon at the Risk & Insurance Management Society Inc.'s annual conference.

The drop in scholarships, Ms. Galer said, is not an indication of fewer contributions being made to the foundation but rather reflects budgeting issues. "My first goal is to be fiscally responsible," Ms. Galer said. "I did not want to budget for things we couldn't afford."

She noted that Spencer didn't know at the time that it set its 2008 budget that it would receive the number

and amount in contributions that it has this year.

For example, Spencer in January received the largest single contribution in the foundation's 29-year history when Factory Mutual Insurance Co.—which does business as FM Global—pledged \$525,000 to the foundation.

"It was a wonderful, huge surprise," Ms. Galer said.

She noted that some of the money is earmarked to fund grant requests for creating course curricula at universities around the world, to ensure the development of risk managers who understand the value of engineering in loss

\$266K

STUDIES: The Spencer scholarship award total fell significantly in 2008.

See **STRATEGIC** page 8

See **SPENCER** page 8



Christopher Gardner signs copies of his book "The Pursuit of Happiness" after his presentation.

Gardner—whose own father abandoned him when he was a child—was focused on caring for his infant son.

Although Mr. Gardner and his son were for a time forced to move from shelter to shelter, carrying all of their possessions on their backs, "my son never knew we were homeless," he said.

Mr. Gardner said the reason his book, "The Pursuit of Happiness," became a best-seller and a box office hit starring Will Smith was its universality.

The story really wasn't about him, but rather, "about every father who had to be a mother...and every person who had a dream that didn't quit," he said.

"Somebody else in this room made the same decision," Mr. Gardner said to an emotional audience that gave him a standing ovation at the conclusion of his speech.

Following the presentation, hundreds of audience members inspired by Mr. Gardner's remarks quickly lined up to meet him in the RIMS exhibit hall, where he signed books until the 251 copies that were stacked up in the RIMS booth were gone.

Tale of struggle, success inspires RIMS attendees

By JOANNE WOJCIK

Best-selling author Christopher Gardner's personal story of overcoming obstacles and mustering up the motivation to achieve success captivated those attending the opening session of the 2008 Risk & Insurance Management Society Inc. conference and exhibition on Monday.

Mr. Gardner overcame poverty, homelessness and a lack of education to become a successful stockbroker in San Francisco in the mid-1980s. But although becoming wealthy was one of his objectives, the accomplishment Mr. Gardner said he is most proud of is having broken the cycle of men abandoning their children. Throughout his struggles, Mr.

SESSION SPOTLIGHT

Captive insurers ripe for expansion into less conventional lines: Panel

By KRISTIN GUNDERSON HUNT

Risk managers with successful captives that cover mainstream risks are well-placed to use the facilities to cover less conventional exposures, a panel of experts said.

After companies have built up capital in their captives through covering general liability or property risks, they can consider less conventional captive risks such as credit risks and long-term disability, said

Richard Wright, senior vp of captive consulting in Florham Park, N.J., for Willis Group Holdings Ltd., during a session at the Risk & Insurance Management Society Inc.'s annual conference.

"A captive evolves with more capital," he said. "Once you form a captive for the legitimate purposes, it gets easier to add other" risks.

Howard Edelstein, director of risk management for Sealed Air Corp. in Elmwood Park, N.J., said

over the years his company's captive has been expanded to cover auto liability, products liability and goods-in-transit risks. The organization is currently considering taking on long-term disability, group life insurance and credit risks.

Mark DeLillo, North American risk manager for Taylor Morrison Inc., a home building company in Bradenton, Fla., said his company is considering

See CAPTIVES page 8

**heard
onthestreet**

[VIEWS FROM RIMS]

Q: How does RIMS help you do your job?



Anthony M. Black

Director of risk management
Cameron International Co.
Houston

"The most important thing is the ability to make contacts with a lot of people from a lot of different areas of risk management all in one location, all eager to talk to other people and it makes it really convenient to do that."



Dave Dolnick

Risk manager
The Brady Cos.
La Mesa, Calif.

"It provides a platform to meet other practicing risk managers that we can share ideas and exchange thoughts. I can learn from their mistakes, they can learn from mine."



Michael R. Bishop

Manager of insurance
The Mosaic Co.
Plymouth, Minn.

"It gives me valuable networking opportunities and information about what is going on in the insurance market, so that coming into each renewal I'm more educated than I would be if I wasn't a member of RIMS."

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Questions & Answers

The subprime mortgage crisis has had a significant effect on the U.S. financial markets. Tim DeSett, a senior vp at Kansas City, Mo.-based Lockton Cos. L.L.C. who heads the broker's Financial Solutions Advisory team, discusses how the resulting credit crunch is affecting insurer solvency and risk financing transactions involving collateralization.

Credit crunch brings changes to property/casualty industry

Q: What is happening in the credit markets right now?

It's no secret that credit markets have tightened. Banks and other financial institutions have turned to shoring up their capital reserves. This has put capital at a premium. Not only has this impacted corporate borrowing but also the investment activity in the private equity arena. How much this will impact counterparty credit transactions is uncertain right now.

Q: How will this affect property/casualty insurance programs?

While a few carriers suffered valuation losses from certain investments, major insurers remain financially sound.

The casualty market continues to soften, with carriers offering attractive terms and conditions. However, carriers are re-examining their credit portfolios.

Decisions take longer, more information and due diligence are required, carriers are asking more questions and even requiring more sign-offs, sometimes by carrier credit committees.

Letters of credit and trust accounts are the preferred form of collateral. Equities, surety bonds and other collateral alternatives have become more difficult to arrange.

Q: So what should risk managers be doing in this tricky environment?

Today, more than ever, a smart risk manager has to align closely with the company's chief financial officer and be prepared with risk financing options.

The risk manager should have a clear picture of what their current and past carriers will need for collateral and how that will impact their company's credit, cash and tax strategies.

If there are questions about their company's financial strength or degree of leverage, it needs to be addressed proactively and in an effective manner.



Gaslamp Quarter sushi restaurant Taka is a local favorite.

localFLAVOR

[81 RECOMMENDS]

Taka

555 Fifth Ave., San Diego
619-338-0555

In a city where sushi restaurants are about as common as street lights, Taka stands out as a more upscale and awarding-winning version of this San Diego staple.

The Japanese restaurant features an array of specialties and chef's creations alongside the maki rolls, sushi and sashimi offerings. Ask locals and they'll point to Taka as the freshest sushi spot.

The menu is constantly changing to keep options fresh. For a unique sushi experience, the specials board is the place to look for tasty combinations (\$10 to \$30).

A lobster maki roll (\$25), the special on most days, surely will be the last bite you'll fight over. On the regular menu, a sashimi combination platter (\$48) is a way to enjoy a little bit of everything.

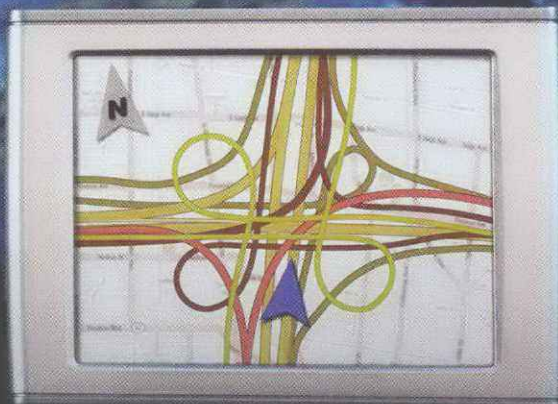
For those who aren't into raw Taka also offers more well-done menu featuring a filet mignon seasoned with Asian spices (\$25), seared halibut in citrus (\$19) and other dishes.

aboutTOWN

[SAN DIEGO FACTS]

As part of Spain's settlement efforts, Father Junípero Serra established the first in the chain of 21 coastal missions, Mission San Diego de Alcalá, in 1769. When Mexico won independence from Spain in 1834, the mission was put in private hands. From 1850 to 1862 the U.S. Army occupied the buildings, which Congress returned to the Catholic Church in 1931.





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Opening: Focus on growth

CONTINUED FROM PAGE 1

pany should see me as one of them, not as an in-house insurance person," she said.

Ms. Ochenkowski said that "none of this works in a vacuum" and encouraged risk managers to work within the framework of their own organizational structure.

"If you contribute and communicate it internally and externally, your value to your organization will be noted and you will be an important part of your organization's team," she said.

Toward that end, RIMS will be unveiling its new Risk Management Professional Growth Model guide Tuesday afternoon at its booth in the exhibit hall, Ms. Ochenkowski said.

Last year, she chaired the RIMS Quality Advisory Council with identifying characteristics of a quality risk manager, the necessary skills for job performance and the resources needed for the evolving stages of a risk management career.

What came back "far exceeded" her expecta-



'If you contribute and communicate it internally and externally, your value to your organization will be noted and you will be an important part of your organization's team.'

Janice Ochenkowski, RIMS

tions, she said. "We all have the basic ability. Now, RIMS is providing us with a guide for improving ourselves," she said.

Also during the morning session, Mary Roth, RIMS' executive director, gave some insights into other recent developments at the society and initiatives on the horizon.

Ms. Roth noted for example that RIMS late last year "made a milestone commitment" to the enrichment of risk management education and development for the future of the risk management industry with a \$300,000 contribution to the Spencer Educational Foundation and a \$30,000 pledge to the William H. McGannon Foundation in Canada.

Both foundations work to develop risk management education and provide scholarships.

Additionally, RIMS will launch a new Web site in a few weeks, Ms. Roth said. In addition to reorganizing content and enhancing "the user friendliness" of the site, RIMS also will be adding "fun new" online socializing options for risk managers.

The society also will be hosting its first-ever virtual conference and exposition in November, where participants

can attend sessions, walk through an exhibition hall and attend networking events all online, Ms. Roth said.

Spencer: Funds set for scholarships

CONTINUED FROM PAGE 3

prevention, which is a new focus for Spencer.

The remaining funds will go toward annual FM Global Scholarship awards for students pursuing a degree in risk management.

Earlier this month, RIMS' Atlanta chapter pledged \$100,000 for a scholarship honoring the founder of the University of Georgia risk management program, Edgar J. Leverett.

And at the press conference, Ms. Galer announced that Spencer had received a \$100,000 donation from Zurich Financial Services Group and a \$30,000 commitment from Transatlantic Reinsurance Co., a first-time Spencer donor.

"When we do our budget in the fall for '09, I'm sure the budget will be much richer for the education committee," she said.

In addition to increasing the budget, Ms. Galer said she hopes the foundation will consider raising the amount of money in the scholar-

ships as well. Spencer now gives out \$5,000, \$7,500 and \$10,000 scholarships.

Ms. Galer said that she had not yet received a figure for the total sum of money raised by the various sporting events Sunday.

She noted, though, that due to new, competing activities—namely the Community Service Day—participation in its largest fundraiser, the annual Spencer/Gallagher Golf Tournament, was down significantly this year.

She said that she has asked the Spencer board to come up with ideas to try and "reinvigorate" those fund-raising events.

Also in an effort to increase its fundraising activities, Spencer has named P. Richard Hackenburg, a former Spencer chair and retired risk manager of FOJP Service Corp. in New York, to the new position of development director.

In addition, Spencer also elected two new directors to its board Tuesday: Andrew L. Miller, director of corporate communications for GAB Robins Global Group of Cos., and Brion Callori, vp and operations manager of FM Global's New York operations.

It also named Craig Van der Voort, vp of market relations at Arthur J. Gallagher & Co. and former Spencer treasurer, to the new position of vp.

Session: Captive expansion eyed

CONTINUED FROM PAGE 4

adding surety risks, homeowners insurance and extended warranty risks to its captive.

The panelists said that after seeing the cost savings they achieved on traditional captive risks, they looked into other areas where insurance costs were high or where they might be able to offer third-party coverage while mitigating the risk of offering the coverage through their captives—such as Taylor Morrison's consideration of offering homeowners insurance.

Mr. Edelstein said it is important to be creative and brainstorm how to make different uses of captives in order to maximize their value.

The panelists said regular meetings with colleagues in accounting, finance, and operations as well as outside sources such as brokers, consultants, tax advisers, captive managers and actuaries are helpful in determining viable uses for a captive.

Navigating barriers to integrating less conventional risks into captives, however, can be challenging, Mr. DeLillo said. Adequately evaluating the possibilities is critical to making the right decision, he said.

Convincing leadership is the next challenge, Mr. Wright said. But once senior executives see how effective captives can be, management buy-in is less of an issue, said.

Strategic: Range of topics planned

CONTINUED FROM PAGE 3

improve efficiency, according to Kathleen Burns, CEO of Aon eSolutions. The panel's second half will include clients discussing recovery from losses in various categories and a fleet safety program.

AIG will discuss insurance and risk management issues in climate change and energy trends. Marsh will examine allocation of capital in risk-financing programs and Zurich's panel will explore risks and opportunities of supply chains in China, India and other countries, with input from senior Zurich executives as well as risk managers.

'Leadership is all about getting people to do things differently so they can grow.'

Joe Plumeri, Will



RIMS leaders congratulate the 2008 award winners at the awards luncheon held Monday afternoon.

Awards: Members honored

CONTINUED FROM PAGE 1

...s tribute to an individual who has furthered the goals of the organization and the risk management discipline through outstanding service and achievement.

A RIMS member since 1983, Ms. Wolfson was on the executive council that launched the associate membership category and is a founding member of the William H. McGannon Foundation for Advanced Risk Management, which

was launched by Canadian RIMS to provide research grants, academic awards and scholarships to working risk managers seeking to further their education.

Ms. Wolfson graciously accepted her award, addressing the audience alternately in English and in French, during Monday's breakfast. "I am absolutely thrilled to receive this award from my peers," she said.

"When I heard that I was to receive this award, I was stunned," she said. "My first thought was that it seems funny to receive an award for doing something that you really love doing and that brings you tremendous personal satisfaction."

The society recognized other outstanding risk management professionals during a luncheon awards ceremony held Monday afternoon.

Charles Magazine, risk manager for the City of Boynton Beach, Fla., and president and external affairs chairman of the RIMS Palm Beach Chapter, received the Richard W. Bland Memorial Award, which was created by the Kansas City Chapter in 1974 to recognize outstanding performance by a deputy member

of RIMS who has impacted the risk management industry in the areas of legislation or regulation.

The Ron Judd "Heart of RIMS" Award was presented to Margaret Accordino, director of risk management at National Financial Partners Corp. and vp and director of RIMS' New York Chapter. The award, which recognizes the legacy left by Ron Judd, who served as RIMS executive director for 22 years, honors individuals who are nominated by chapters for their outstanding performance in furthering risk management at the chapter level.

This year's Cristy Award, which recognizes the individual who earned the highest score on the three examinations required to earn the Associate in Risk Management designation, went to Debra Hinton, assistant director of risk management at the University of Virginia in Charlottesville.

RIMS also acknowledged the outstanding work of several chapters during Monday afternoon's awards ceremony. For a complete list of RIMS chapter award winners, visit www.rims.org.

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(while supplies last)



NEWS IN BRIEF

[AT PRESS TIME]

CONTINUED FROM PAGE 1

October. According to the complaint, Ms. Tiemeyer began making plans to leave HRH in August 2007 and contacted at least one client—Baltimore-based MMA Financial Inc., an affordable-housing finance company—about following her to a new employer. HRH charges that Ms. Tiemeyer violated a “nonpiracy and nondisclosure agreement” she signed while at the brokerage.

Lexington boosts SAFETY Act cover

Lexington Insurance Co. has doubled the capacity on its SAFETY Act Homeland Protector product liability insurance to \$50 million, the American International Group Inc. unit announced Monday. It also has increased capacity for the professional liability insurance offered under the same policy to \$25 million from \$15 million. The coverage provides product and professional liability insurance for companies that develop and sell antiterrorism products and technologies in accordance with the Support Anti-terrorism by Fostering Effective Technologies Act of 2002.

Ironshore to write E&S business in N.Y.

Ironshore Insurance Ltd. said Monday that it will now provide commercial property and catastrophe insurance on an excess and surplus basis for all risks located in New York state. Hamilton, Bermuda-based Ironshore is an approved E&S insurer in 35 states and the District of Columbia.



WATCH

See video interviews with RIMS President Janice Ochenkowski and Executive Director Mary Roth at www.businessinsurance.com.



... as seen at **RIMS** PHOTO BY MICHAEL MARCOTTE

PARTY: RIMS' 2008 Opening Reception took on an aquatic theme.

Big companies better equipped to handle risks overseas: Chubb

By **MARK A. HOFMANN**

Companies with annual revenues of less than \$1 billion are about 50% more likely than their larger counterparts to experience a loss of corporate assets outside the United States or Canada due to liability lawsuits, theft of intellectual property and theft of goods in transit, a report shows.

Chubb Corp.'s “Multinational Risk Survey” polled risk managers and other executives at 212 companies.

“Larger companies often have the resources needed to take the global patchwork of different laws and languages, currencies and styles of conducting business and create corporate risk management standards throughout the world,” Kathleen Ellis, senior vp of Chubb & Son and worldwide manager of the Multinational Risk Group for Chubb Commercial Insurance, said in a statement.

The nature of overseas threats has changed since last year, though, according to the Warren, N.J.-based insurer.

This year, respondents said that the top three threats to their business operations or business conducted outside the United States and Canada are: currency risk, cited by 23%; supply-chain failure, cited by 16%; and credit risk, cited by 13%. In the 2007 survey, the top three threats were terrorism, natural catastrophes and political instability.

25%
OVERSEE: One-quarter of surveyed companies are introducing procedures to qualify suppliers.

In addition, the survey found that 39% of companies acquired products and product components from foreign suppliers, while 41% percent expect to increase the amount of imports in 2008.

While most respondents—85%—said their organizations had not been affected by defective products from China and elsewhere, 41% of all respondents said they are taking steps to avoid products liability risks.

Twenty-five percent of all respondents are introducing procedures to qualify suppliers, while 13% are testing products and 10% are requiring suppliers to obtain products liability insurance in the United States or Canada, the survey found.

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- Comprehensive coverages that include property, casualty, professional, marine and environmental
- Dedicated risk control engineering and claims services
- Local access to our global capabilities in 80+ countries

Our focused solutions are delivered by our in-house team of energy experts who are inspired to provide exceptional knowledge and extraordinary service.

With our comprehensive products and services, market experience, financial strength and stability, we offer the technical support and convenient access you need to solve your most complicated risk management challenges.

The XL Insurance companies have one or more of the following ratings:

A+ by S&P, A (Excellent) by A.M. Best, A1 by Moody's.

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